

Stock exchange release no. 7 -2005/06
18 May 2006

Report for Q2 2005/06 (1 January – 31 March 2006)

Ambu launched three new products in Q2 2005/06, including a new electrode for ECG testing of premature infants and a reusable laryngeal mask, which is to contribute to ensuring that Ambu establishes a strong position within this lucrative market segment. Sales of the new products are increasing as planned. In Q2 2005/06, revenue increased by 11% to DKK 182m, and EBITA was DKK 22m, up 29% relative to the same period in 2004/05. The outlook concerning revenue and results for the year is maintained.

- Revenue in Q2 was DKK 182m against DKK 164m in Q2 2004/05, up 11% (8% measured in local currencies). In H1 2005/06, revenue increased by 9% (6% measured in local currencies) to DKK 340m.
- Revenue within the strategically most important business areas – Respiratory Care, Cardiology and Neurology – increased by 11% in Q2 2005/06 (8% measured in local currencies).
- Sales of new products increased by 47% in Q2 relative to Q1 and are developing in line with expectations. The growth is attributable in particular to a favourable development in sales of laryngeal masks and the ventilation products SPUR II and Mark IV.
- The operating profit before goodwill amortisation (EBITA) was DKK 22m in Q2 against DKK 17m in the same period last year. EBITA increased to DKK 30m in H1 2005/06 against DKK 26m in the same period last year, up 15%.
- The profit before tax was DKK 20m in Q2 against DKK 13m in the same period last year. The profit before tax in H1 2005/06 was DKK 27m against DKK 19m in the same period last year, up 42%.
- The free cash flow in Q2 was DKK 24m against DKK -14m in the same period last year. In H1 2005/06, the free cash flow was DKK 16m against DKK -3m in the same period last year.
- The outlook for 2005/06 continues to be revenue in the region of DKK 720m and an operating profit (EBITA) of approx. DKK 90m. The profit before tax is still expected to be in the region of DKK 80m, while the free cash flow is expected to be positive.

Conference call

Conference call and webcast (www.cse.dk) on this release will be held **in Danish** on 19 May 2006, at 10 am Danish time. To participate, please call tel. +45 70 26 50 40 five minutes before the start of the conference. The conference will subsequently be made available on the Ambu website.

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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 1,210 employees of whom 350 work in Denmark and 860 work abroad.

Financial highlights

DKKm		Q2 2005/06	Q2 2004/05	Year-to-date 2005/06	Year-to-date 2004/05	FY 2004/05
Key figures	Revenue	182	164	340	310	654
	Gross profit	95	84	175	160	341
	Capacity costs	(72)	(67)	(143)	(134)	(271)
	Other operating income/expenses	(2)	-	(2)	-	(2)
	Operating profit before goodwill amortisation (EBITA)	22	17	30	26	70
	Operating profit (EBIT)	22	15	30	22	61
	Net financials	(2)	(2)	(4)	(3)	(8)
	Profit before tax (PBT)	20	13	27	19	53
	Consolidated profit	14	9	19	13	38
	Total assets at year-end	663	623	663	623	658
	Equity at year-end	356	319	356	319	349
	Share capital	118	118	118	118	118
	Investments in fixed assets and acquisitions	8	10	25	17	58
	Depreciation and impairment of fixed assets	9	10	19	20	45
Cash flows from operating activities	30	(3)	40	14	40	
Free cash flow	24	(14)	16	(3)	(15)	
Average no. of employees	1,210	1,099	1,210	1,099	1,280	
Ratios	EBITA margin, %	12.2	10.5	9.0	8.3	10.4
	EBIT margin, %	12.2	9.2	9.0	7.0	9.3
	Return on assets, %	13.4	9.7	9.2	6.9	9.2
	Return on equity, %	16.0	11.3	10.4	8.3	11.3
	Equity ratio, %	54	51	54	51	53
	Profit per DKK 10 share	1	1	2	1	3
	Cash flow per DKK 10 share	3	(0)	3	1	3
	Book value of shares	30	27	30	27	30
	Share price at year-end	104	100	104	100	106
	Listed price/book value	3.4	3.7	3.4	3.7	3.6
	P/E ratio (PE)	22	33	33	44	33
	CAPEX, %	4.4	6.1	7.4	5.5	8.9
	ROIC, %	10.9	9.3	7.7	7.2	9.2

The H1 accounting figures are not audited.

