



Q2 Interim report 2013/2014

January 1 2014 - March 31 2014

CEO Lars Marcher

CFO Michael Højgaard

Agenda

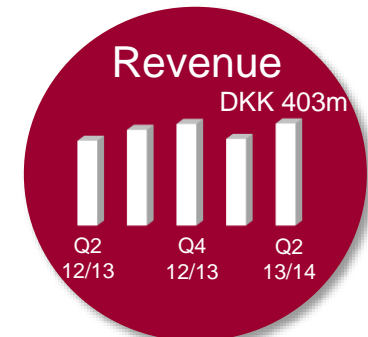
- Q2 Highlights
- Business trends
- Growth drivers
- GPOs
- Financials
- Outlook
- Q&A

Disclaimer

Forward-looking statements, especially such relating 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 of the company to differ materially from the expectations contained in this presentation. Factors that might affect such expectations include, among others, changes in healthcare, in the world economy and in exchange rates.

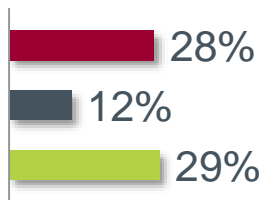
Q2 Highlights

- 20% revenue increase; organic growth of 8%
- 40% increase in aScope 3 sales compared to previous quarter
- Double-digit growth in Europe and Rest of the world
- Cost effectiveness improved
- EBIT increased by 30%
- Acquired Pain Pump technology
- Full-year outlook maintained



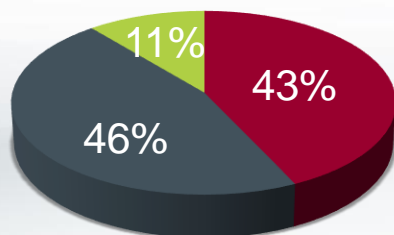
Double-digit organic growth in Europe and Asia

Q2 growth rates



- North America
- Europe
- Rest of world

Q2 revenue split



North America

- Organic growth of 4%
- Improved competitiveness due to scale and stronger product portfolio
- Launch of key growth-drivers in the works

Europe

- Organic growth of 11%. Strong aScope 3 sales
- Introduction of King products
- Stabilizing market conditions

Rest of the world

- Continued strong momentum
- Strong growth in China and South America
- Organic growth of 14%

Anaesthesia is driving growth

Anaesthesia

- Organic growth of 16%
- Strong development in sales of aScope 3
- Synergies from cross-selling
- Good development in King sales

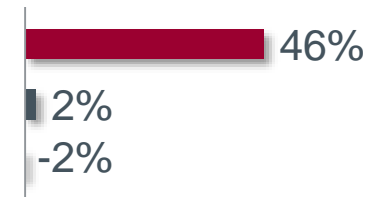
Patient Monitoring & Diagnostics

- 3% organic growth, above market
- Increasing contribution from US sales force
- Southern Europe is regaining momentum

Emergency Care

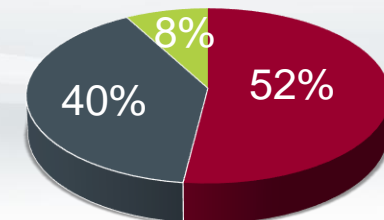
- Steady business and based on project sales
- Strong margins

Q2 growth rates



- Anaesthesia
- PMD
- Emergency Care

Q2 revenue split



Growth drivers - status

aScope 3

- Strong uptake of aScope 3 in all markets
- Launch in USA in Q3 to selected hospitals
- Investment in additional production capacity

King Vision

- Launch of aBlade in Q3 opening up the hospital market in addition to emergency care
- Introduction of pediatric sizes later this year

Laryngeal masks

- Taking significant market share in USA
- Gaining access to GPO contracts
- Launching new version of AuraGain

Pain pumps

- Acquired IP rights from manufacturer
- Superior product in high growth market
- Recently selected as supplier by two GPOs

GPO contracts

- Three major GPO contracts awarded in the last 12 months.
- Multiple opportunities due to strong product offering

Growth drivers – aScope 3



aScope 1

(2009)

- Concept planted
- Technology not ready



aScope 2

(2011)

- Concept accepted
- Valuable in-use insights gained



aScope 3

(2013)

- Needed improvements developed
- Strong demand from practitioners

Launch insights
by Q2 2013/14

- Strong rebuy-rate in launched countries
- Price points accepted
- Technology validated and proven
- Additional production capacity required
- Well received by practitioners

