

Release no. 9-2005/06
31 August 2006

Report for Q3 2005/06 (1 April - 30 June 2006)

Sales of the newer products are increasing as planned. In Q3, EBITA was DKK 21m – an 11 per cent increase relative to the same period in 2004/05. The free cash flow has increased to DKK 19m. Ambu still expects revenue in the region of DKK 720m and EBITA in the region of DKK 90m in 2005/06.

- In Q3, revenue was DKK 173m against DKK 170m in Q3 2004/05, up 2 per cent (2 per cent reported in local currencies). In the period 1 October 2005 to 30 June 2006, revenue increased by 7 per cent (5 per cent reported in local currencies) to DKK 513m.
- Revenue within the strategically most important business areas – Respiratory Care, Cardiology and Neurology – increased by 6 per cent (6 per cent reported in local currencies) in Q3 2005/06.
- Sales of new products increased by 15 per cent in Q3 relative to Q2 and are developing as expected. The growth is attributable, in particular, to continued favourable sales trends within laryngeal masks and the ventilation products SPUR II and Mark IV.
- In autumn 2005, legal proceedings were instituted against Ambu by the British company LMA before a German court with a claim being set up that Ambu with its laryngeal mask had infringed a German patent on a minor product detail. According to a recently passed judgment, Ambu is infringing the German patent in the German market. Ambu has already developed a new version of the laryngeal mask with the same unique properties, and this version is ready for sale in the German market. Regardless of the final outcome of the case, it is not expected to have any significant impact on revenue or earnings.
- Operating profit before amortisation of goodwill (EBITA) was DKK 21m in Q3 against DKK 19m in the same period last year. In the period 1 October 2005 to 30 June 2006, EBITA increased to DKK 51m against DKK 45m in the same period last year, up 13 per cent.
- Profit before tax was DKK 16m in Q3 against DKK 15m in the same period last year. In the period 1 October 2005 to 30 June 2006, profit before tax was DKK 43m against DKK 33m in the same period last year, up 30 per cent.

- The free cash flow totalled DKK 19m in Q3 2005/06 against DKK 4m in the same period last year. In the period 1 October 2005 to 30 June 2006, the free cash flow was DKK 35m against DKK 1m in the same period last year.
- For FY 2005/06 (1 October 2005 - 30 September 2006) as a whole, revenue is expected to be in the region of DKK 720m, and operating profit (EBITA) is expected to be in the region of DKK 90m. Profit before tax is expected to be in the region of DKK 80m. Furthermore, a positive free cash flow is expected.

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Ambu develops, produces and markets diagnostic and life-supporting devices to hospitals and rescue services. Ambu has five business areas: Respiratory Care, Cardiology, Neurology, Training and Immobilization. The most important business areas are Respiratory Care, Cardiology and Neurology, and the most important products in these areas are ventilation products for artificial respiration and single-use electrodes for ECG recordings and neurophysiological examinations. Ambu's products are sold worldwide. Exports account for 98% of sales, and sales are handled via Ambu's foreign subsidiaries or via distributors. Ambu has approx. 1,150 employees, of whom approx. 350 work in Denmark and 800 abroad.

Financial highlights

DKKm		Q3 2005/06	Q3 2004/05	Year-to-date 2005/06	Year-to-date 2004/05	FY 2004/05
Key figures	Revenue	173	170	513	481	654
	Gross profit	90	89	265	249	341
	Capacity costs	(69)	(70)	(212)	(204)	(271)
	Other operating income/expenses	-	-	(2)	-	(2)
	Operating profit before amortisation of goodwill (EBITA)	21	19	51	45	70
	Operating profit (EBIT)	21	18	51	39	61
	Net financials	(5)	(3)	(8)	(6)	(8)
	Profit before tax (PBT)	16	15	43	33	53
	Consolidated profit	12	10	30	24	38
	Total assets, end of year	655	621	655	621	658
	Equity, end of year	364	335	364	335	349
	Share capital	118	118	118	118	118
	Investments in fixed assets and acquisitions	5	15	30	32	58
	Depreciation and impairment, fixed assets	9	10	28	30	45
	Cash flows from operating	26	19	66	33	40
	Free cash flow	19	4	35	1	(15)
	Average no. of employees	1.142	1.305	1.142	1.305	1.280
Ratios	EBITA margin, %	12,1	11,4	10,0	9,4	10,4
	EBIT margin, %	12,1	10,4	10,0	8,2	9,3
	Return on assets, %	12,8	11,5	10,5	8,5	9,2
	Return on equity, %	13,0	12,3	11,1	9,4	11,3
	Equity ratio, %	56	54	56	54	53
	Profit per DKK 10 share	1	1	3	2	3
	Cash flow per DKK 10 share	2	2	6	3	3
	Equity value of shares	31	28	31	28	30
	Share price, end of year	97	138	97	138	106
	Listed price/equity value	3,1	4,9	3,1	4,9	3,6
	P/E ratio	24	40	28	52	33
	CAPEX, %	2,9	8,8	5,8	6,7	8,9
	ROIC, %	10,4	10,5	8,7	8,4	9,2