The company has applied the international accounting standards, IFRS, as the basis for its financial reporting as of FY 2005/06. The quarterly report has therefore been prepared in accordance with the provisions of IFRS concerning measurement and recognition as well as other Danish requirements with regard to the presentation of financial statements by listed companies. As a result of the transition to IFRS, no amortisation of goodwill according to the straight-line method is made. The amortisation has been replaced by an impairment test. In H1 2004/05, amortisation of goodwill amounted to DKK 4m. Impairment losses in H1 2005/06 was DKK 0m. The comparative figures have not been restated. The only outstanding issue is the calculation of pension obligations which is being prepared. The pension obligations are not expected to have any significant impact on the profit, balance sheet total and equity.

The key figures have been calculated in accordance with the Danish Society of Financial Analysts' "Recommendations and Financial Ratios 2005".

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

Developments in Q2 2005/06

The combination of intensive sales efforts and the continuous launch of new products has resulted in a continued increase in sales of newer products and growth in the total sales of Ambu's other products.

Sales of the Ambu Laryngeal Mask increased in Q2, continuing the positive trend from Q1 2005/06. Ambu is seeking to make the most of the opportunities offered by a rapidly expanding market driven by the conversion from reusable to single-use masks. To get a share of the market for reusable masks, which remains lucrative, Ambu has just launched the reusable laryngeal mask Aura40. Ambu has received positive feedback from the market on this product, and all Ambu's laryngeal masks are seen as innovative products offering excellent properties.

Sales in the USA, which is Ambu's largest market, have shown satisfactory growth in Q2 2005/06 of 25% (14% measured in the local currency). The growth in revenue is attributable to both the purchasing organisations and other customers.

Sales in Europe are on the increase within the strategically most important business areas, with Respiratory Care seeing the strongest growth. Sales in the German market, where growth previously has been modest, increased by 6% in Q2 relative to the same period last year.

The activities in the Muslim countries increased in Q2 relative to Q1 2005/06. The order intake is, however, still lower than usual.

In autumn 2005, legal proceedings were instituted against Ambu by the original supplier of the laryngeal mask, LMA. The claim set up against Ambu was for violation of a European patent with respect to a minor product detail. Ambu does not believe that LMA's patent has been violated. Judgement is expected to be delivered in July 2006. The case is not expected to lead to any loss of sales or loss of earnings.

During Q2 2005/06, the preparation of product strategies within Ambu's strategically most important business areas was completed. Among other things, the product strategies identify the most attractive product areas and the competences that are necessary to realise the targets set within these areas. The result is a tool for more efficient and targeted control of future product development and marketing activities, which in both the short and long term is expected to contribute to ensuring growth within Respiratory Care, Cardiology and Neurology.

In Q2 2005/06, Ambu started preparing its supply chain strategy, which is to ensure further streamlining of, among other things, purchasing, planning processes, order handling and inventory management. Through this new strategy, Ambu expects to be able to optimise product flow and reduce the capital tied up in inventories.

On 3 April 2006, the ERP system Movex was implemented in both Danish locations in Ballerup and Ølstykke. The implementation went according to plan, and the next step will be to implement the ERP system at the production plants in China and Malaysia followed by implementation in the sales companies. The system is to support Ambu's work to streamline all administrative processes.

Product development and new products

In Q2 2005/06, Ambu launched two new products within Cardiology – the Ambu White Sensor, which is an electrode for short-time monitoring (used primarily during surgery), and the Ambu Blue Sensor NEO, which is an electrode for ECG testing of premature infants and newborn babies. Within Respiratory Care, Ambu has launched Aura40, which is a reusable laryngeal mask.

The Ambu White Sensor electrode was launched in January 2006, resulting in an expansion of the existing product range. The product was well received by the market, and sales have been in line with expectations.



The Ambu Blue Sensor NEO electrode was launched in March 2006 and was thus included in the early launch phase. The product is subject to extraordinarily high demands as it is used in incubators at high temperatures and high levels of humidity as well as on delicate skin.