Growth drivers – aScope 3

- Market feedback very encouraging

“We have established aScope successfully in the anesthesia department and don’t use reusable bronchoscopes anymore”
Anesthesia Head Nurse, Germany

“We need it and we want it. I’ll write you a cheque, is that ok?”
Surgeon, UK

“It’s a well-established and proven tool in our daily routine for fiberoptic intubation”
Doctor, Germany

“The BIG difference now is that our customers are really, really impressed with aScope 3 and we are actually taking business from the big boys”
Sales Manager, UK

“New reusable bronchoscope – very cheap and modern”
Pulmonologist posting aScope 3 picture on his facebook, Denmark

“The feature for picture and video documentation is a “must have” in our daily routine”
Doctor, Germany

“I want all anesthesia departments in my hospital group to have this device”
Chief anesthetist, Small German GPO

“Actually, once you have demonstrated aScope 3 to a doctor, others then hear about it, so it’s actually word of mouth which is extremely positive and sets the ball rolling, and I am very excited about the continuation of the aScope success story”
Sales Manager, UK

“The camera is phenomenal, much better than I expected”
Doctor, US

Growth drivers – AuraGain

- Ambu's 3rd gen. laryngeal mask to open up high-end market

AuraGain key features

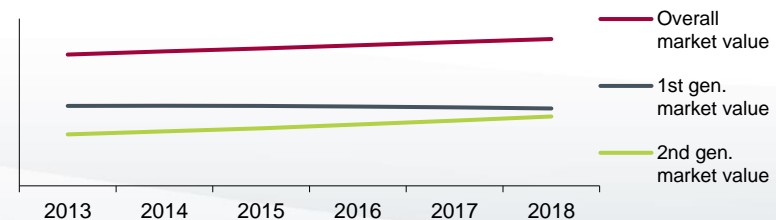
- Gastric access (2nd gen. market capability)
- Intubation capability (unique capability)
- High seal pressure
- Integrated bite absorption
- Rapid placement



Laryngeal mask market

- 1st gen. market showing low single-digit growth
- 2nd gen. market showing double-digit growth
- Significant higher ASP in 2nd vs 1st gen. market
- 1st gen. market is today ~80% of market volume

Laryngeal mask market value development



AuraGain is the obvious and safe choice for every procedure where a laryngeal mask is indicated

Growth drivers – Pain Pump

Market info

- US market size is more than **3m units**. Ambu market share **~1%**.
- Same call points and customers as most of our other anaesthesia products
- Pain pump market still in its infancy. Currently only a US market

Market dynamics

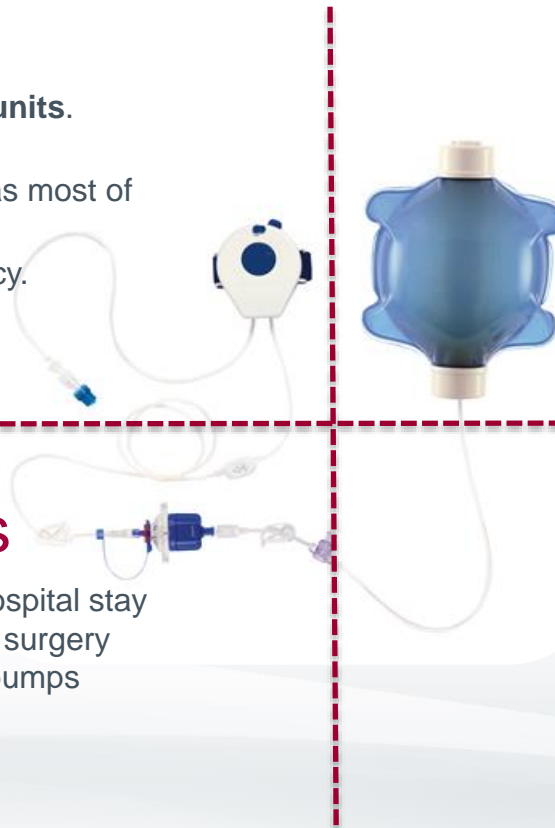
- Pressure on reducing length of hospital stay leads to high growth in outpatient surgery
- Conversion from opioids to pain pumps post-operative

Product advantages

- Faster patient discharge and decreased need for narcotics during treatment
- Reduces post-operative risk from side effects of opioids
- Superior consistency performance against competitive products proven in two clinical studies

