

AMBU 2016/17

BIG POTENTIALS



Investor update



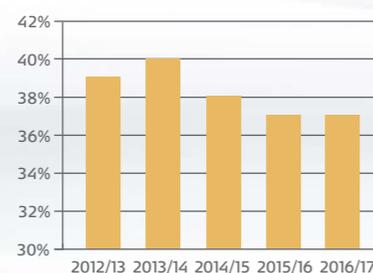
Financial highlights

| DKKkm | 2016/17 | 2015/16 | 2014/15 | 2013/14 | 2012/13 |
|---|---------|---------|---------|---------|---------|
| Key figures | | | | | |
| Revenue | 2,355 | 2,084 | 1,889 | 1,584 | 1,383 |
| EBITDA before special items | 555 | 458 | 332 | 286 | 235 |
| EBIT before special items | 450 | 356 | 236 | 198 | 161 |
| EBIT | 450 | 356 | 236 | 198 | 100 |
| Net financials | -57 | -30 | -21 | 10 | -30 |
| Profit before tax | 393 | 326 | 215 | 208 | 70 |
| Net profit of the year | 301 | 250 | 152 | 151 | 48 |
| Assets | | | | | |
| Assets | 2,500 | 2,364 | 2,252 | 2,045 | 1,850 |
| Equity | 1,279 | 990 | 1,034 | 852 | 649 |
| Net interest-bearing debt | 767 | 955 | 731 | 739 | 721 |
| Free cash flows before acquisitions of enterprises | | | | | |
| Free cash flows before acquisitions of enterprises | 321 | 285 | 107 | 103 | 68 |
| Acquisitions of enterprises and technology | | | | | |
| Acquisitions of enterprises and technology | 0 | -155 | -17 | -112 | -704 |
| Average no. of employees | | | | | |
| Average no. of employees | 2,503 | 2,337 | 2,270 | 2,333 | 1,984 |
| Ratios | | | | | |
| Organic growth, % | 14 | 9 | 9 | 7 | 6 |
| Gross margin, % | 56.5 | 53.9 | 50.9 | 52.4 | 51.1 |
| Rate of cost, % | 37 | 37 | 38 | 40 | 39 |
| EBITDA margin before special items, % | 23.6 | 22.0 | 17.6 | 18.1 | 17 |
| EBIT margin before special items, % | 19.1 | 17.1 | 12.5 | 12.5 | 11.6 |
| Return on equity, % | 27 | 25 | 16 | 20 | 7 |
| NIBD/EBITDA before special items | 1.4 | 2.1 | 2.2 | 2.6 | 3.1 |
| Working capital, % of revenue | 19 | 25 | 29 | 28 | 28 |
| Return on invested capital (ROIC), % | 22 | 19 | 12 | 12 | 11 |
| Share-related ratios | | | | | |
| Market price per share, DKK | 487 | 356 | 181 | 106 | 56 |
| Earnings per share (EPS) (DKK) | 6.35 | 5.27 | 3.16 | 3.19 | 1.01 |
| Pay-out ratio, % | 30 | 30 | 30 | 30 | 31 |

Revenue per quarter (DKKkm)



Expense ratio – five-year summary



EBIT (DKKkm) and EBIT margin – before special items



80 years pointing ahead



In 1937, a man sits in a rented room in the Østerbro borough of Copenhagen. He is preoccupied with developing a device that can make working life easier for general practitioners and their patients. More specifically, a brand-new device which will make it possible for doctors to measure blood counts in their own practice instead of having to send the patient's blood sample to a laboratory.

The man is Holger Hesse. He is an engineer and entrepreneur and has just set up his own business.

The business is Ambu, and we are confident that Holger Hesse would be proud if he could see his business today. He would see 2,500 women and men who work every day to help doctors and patients worldwide. He would see a number of innovative products, no doubt recognising the principles behind some of them, while others would be of a different world. And he would see a culture based on curiosity, cooperation and a quest for quality that would resonate with his own ideas.