The reusable laryngeal mask Aura40 was launched in March 2006 and was well received by the users. Aura40 has the same unique design and properties as Ambu's single-use mask, AuraOnce. The market for reusable laryngeal masks is a mature market with a consumption of 250,000-300,000 units per year, corresponding to DKK 250-300m. Further growth is not expected in this market. Notwithstanding this market's continuous transition to a single-use product market, it will be an interesting market for many years to come and with Aura40, Ambu intends to take its share of this market segment.



In H2, new products will be developed within Respiratory Care and Cardiology, which are expected to be launched in H1 2006/07.

Development in revenue

Total revenue in Q2 was DKK 181.6m against DKK 164.2m in Q2 2004/05, up 11% (8% measured in local currencies). In H1 2005/06, revenue increased by 9% (6% measured in local currencies) to DKK 339.5m against DKK 310.4m in the same period last year.

Revenue within the strategic business areas – Respiratory Care, Cardiology and Neurology – increased in Q2 2005/06 and in H1 2005/06 by a total of 11% (8% measured in local currencies) relative to the same period last year. The development is generally satisfactory, but within Cardiology revenue is developing more slowly than expected. Revenue within Training and Immobilization increased in Q2 by 8% (5% measured in local currencies) relative to the same period last year.

Revenue within individual business areas

DKK m	Q2 2005/06	Q2 2004/05	Growth in %	Year-to-date 2005/06	Year-to-date 2004/05	Growth in %
Respiratory Care	68.6	56.3	22	126.8	106.6	19
Cardiology	66.4	67.1	(1)	125.8	125.3	0
Neurology	17.5	13.8	27	33.2	25.7	29
Training	15.8	12.9	22	27.7	25.3	9
Immobilization and other products	13.4	14.2	(6)	26.0	27.5	(5)
Total	181.7	164.3	11	339.5	310.4	9

Revenue within Respiratory Care increased to DKK 68.6m in Q2 2005/06 from DKK 56.3m in Q2 2004/05, up 21.8% (16.7% measured in local currencies). In all markets, except for the UK and France, two-digit growth rates were achieved.

Revenue in H1 2005/06 was DKK 126.8m against DKK 106.6m in H1 2004/05, up 19.0% measured in Danish kroner and 14.1% measured in local currencies.

Revenue within Cardiology decreased to DKK 66.4m in Q2 2005/06 from DKK 67.1m in Q2 2004/05, down 1.0% measured in Danish kroner and 2.4% measured in local currencies. This is primarily attributable to sales being lower in the distributor markets as some distributors have reduced their inventories. The highest growth in Q2 measured in local currencies was in the USA.

Revenue in H1 2005/06 was DKK 125.8m against DKK 125.3m in H1 2004/05, up 0.4% measured in Danish kroner and down 1.1% measured in local currencies.

Revenue within Neurology increased in Q2 2005/06 to DKK 17.5m from DKK 13.8m in Q2 2004/05, up 26.5% (22.6% measured in local currencies). Growth is broadly based, but at country level the highest organic growth was seen in France, the UK, Spain, Italy, Germany and the USA.

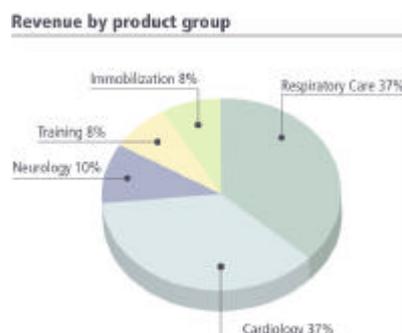
Revenue in H1 2005/06 was DKK 33.2m against DKK 25.7m in H1 2004/05, up 28.9% (24.9% measured in local currencies).

Revenue within Training increased in Q2 2005/06 by 23.1% to DKK 15.8m (22.1% measured in local currencies). The increasing revenue is primarily attributable to a positive development in distributor sales and increasing revenue in the French market.

Revenue in H1 2005/06 was DKK 27.7m against DKK 25.3m in H1 2004/05, up 9.6% (8.6% measured in local currencies).

Revenue within Immobilization and the group's other products decreased in Q2 2005/06 by 5.7% (10.4% measured in local currencies) to DKK 13.4m. Revenue is expected to increase in H2 2005/06.

Revenue in H1 2005/06 was DKK 26.0m against DKK 27.5m in H1 2004/05, down 5.4% (9.9% measured in local currencies).