The accounting figures for 1 October 2005 to 30 June 2006 have not been audited.

The company has applied the international accounting standards, IFRS, as the basis for its financial reporting as of FY 2005/06. The quarterly announcement has thus been prepared in accordance with the provisions of IFRS on measurement and recognition as well as other Danish requirements with regard to the presentation of financial statements by listed companies. The transition to IFRS means that goodwill is no longer amortised according to the straight-line method. The amortisation is replaced by an impairment test. Year-to-date 2004/05, the amortisation of goodwill amounted to DKK 6m. Year-to-date 2005/06, the amortisation is DKK 0m. Comparative figures have not been restated. The only outstanding matter is the final statement of pension obligations, which is currently being prepared. The pension obligation is not expected to materially affect the profit, balance sheet and equity.

The ratios have been calculated in accordance with The Danish Society of Investment Professionals' "Recommendations and Financial Ratios 2005".

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

Developments in Q3 2005/06

Sales of the newer products continued to increase in Q3 2005/06, and products launched after 1 October 2003 account for 16 per cent of total revenue.

Total revenue increased by 2 per cent in Q3 and by 7 per cent in the first three quarters of 2005/06. The strong focus on development and marketing of the new products during the past few years has meant that Ambu has met its strategic targets within these areas. However, the strategy has also resulted in less focus on the existing product programme, for which reason growth in this area has not developed as expected. Consequently, a number of initiatives have been taken to ensure that, in the future, focus will be on both new products and the existing product programme.

During the financial year, the largest contribution to growth came from Respiratory Care, but Neurology, which is the smallest of the three strategic business areas, also showed considerable growth. Growth within Cardiology was modest.

The positive trend within the sale of laryngeal masks from H1 2005/06 continued, especially in the US and Germany, and as expected sales of the reusable laryngeal mask Aura40, which was launched in March 2006, developed positively.

The two new products within Cardiology which were launched in Europe in Q2 2005/06 – the Ambu White Sensor electrode and the Ambu Blue Sensor NEO electrode – are developing satisfactorily. The products are expected to be launched in the US in Q1 2006/07 when the 510K approval has been obtained.

Competition within the laryngeal mask product area is becoming fiercer in step with new suppliers entering the market. There are, however, large regional differences, the fiercest competition being in the UK. Within Neurology, Ambu experiences local competition within the product area of single-use needles. Competition within Cardiology is still considerable. Within Immobilization, intensifying price pressure is seen in the US market. The competitive situation within Training is stable.

In the US, Ambu has entered into two contracts with purchasing organisations (GPOs); one contract on laryngeal masks and one contract on the ventilation product SPUR II with the sixth-largest GPO in the US, Broadlane.

Judgment in patent infringement case

In the autumn of 2005, legal proceedings were instituted against Ambu by the British company LMA before a German court with a claim being set up that Ambu with its laryngeal mask had infringed a German patent on a minor product detail.

On 22 August 2006, judgment was passed, and according to this Ambu is with its laryngeal mask infringing LMA's patent in the German market. Ambu has received the written judgment and will now decide whether to lodge an appeal.

Ambu has made provisions against any outcome of the case and has consequently been developing a new version of the laryngeal mask. The new version is ready for sale in the German market. The judgment concerns a special design of the reinforcement of the laryngeal mask tip. On the new version, the reinforcement has been changed, but the product has the same unique properties as the previous version.