Ambu has been transformed several times in the course of the 80 years that have passed since its foundation. The latest transformation was our 'Climbing New Heights' strategy from 2013 to 2017. In 2013, we had just acquired King Systems and thus established production in the USA. We were posting average quarterly revenue of DKK 346m. For the financial year we are now closing, we are posting average quarterly revenue of DKK 589m.

A shift in perspective

At Ambu, we are satisfied with our results over the past four years. In many ways, Ambu has grown into a large enterprise. Compared with the early years and decades, the company has, of course, come an incredibly long way, but Ambu has also

grown significantly in more recent years. This is, for instance, illustrated by the development on NASDAQ Copenhagen. When Ambu was listed it was as a Small Cap company. Four years ago, Ambu moved to Mid Cap, and 1st of January 2017, we became part of Large Cap. We have more than 25% more employees than five years ago. We are market leaders for several of our core products, such as resuscitation bags and electrodes, and we are leading in single-use endoscopes, spearheading product development and the dialogue with healthcare professionals.

Compared to our new competitors – i.e. the companies which our single-use endoscopes compete against – we are a small enterprise among giant conglomerates. Seen from this perspective, we have a completely different role and not least a potential which is far from having been unleashed.

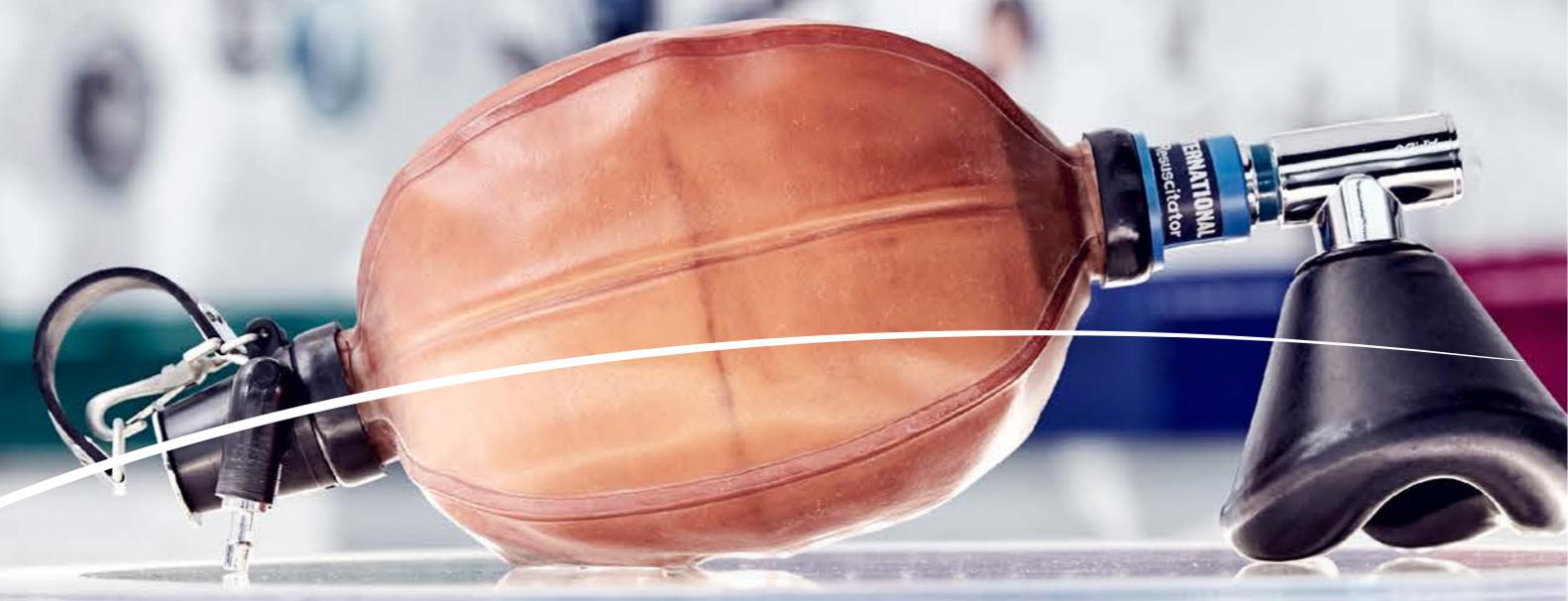
Big Five 2020

The title of the 2020 strategy is Big Five, and it is ambitious, because that is how Ambu works best. The way to realise the strategy is by keeping up the good work, while at the same time expanding our business. Organic growth will not do it alone, and this is why, at the end of October, we acquired Invendo Medical as a supplement to our Visualisation business and to address the considerable potential in single-use endoscopes for gastrointestinal procedures.

We are privileged in many ways. Ambu has 80 years of history to lean on – setting us free and binding us in equal measure – and we have a future full of opportunities. Just as Holger Hesse would have wished.

Lars Marcher