Geographical breakdown of revenue

In the USA, which is Ambu's largest single market, revenue in Q2 2005/06 was DKK 55.5m, up 25.0% measured in Danish kroner and 14.3% measured in the local currency relative to Q2 2004/05. Revenue in H1 2005/06 was DKK 100.1m against DKK 85.1m in H1 2004/05, up 17.7% measured in Danish kroner and 7.6% measured in the local currency. Sales to this market account for 29.5% of total revenue. Growth within Respiratory Care in H1 2005/06 was 19.7% measured in the local currency, while Neurology saw growth of 18.8%. The other business areas saw a fall in revenue. The fall in revenue within Cardiology and Immobilization is attributable to the fact that some distributors have reduced their inventories.

Revenue in Europe amounted to DKK 114.3m in Q2 2005/06, up 10.0% relative to Q2 2004/05 (9.6% measured in local currencies). Revenue in H1 2005/06 was DKK 215.3m against DKK 198.1m in H1 2004/05, up 8.7% measured in Danish kroner and 8.2% measured in local currencies. This means that Europe accounts for 63.4% of total revenue. The highest organic growth was seen in the Nordic countries, followed by Spain and Italy.

In Q2, revenue in the other markets amounted to DKK 11.9m, down 25.4% relative to Q2 2004/05. Revenue in H1 2005/06 was DKK 24.1m against DKK 27.2m in H1 2004/05, down 11.4% measured in Danish kroner and down 11.4% measured in local currencies. This means that revenue in the other markets account for 7.1% of total revenue. The fall in revenue in the other markets is attributable to the fact that no large single orders were achieved in H1 2005/06 which was the case in H1 2004/05.



Comments on the financial statements for Q2 2005/2006 and H1 2005/06

Income statement

Revenue

Revenue in Q2 2005/06 was DKK 182m against DKK 164m in Q2 2004/05, up 10.6%. At unchanged exchange rates, revenue increased by 7.5%. Exchange rate fluctuations in Q2 resulted in an increase in revenue of DKK 5.1m relative to the same period in 2004/05.

Revenue in H1 2005/06, hereinafter referred to as year-to-date, was DKK 340m against DKK 310m in H1 2004/05, up 9.4%. At unchanged exchange rates, revenue was up 6.3% in H1. Year-to-date, exchange rate fluctuations resulted in an increase in revenue of DKK 9.6m relative to the same period in 2004/05.

Exports accounted for 98% of total revenue.

Gross profit

The gross profit in Q2 2005/06 was DKK 95m against DKK 85m in Q2 2004/05, up 11.9%.

The gross profit ratio increased from 51.4% to 52.0%. The increase is attributable to the fact that the indirect costs are lower than in the same period last year due to savings in Denmark in connection with the relocation of production to Asia.

Year-to-date, the gross profit is DKK 175m against DKK 160m in 2004/05, corresponding to an increase of DKK 15m or 9%, of which DKK 10m stems from Q2 2005/06.

Costs

The group's sales, development, management and administration costs and other operating expenses amounted to DKK 72m in Q2 2005/06 against DKK 67m in Q2 2004/05. Year-to-date, the group's sales, development, management and administration costs and other operating expenses amounted to DKK 145m against DKK 134m in H1 2004/05. The most important reasons for the increase in costs of DKK 11m are:

- The allocation of more sales resources to the sales companies with a view to seizing the current market opportunities, preparing future growth and marketing new products.
- An increase in product development costs.
- The final sale of the property in Brøndby, which entailed a write-down of DKK 1.5m in Q2 2005/06. The amount is recognised under other operating income/expenses.
- Increasing exchange rates (effect of DKK 3.6m).

EBITA and EBIT

The operating profit before goodwill amortisation (EBITA) was DKK 22m in Q2 2005/06 against DKK 17m in Q2 2004/05.

The EBITA margin was 12.0% against 10.5% in the same period in 2004/05.

The operating profit (EBIT) was DKK 22m in Q2 2005/06 against DKK 15m in Q2 2004/05, up 47%. DKK 2m of this increase is attributable to the transition to the IFRS standards. This means that the amortisation of goodwill according to the straight-line method has been 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 expenses amounted to DKK 2m in Q2 against DKK 2m in the same period in 2004/05. Year-to-date there has been an increase of DKK 1m, which is attributable to lower translation gains relative to the same period in 2004/05 together with increasing interest expenses due to investments in buildings in Malaysia as well as machinery and equipment etc.