Regardless of the final outcome of the case, the management believes that it will not have any significant impact on revenue or earnings.

During the past couple of years, Ambu has had great success with its single-use laryngeal mask, which is used for maintaining breathing in fully anaesthetised patients. The laryngeal mask was launched in 2004, and revenue within this area is today quite considerable. The laryngeal mask was originally developed by an English anaesthetist and has since 1992/93 been marketed by the UK company LMA in a reusable version.

When the original patents expired, Ambu developed its single-use laryngeal mask and succeeded in changing the product to such a degree that it was able to meet an obvious market need. Ambu's laryngeal mask design is unique compared to the existing products in the market, and the product has been widely welcomed by the users because of its safety and user-friendliness.

Subsequent to Ambu's launch of the single-use laryngeal mask, the market for single-use masks has undergone a gradual expansion. Today, the market is quite large, and Ambu has obtained an attractive market position and a marked increase in revenue because of the recognised properties of the Ambu mask. The market for laryngeal masks has thus developed from having only one supplier to having more suppliers, which has changed the competitive situation considerably.

Product development and new products

During the rest of the financial year, the development of a number of new products will continue, especially within Respiratory Care and Neurology. The first new product within Respiratory Care is expected to be launched in Q1 2006/2007.

At the same time, Ambu will apply for FDA approval of the two newest ECG electrodes with a view to the subsequent launch of these products in the US.

In 2006/07, Ambu will initiate the establishment of its own development facilities in China. Once established, the department in China is expected to engage in the development of variants of existing products, among other things. In the long term, this will result in greater flexibility, lower costs and faster implementation of development activities.

Comments on the financial statements for Q3 2005/06 and for the period 1 October 2005 to 30 June 2006

Income statement

Revenue

In Q3, total revenue was DKK 173.6m against DKK 170.3m in Q3 2004/05, up 2 per cent. In the period 1 October 2005 to 30 June 2006, revenue increased by 7 per cent (5 per cent reported in local currencies) to DKK 513.1m against DKK 480.7m in the same period last year.

In Q3 2005/06, revenue within the strategic business areas – Respiratory Care, Cardiology and Neurology – increased by 6 per cent and by a total of 9 per cent (7 per cent reported in local currencies) in the period 1 October 2005 to 30 June 2006 relative to the same period last year. The development as a whole is satisfactory. Within Cardiology, growth in revenue is, however, slower than expected.

Revenue within the individual business areas

DKKm	Q3 2005/06	Q3 2004/05	Growth in DKK %	Growth in local curren- cies %	Year-to- date 2005/06	Year-to- date 2004/05	Growth in %	Growth in local curren- cies %
Respiratory Care	67.2	59.5	13	13	194.1	166.0	17	14
Cardiology	70.1	68.1	3	3	195.9	193.4	1	0
Neurology	15.3	16.1	(5)	(5)	48.4	41.8	16	13
Training	13.3	11.9	12	12	41.1	37.2	10	10
Immobilization and other products	7.7	14.7	(48)	(48)	33.6	42.3	(21)	(23)
Total	173.6	170.3	2	2	513.1	480.7	7	5

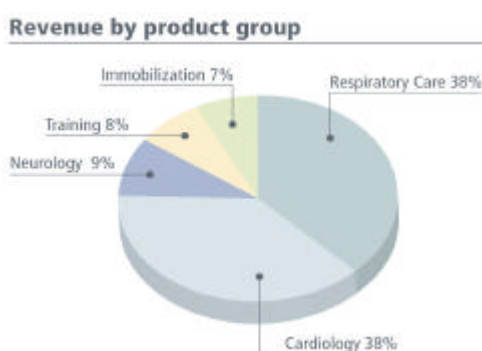
Respiratory Care saw two-digit growth in revenue in Q3 2005 in almost all markets. Sales of the products AuraOnce, SPUR II and, most recently, Aura40 contributes to growth within Respiratory Care. In the UK, growth is, however, down as several new suppliers result in intensified competition.