President & CEO

Highlights and outlook



Comparative figures for 2015/16 are stated in brackets

Developments in 2016/17

- Revenue for the financial year was DKK 2,355m (DKK 2,084m) based on organic growth in local currencies of 14% (9%). All three regions also reported double-digit growth for the financial year.
- EBIT was up 26% at DKK 450m (DKK 356m), with an EBIT margin of 19.1% (17.1%).
- Total tax on profit for the year was recognised at 23% (23%).
- Net profit for the year increased by 20% to DKK 301m (DKK 250m).
- The Board of Directors proposes that dividend of DKK 1.85 (DKK 1.55) be paid per share, corresponding to an unchanged pay-out ratio of 30%.
- Net working capital at the end of the year was DKK 457m (DKK 519m), corresponding to 19% (25%) of revenue for the year.
- Free cash flows totalled DKK 321m (DKK 285m), and gearing was 1.4 (2.1).
- Ambu's Visualisation business continued the positive development, and in 2016/17 364,000 single-use scopes were sold against 200,000 last year, corresponding to a growth rate of 82% (100%). In September 2017, we launched the Ambu® aScope™ 4 Broncho, the latest generation of our single-use endoscope.
- The acquisition of the company Invendo Medical GmbH was completed after the end of the financial year, involving a cash payment of EUR 115m and an agreement on an additional EUR 110m in contingent payments.

Outlook 2017/18

- Organic growth in local currencies of approx. 13%
- EBIT margin of approx. 20%
- Free cash flows of approx. DKK 275m.

**37%
return**

In 2016/17, the price of the Ambu share went up from 356 to 487. The return was thus 37% plus dividend. By comparison, the Large Cap index rose by 17% and the Health Care index by 16%.



Geography

For both Q4 and the full year, all three sales regions realised double-digit growth in revenue, and growth above the underlying market growth. As usual, higher revenue was posted in Q4 than in any other quarter, with revenue of DKK 629m (DKK 573m) being realised, corresponding to growth of 14% (8%) in local currencies and 10% (7%) in Danish kroner.

All three sales regions posted high double-digit growth for the full year within Visualisation, with a high degree of uniformity in terms of market penetration and customer behaviour across the markets.