Competitive landscape

- Competitor “Iflow” is clear market leader
- Several players have left market due to product and strategy issues



GPOs

What is it

- Group Purchasing Organisations are used by IDN's* and hospitals to negotiate price and to get the best product assortment
- Increasing dominance of GPOs. They work with relevant suppliers of size
- Largest players are Premier, Novation, MedAssets and HPG. Contracts awarded typically have a duration of 3 years and a stable ASP
- Upward pressure from hospitals to get access to new innovative and cost saving products

How we do it

- Expansion of product portfolio to improve relevance
- Full control of value chain to ensure quality and logistics
- Dedicated GPO sales-force targeting GPOs and IDNs
- Direct sales force targeting hospitals to secure conversion on awarded contracts => hospital demand creating upward pressure on GPOs

Having the right products and organisation is key to
expand GPO business

- Use upward pressure from hospitals on new products to get existing Ambu products on GPO contracts.
- Utilize that we are a one-stop provider in contrast to our competitors on the anaesthesia disposables call-point.

Financial results

DKKm	Q2 13/14	Q2 12/13
Revenue	403	335
Gross profit	195	163
Gross Margin (%)	48.4	48.7
Capacity costs	(148)	(127)
EBIT before special items	47	36
EBIT-margin before special items (%)	11.7	10.7
Special items	0	(27)
Financials, net	(6)	(5)
Net result	30	3

DKKm	Q2 13/14	Q2 12/13
Cash flow from operations	37	44
Cash flow from investments	(11)	(17)
Free cash flow	26	27

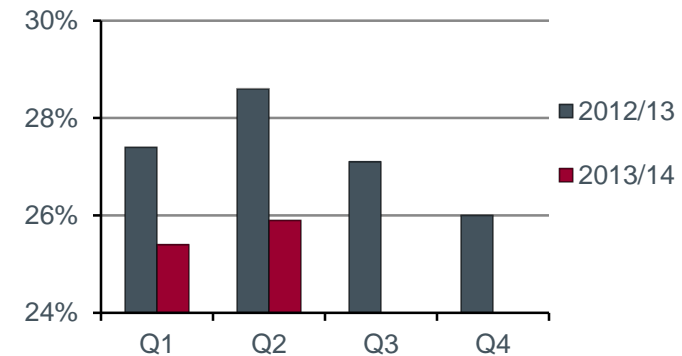
- Organic growth of 8% in Q2
- Gross margin of 50% for 1H
- Cost ratio improved compared to Q1 and LY
- Profitability significantly increased vs. Q1
- Solid free cash flows
- Payment of interest on bonds with DKK 23m
- Free cash flow in Q2 includes DKK 4m of special items

Balance sheet

DKKm	Q2 13/14	Q2 12/13
Total assets	1,925	1,986
Working capital	394	422
Net Interest Bearing Debt (NIBD)	729	781
Gearing (NIBD/EBITDA b.s.i.)	3.0	3.9

- Working capital continuing at improved lower level
- Solid bond financing at attractive interest rates
- Sufficient credit facilities to cover current plans
- Gearing expected to be 2.5 at end of fiscal year

NWC to 12 months Revenue*



* Pro forma adjusted for King Systems

Full-year 2013/14 outlook is maintained

	Guidance	Assumptions
Revenue	~DKK1.6bn	<ul style="list-style-type: none"> • Continue to gain market shares • Cross sales King Systems-Ambu products • Launching new and higher-margin products
Organic growth	~5-7%	<ul style="list-style-type: none"> • Ambu will continue to outgrow markets
EBIT-margin	~12-14%	<ul style="list-style-type: none"> • Global efficiencies • Price pressure • DKK 40m synergies from King Systems
FCF before acquisitions	DKK 100-120m	<ul style="list-style-type: none"> • Before payment of special items accrued in 12/13 • Strong focus on managing working capital
Gearing (NIBD/EBITDA)	~2.5	<ul style="list-style-type: none"> • Continued reduction of working capital and improved EBITDA

Quarterly improvements as per plan from Q1 to Q2 is supporting the FY outlook

In summary

- Full year target on plan
- Our growth drivers show solid progress in the countries where launched
- We are well-positioned to accelerate growth with the current product launches
- Improved cost percentage and NWC
- Synergies from acquisitions are materializing



Ambu
Ideas that work for life

Q&A



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