Within Cardiology, revenue increased in Q3 2005/06. After zero growth in Q1 and a fall in revenue in Q2, growth was achieved within this business area, albeit still at a low level. Growth was seen in all markets with the exception of Denmark which was affected by a reduction of inventories by individual distributors. Growth within the business area as a whole is dependent especially on revenue growth in the US in Q3 after falls in Q1 and Q2.

Revenue within Neurology fell in Q3 2005/06. This fall is believed to be of a temporary nature and can be attributed to timing differences in 2004/05. Revenue in Germany, France and Italy showed satisfactory growth in Q3, but intensified local competition in Spain resulted in reduced growth in this market. This is expected to be of a temporary nature in light of new business initiatives. In total, revenue is expected to increase again in Q4.

Revenue within Training increased in Q3 2005/06. Continued positive developments in distributor sales, increased revenue in the French market and establishment of a new sales channel in Spain are the most important reasons for the increased revenue.

Revenue within Immobilization increased, and sales of other products fell in Q3 2005/06. Revenue within Immobilization increased in Q3 after falls in Q1 and Q2. The US is Ambu's largest market, and growth is seen in this competitive market. The fall in sales of other products is, among other things, attributable to reduced sales of goods for resale which have not been manufactured by Ambu.



Geographical breakdown of revenue

DKKm	Q3 2005/06	Q3 2004/05	Growth in DKK %	Growth in local curren- cies %	Year-to- date 2005/06	Year-to- date 2004/05	Growth in %	Growth in local curren- cies %
USA	49.3	48.1	3	2	149.5	133.2	12	6
Europe	108.7	105.6	3	3	323.9	303.6	7	6
Other	15.6	16.6	(7)	(7)	39.7	43.9	(10)	(10)
Total	173.6	170.3	2	2	513.1	480.7	7	5

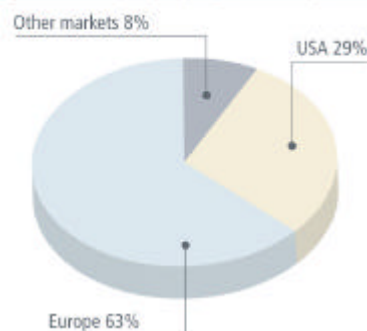
In Q3 2005/06, Ambu's largest market, the US, saw growth of 3 per cent (2 per cent reported in the local currency). The low growth is primarily attributable to temporary delivery problems towards the end of the quarter due to external logistics, the implementation of a new ERP system in Denmark and secondarily to low growth in revenue within Neurology. The temporary delivery problems, which have now been solved, affected total growth in the quarter. In the period 1 October 2005 to 30 June 2006, growth within Respiratory Care reported in local currencies was 17 per cent, and growth within Neurology was 4 per cent, whereas revenue fell within the other business areas. The falls in revenue within Cardiology and Immobilization are attributable to a reduction of inventories by some distributors. Both areas have, however, seen a growth in revenue in Q3 relative to the same period last year. Ambu continues to enter into contracts with the GPOs on the company's key products. Two new GPO contracts on laryngeal masks and ventilation bags, respectively, have been entered into. These contracts are expected to contribute to continued positive growth in revenue in the US.

Revenue in *Europe* increased in Q3 relative to the same period last year. Growth is highest in Spain, Italy and the Nordic countries. Growth in Germany increased in Q3, whereas growth in France and the UK is not at a satisfactory level. In the UK, the falling revenue is attributable to intensified competition within Respiratory Care as well as less focus on Cardiology due to the launch of the products within Respiratory Care. In France, a fall in the sale of goods for resale due to price competition from Chinese suppliers contributes to a total zero growth in this market.

Revenue in the other markets fell in Q3 relative to the same period last year. The reason for the falling revenue in other markets is a combination of a reduction of distributor inventories and fewer large individual orders relative to the same period last year.

Sales of newly developed products are expected to develop positively in Q4. A number of initiatives have been taken which are expected to contribute to a positive development in revenue, especially in the US, Denmark and the UK. Furthermore, the positive trend in Germany is expected to be maintained. Consequently, two-digit growth in revenue is expected in Q4 2005/06.

Revenue by geographical region



The development in exchange rates has year-to-date resulted in an increase in revenue of DKK 9.8m relative to the same period in 2004/05.

Gross profit

In Q3 2005/06, gross profit was DKK 90m against DKK 89m in Q3 2004/05.