Europe

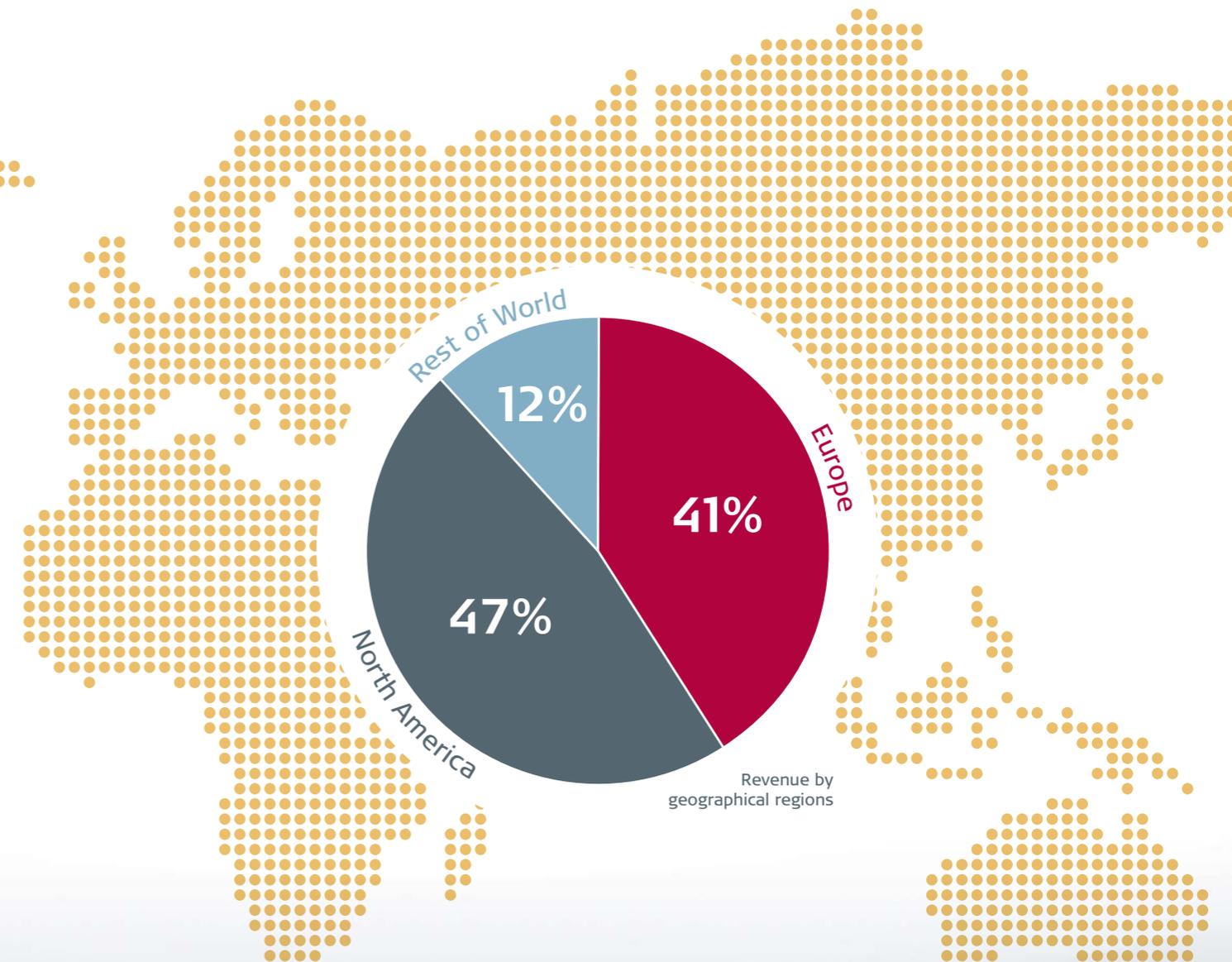
In Europe, Anaesthesia posted 7% growth for the year, which is high compared to the underlying growth in the market. Realising 4% growth, PMD also had a satisfactory year.

North America

As mentioned previously, in North America sales focus shifted from Anaesthesia towards Visualisation, which resulted in the highest growth for Visualisation in North America in 2016/17 of all markets. On the other hand, growth for Anaesthesia and PMD was somewhat lower than expected.

Rest of World

In the rest of the world, Anaesthesia realised growth of 28% in 2016/17, while the growth rate for PMD was 7%. The growth rates are in line with expectations and the high historical growth rates in this region. However, specifically for Q4, growth was slightly lower than expected due to timing differences in sales to Latin America.



Business areas

We have extracted Visualisation as a separate business area as a consequence of the growth we create through sales of single-use endoscopes. Therefore, we now report on three business areas instead of two.

Anaesthesia

The growth realised by Anaesthesia was 3% and thus less than the expected 4-5% announced in the interim report for Q3. The primary reason is lower-than-expected growth in the USA due to lower-than-expected sales of breathing circuits, as well as increased focus on Visualisation, which has impacted our efforts within Anaesthesia. The initiated division of the US sales force into Visualisation and Anaesthesia will strengthen our focus on both business areas and thus create a better starting point for achieving the long-term ambition of 5% growth within Anaesthesia.

Exclusive of breathing circuits, the remaining 70% of our Anaesthesia activities – laryngeal masks, face masks and resuscitation bags – have grown by an aggregate 6% (4%). In Europe and Rest of World the growth in Anaesthesia was 7% and 28%, respectively.

Visualisation

Our Visualisation activities grew by 63% for the year. Visualisation accounted for an aggregate 25% (18%) of Ambu's revenue in 2016/17, which is in accordance with the outlook for the overall development communicated throughout 2016/17.

To support the financial outlooks announced in 2016/17, in the interim reports we described our expectations as regards the sales of endoscopes for the year. In Q1, sales of 275-300,000

endoscopes were forecast, whereas in Q3, the forecast had been raised to approx. 350,000 endoscopes. At year-end, sales of 364,000 endoscopes had been realised, corresponding to a growth rate of 82% (100%). The growth is evenly distributed on the various territories; however, with a relative increase in sales in the USA.

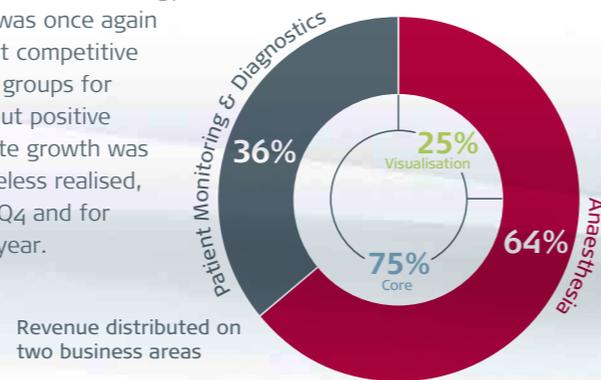
Patient Monitoring & Diagnostics (PMD)

Growth of 3% was posted in PMD for the year. This is just in line with the 3-4% growth outlook announced most recently in the interim report for Q3. All in all, PMD sales accounted for 36% (39%) of Ambu's revenue in 2016/17.

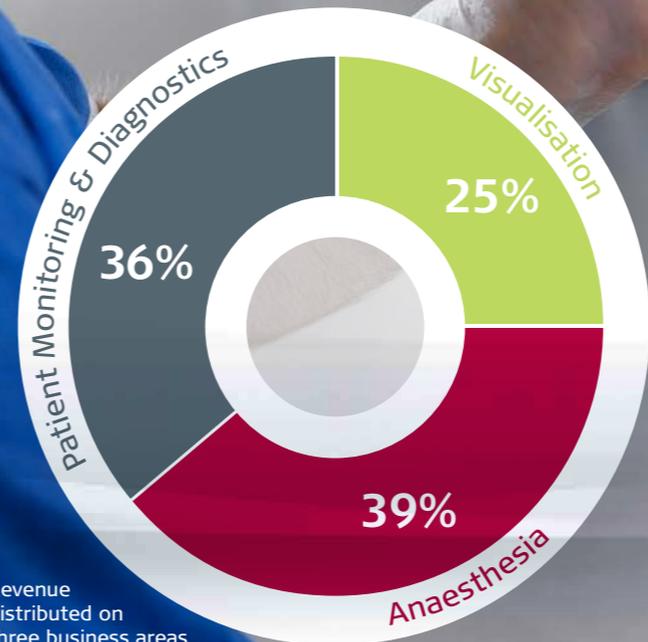
The PMD business area consists of three product lines: cardiology, neurophysiology and first aid. Cardiology accounts for approx. 50% of PMD sales, while the other two product groups each account for around 25%.