The gross profit ratio of 52 in Q3 2005/06 is on a par with the same period last year.

Year-to-date, the gross profit is DKK 265m against DKK 249m in 2004/05, corresponding to an increase of DKK 16m or 6 per cent.

Costs

In Q3 2005/06, the group's sales, development, management and administration costs as well as other operating expenses totalled DKK 69m against DKK 70m in Q3 2004/05. Year-to-date, the group's sales, development, management and administration costs as well as other operating expenses totalled DKK 214m against DKK 204m in the same period in 2004/05. The most important reasons for the increase in costs of DKK 10m are

- Allocation of more sales resources to the sales companies with a view to exploiting current market opportunities, preparing for future growth and marketing new products.
- Increased product development costs.
- Sale of the property in Brøndby resulting in a write-down of DKK 1.5m in Q2 2005/06. The amount has been recognised under other operating income/expenses.
- Increasing exchange rates (effect of DKK 3.7m).

EBITA and EBIT

In Q3 2005/06, operating profit before amortisation of goodwill (EBITA) was DKK 21m against DKK 19m in Q3 2004/05.

The EBITA margin was 12.1 per cent against 11.4 per cent in the same period in 2004/05.

In Q3 2005/06, operating profit (EBIT) was DKK 21m against 18m in Q3 2004/05. DKK 2m of the increase is attributable to the transition to IFRS, resulting in amortisation of goodwill according to the straight-line method being replaced by an impairment test. The remaining part of the increase is attributable to the increased gross profit less the increase in costs.

Net financials

Financial costs totalled DKK 5m in Q3 against DKK 3m in the same period in 2004/05. Year-to-date, the increase amounts to DKK 2m, which is attributable to lower income from translation adjustments relative to the same period in 2004/05 as well as increased interest expenses following investments in buildings in Malaysia and in machinery and equipment etc.

Profit for the period

The net profit for Q3 2005/06 totalled DKK 12m against DKK 10m in Q3 2004/05.

Year-to-date, the net profit amounts to DKK 30m against DKK 24m in the same period in 2004/05.

Balance sheet

At the end of Q2 2005/06, the balance sheet total amounted to DKK 655m, corresponding to a fall of DKK 3m compared with the end of 2004/05.

The change is primarily attributable to a fall in inventories and a fall in receivables. Inventories increased by DKK 8m from DKK 135m to DKK 143m relative to the end of 2004/05. Inventories have, however, fallen by DKK 9m relative to the end of Q1 2005/06.

In the period 1 October 2005 to 30 June 2006, capital expenditure totalled DKK 30m, and depreciation on fixed assets totalled DKK 28m. The most important investments in property, plant and equipment were made in Asia and relate to the relocation of production as well as new production facilities in Malaysia. In addition to this, DKK 13m have been invested in development projects.

In Q3, investments in property, plant and equipment totalled DKK 1m, and investments in development projects amounted to DKK 4m.

Equity

As at 30 June 2006, equity totalled DKK 364m against DKK 349m as at 30 September 2005.

Development in equity

During the period, equity developed as follows (in DKKm):

Development in equity

DKKm	2005/06
Equity as at 1 October 2005	349.1
Translation adjustment of equity at the beginning of the year in foreign subsidiaries	(5.6)
Payment of dividend	(11.7)
Adjustment of forward transactions payable	1.6
Profit after tax for the period	30.4
Equity as at 30 June 2006	363.8

Cash flow statement

Cash flows from operating activities totalled DKK 26m in Q3 2005/06 and DKK 66m in the period 1 October 2005 to 30 June 2006. Focus is on reducing the binding of liquidity in inventories and trade receivables. In the period 1 October 2005 to 30 June 2006, cash flows from operating activities were adversely affected by an increase in the working capital of DKK 5m. The increase is attributable to a fall in trade payables as collaboration with local suppliers is being established in connection with the relocation of production to Asia. In the start-up phase, the terms of payment vis-a-vis these new suppliers were short, but they are extended gradually during the rest of the financial year.

DKK 5m was spent on investing activities in Q3 2005/06, and DKK 30m has been spent year-to-date.