Within PMD, neurophysiology is posting the strongest growth with double-digit growth rates for both Q4 and for the full year.

In 2016/17, the cardiology market was once again the most competitive product groups for Ambu, but positive aggregate growth was nevertheless realised, both in Q4 and for the full year.



Revenue distributed on two business areas



Revenue distributed on three business areas

| VISUALISATION | 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 |

New strategy

Ambu completed its four-year strategy Climbing New Heights at the end of the 2016/17 financial year. After three years, we had realised the overall financial targets, and after the official end of the strategy period, we can finally take stock.

Posting revenue of DKK 2,355m, an EBIT margin of 19.1% and a working capital ratio of 19%, we have more than met the targets in the Climbing New Heights strategy.

Investments

The results follow in the wake of a number of investments which mean that our business is today stronger than ever.

Our future success will depend on our innovation power. Without relevant products and solutions, we cannot ensure strong organic growth. This is why since 2013 we have more than doubled our development department and increased our investments in development from DKK 47m to DKK 98m.

We have secured our production capacity through continuous optimisations of our factories and through the construction of a new factory in Malaysia with the capacity to produce up to four million endoscopes annually. The factory will be commissioned in January 2018.

Over the past four years, we have increased and trained our sales force to ensure that we have more sales reps and more specialised sales reps to ensure a stronger focus within the individual business areas. Our product portfolio has become very broad and diverse, and selling electrodes and selling endoscopes call for very different skills. The most recent expansion of our sales organisation will take place in the USA in the course of the first half of 2017/18, where we will be investing in further specialisation.

| | Results in 2017 | Targets from 2013 |
|-----------------------|-----------------|-------------------|
| Revenue | DKK 2.4bn | At least DKK 2bn |
| EBIT margin | 19.1% | At least 17% |
| Working capital ratio | 19% | 25% or less |

BIG FIVE 2020

Ambu's 2020 strategy is called 'Big Five'. The strategy builds on our existing strengths and takes aim at the potential that we see ahead of us. Big Five identifies five areas which will set the direction for our work in the next three years.

1 Go for big potentials in Visualisation

Ambu has established a platform for single-use endoscopes which – given the position built by aScope and following the acquisition of Invendo Medical – will ensure high double-digit growth towards 2020. Our agenda is to:

- establish aScope as the hospitals' preferred choice for respiratory procedures.
- expand our product portfolio so that Ambu addresses at least 50% of all endoscopy procedures.

2 Build on Core

Our core business is relevant and is used by doctors, nurses and paramedics every day the world over. We want to build on this foundation and accelerate our growth even further by:

- increasing the relevance of our solutions for current users and situations of use.
- protecting our position as a supplier of high-quality products.

Financial goals for 2020

Revenue

It took 75 years to get to 1 billion Danish kroner. Four years to hit 2 billion. We are now going to try to top 5 billion Danish kroner in three years. Not an easy task, but we are going for 'the big five'.

5 billion DKK

We will approach the five billion in revenue through an average annual organic growth of 13-15% on Ambu's current product assortment supplemented by acquisitions of companies and technologies.

Earnings

During the previous strategy period, we achieved global scaling and made the necessary investments in development, production and sales. We are now ready to increase our EBIT margin to approx. 24-25% based on organic growth excluding acquisitions.

+5 %-points on EBIT margin

3 Business Boosters

In order to grow and support our business, we need to commercialise Ambu further through new concepts and solutions. We are going to:

- make acquisitions and form new partnerships to strengthen Ambu's position.
- digitalise Ambu further.
- intensify sales across Ambu.
- keep up our high rate of innovation.

4 Enhance organisation

As part of the new strategy, we must develop and expand our organisation. Our agenda is to:

- preserve the Ambu culture.
- reap the benefits of common services across the global organisation.
- ensure that Ambu remains the best place to work.

5 x3 efficiency

2020 is three years away. In order to realise our ambitions, we must rethink the way we work with a view to increasing our relevance to patients and further increasing the efficiency of our working processes.





New products in Visualisation

In 2016/17, Ambu launched two new Visualisation products, thereby demonstrating increased relevance and potential for future growth. The two products are Ambu® aScope™ 4 Broncho and VivaSight with integration to the aScope platform. In addition, following the acquisition of Invendo Medical on 25 October 2017, Ambu has a new platform in the form of single-use endoscopes for gastrointestinal procedures.

Ambu® aScope™ 4 Broncho

aScope 4 Broncho contains a number of innovative technological features, which means that the aScope can be used for upwards of 50% more procedures – growing the global potential from approx. three million annual procedures to five million pulmonary endoscopy procedures a year. The innovations include improved depth of field, improved adaptive lighting control and improved mechanical control sensitivity.

aScope 4 Broncho has been developed in cooperation with bronchoscopy experts and is now being released for sale in Europe, Australia and selected markets in Asia. Ambu expects to obtain FDA marketing authorisation in the USA at the beginning of 2018.

VivaSight integrated with the aScope monitor

VivaSight is the product acquired by Ambu in 2016 from the Israeli company ETVIEW and consists of single-use double and single lumen tubes with integrated high-resolution camera. The VivaSight products are now integrated with the aScope monitor.

While increasing patient safety, VivaSight allows continuous visual monitoring of the positioning of the tube throughout the surgical procedure. Through continuous monitoring via direct video recording, the doctor can see immediately if the tube has moved and move it back into place. This is a major step forward for patient safety.

Acquisition of Invendo Medical GmbH

It is worth noting that a quarter of our revenue in 2016/17 came from a product category which hardly played any role in the financial statements for 2012/13, namely Visualisation. In the past four years, we have succeeded in creating a market for single-use endoscopes which did not exist before. A market where, in the past year alone, we have generated revenue of more than half a billion Danish kroner. A market created through focused product development in close collaboration with doctors and based on a belief that we can solve some of the challenges facing hospitals in the form of time-consuming procedures and the risk of infection.

In October 2017, Ambu acquired Invendo Medical GmbH who has developed a platform of single-use endoscopes for gastrointestinal use. This acquisition is an upgrade of our business potential. We introduced single-use endoscopy for airway procedures with the Ambu aScope, and now, we will get ready to introduce single-use for the gastrointestinal procedures.

Single-use products for patient safety and healthcare economy

Advanced reusable medical devices – like endoscopes – pose a contamination risk to patients as the devices are difficult to sterilise between uses. Single-use scopes, on the other hand, are sterile straight from the pack to the patient. This means that single-use scopes eliminate the risk of device-related infections and – because they do not require cleaning or repair – also improve hospital workflows.

Since 2015, US authorities have increased their focus on endoscope cross-contamination considerably. And especially reusable endoscopes for gastrointestinal use have been tied to this.

Financing

The up-front payment for Invendo Medical is EUR 115 million on a debt and cash free basis. Contingent payments up to additional EUR 110 million consist of EUR 70 million in milestone payments based on FDA clearance of future products and EUR 40 million in earn-out over a four-year period. We currently expect that EUR 10 million of milestone payments will be due in the current financial year 2017/18 when the colonoscope receives FDA clearance.

A committed financing structure is in place to cover the full purchase price of EUR 225 million.

The impact from the acquisition to Ambu's 2017/18 guidance is minimal, but it is an important acquisition that puts Ambu in an ideal position to further disrupt the reusable market within endoscopy.



Invendo Medical

is a leading developer of sterile single-use high definition endoscopy products in the field of gastroenterology and gastrointestinal surgery. Started in 2002, Invendo Medical is a privately held medtech company that employs 35 people and is located in Kissing, Germany.



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