In Q3 2005/06, the group realised a positive free cash flow of DKK 19m. In the period 1 October 2005 to 30 June 2006, the group realised a positive free cash flow of DKK 35m against a positive free cash flow of DKK 1m in the same period in 2004/05.

Outlook

In the period 1 October 2005 to 30 June 2006, revenue developed as expected, and growth was achieved within Respiratory Care and Neurology. Growth was also achieved within Cardiology in Q3 2005/06.

The combination of the product launches made, increased sales of the newer products as well as the sales initiatives taken is expected to create further growth in Q4, especially in the US, Denmark and the UK, compared with Q3. Furthermore, the positive trend in Germany is expected to continue, which will contribute to an increase in revenue in Q4 2005/06. For 2005/06 as a whole, revenue is expected to be in the region of DKK 720m. In 2005/06, EBITA is expected to be in the region of DKK 90m, and profit before tax is expected to be approx. DKK 80m.

A positive free cash flow is still expected in 2005/06.

The outlook is based on the realised average USD exchange rate in the period 1 October 2005 to 30 June 2006 as well as on a USD exchange rate of 600 in Q4 2005/06.

Forward-looking statements

Forward-looking statements, especially such as relate to future sales and operating profit, are subject to risks and uncertainties as various factors, many of which are outside Ambu's control, may cause the actual development to differ materially from the expectations contained in this report. Factors that might affect such expectations include, among others, changes in health care, in the world economy and in exchange rates.

Financial calendar

30 November 2006	Preliminary announcement of financial statements 2005/06
19 December 2006	Annual general meeting

Management's statement

On this day, the Board of Directors and the Executive Board have considered and approved the interim financial report of Ambu A/S for the period 1 October 2005 to 30 June 2006.

The unaudited interim financial report has been presented in accordance with the provisions of IFRS on measurement and recognition as well as other Danish requirements with regard to the presentation of financial statements by listed companies.

In our opinion, the accounting policies applied are expedient, thus ensuring that the interim financial report gives a true and fair view of the group's assets and liabilities and financial position as well as of the consolidated results and cash flows.

Ballerup, 31 August 2006

Executive Board

K. E. Birk
President and CEO

Board of Directors

N. E. Nielsen
(Chairman)

Bjørn Ragle

Jørgen Hartzberg

Anne-Marie Jensen

Torben Ladegaard

Hanne-Merete Lassen

Kirsten Therkildsen-
Søndersted Olsen

John Stær

Income statement

DKKm	Q3 2005/06	Q3 2004/05	Year-to-date 2005/06	Year-to-date 2004/05	FY 2004/05
Revenue	173	170	513	481	654
Production costs	83	81	248	232	313
Gross profit	90	89	265	249	341
Cost of sales	35	40	109	110	144
Development costs	7	5	19	16	21
Management and administration	27	25	84	79	105
Other operating costs	-	-	2	-	3
Operating profit before amortisation of goodwill (EBITA)	21	19	51	45	68
Amortisation of goodwill	-	2	-	6	7
Operating profit (EBIT)	21	18	51	39	61
Net financials	(5)	(3)	(8)	(6)	(8)
Profit before tax (PBT)	16	15	43	33	53
Tax	4	5	13	10	15
Profit for the period	12	10	30	24	38

Balance sheet

DKKm	30.06.06	30.06.05	30.09.05
Intangible assets	159	152	152
Property, plant and equipment	173	168	178
Total fixed assets	332	320	330
Inventories	133	119	135
Receivables	169	174	183
Cash and cash equivalents	21	8	10
Total current assets	323	301	328
Total assets	655	621	658
Total equity	364	335	349
Total provisions	6	1	7
Long-term liabilities other than provisions	73	80	73
Short-term liabilities other than provisions and other liabilities	212	205	229
Total liabilities other than provisions	285	285	302
Total liabilities	655	621	658

Cash flow statement

DKKm	30.06.06	30.06.05
Profit for the year	30	24
Adjustments in respect of depreciation and amortisation etc.	40	35
Changes in working capital	(5)	(25)
Cash flows from operating activities	66	33
Net investments	30	32
Free cash flow	35	1
Cash flows from financing activities	(24)	(1)
Changes in cash and cash equivalents	11	0
Cash and cash equivalents, beginning of year	10	8
Cash and cash equivalents, end of year	21	8