Profit for the period

The net profit for Q2 2005/06 amounted to DKK 14m against DKK 9m in Q2 2004/05.

The profit for the period totalled 7.8% of revenue in Q2 2005/06 against 5.5% of revenue in the same period in 2004/05.

Balance sheet

At the end of Q2 2005/06, the balance sheet totalled DKK 663m, corresponding to an increase of DKK 15m relative to the end of 2004/05.

The change is primarily attributable to increases in inventories of DKK 8m from DKK 135m to DKK 143m relative to the end of 2004/05. Inventories fell, however, by DKK 9m as from the end of Q1 2005/06.

Capitalised development projects increased by DKK 5m to DKK 44m. Trade receivables fell by DKK 4m, while cash increased by DKK 7m. Fixed assets increased by a total of DKK 6.0m.

The most important reason for the increase in the group's inventories of DKK 8m is larger inventories and more work in progress in the production companies in connection with the expected increases in activity. In Q1, work went into improving the management of the group's inventories through a centralisation of stock management and through improving the basis for determining the size of the inventories. The effect of these activities has begun to show, and inventories of manufactured goods have been reduced since the end of 2004/05.

In Q1, investments in property, plant and equipment amounted to DKK 19m, while depreciation of fixed assets amounted to DKK 15m. The most significant investments in property, plant and equipment were made in Asia in connection with the relocation of production and the new production facilities in Malaysia. Furthermore, DKK 9m was invested in development projects.

In Q2, investments in property, plant and equipment amounted to DKK 5m, and investments in development projects amounted to DKK 5m.

Equity

As at 31 March 2006, equity amounted to DKK 356m against DKK 349m as at 30 September 2005.

Changes in equity

DKKm	2005/06
Equity as at 1 October 2005	349.1
Exchange rate adjustment in respect of opening equity in foreign subsidiaries	(0.6)
Payment of dividend	(11.7)
Adjustment of forward exchange contracts payable	0.7
Profit for the period after tax	18.5
Equity as at 31 March 2006	356.0

Cash flow statement

Cash flows from operating activities amounted to DKK 30m in Q2 2005/06 and DKK 40m in H1 2004/05. Cash flows from operating activities in H1 were negatively affected by an increase in working capital of DKK 5m. The increase is primarily attributable to the fall in trade payables due to the relocation of production to Asia and the consequent conclusion of collaboration agreements with local suppliers. In the beginning, the terms of payment vis-à-vis these new suppliers are short, but are expected to be changed in the course of Q2 2005/06. Furthermore, inventories increased by DKK 8.1m. The inventories will be reduced in Q2 2005/06. Trade receivables fell by DKK 16.5m.

Investment activities amounted to DKK 8m in Q2 2005/06 and DKK 25m in H1 2005/06.

The group has realised a positive free cash flow of DKK 24m in Q2 2005/06 and a positive free cash flow of DKK 16m in H1 2005/06 against a negative free cash flow of DKK 3m in H1 2004/05.

Outlook

Revenue in H1 developed in line with expectations, and growth was seen within Respiratory Care and Neurology, while revenue within Cardiology was not satisfactory. The new products being introduced within Cardiology are expected to lead to growth within this area for 2005/06 as a whole.

The combination of the product launches made, increased sales of newer products and intensified sales efforts within all product groups are expected to lead to a continued increase in revenue. For 2005/06 as a whole, revenue is therefore expected to be in the region of DKK 720m. EBITA for 2005/06 is expected to be approx. DKK 90m, while the profit before tax is expected to be in the region of DKK 80m. The activities in the Muslim countries increased in Q2 relative to Q1 2005/06. The order intake is, however, still lower than usual.

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

The outlook is based on the realised average USD exchange rate in H1 2005/06 as well as on the USD exchange rate in H2 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

31 August 2006	Report for Q3 2005/06
30 November 2006	Earnings Release 2005/06
19 December 2006	Annual General Meeting

Statement by Board of Directors and Executive Board

The Board of Directors and the Executive Board today discussed and approved the report for the period October 1, 2005 – March 31, 2006 of Ambu A/S.

The interim report, which is unaudited, has been presented in accordance with the provisions of IFRS on measurement and recognition and other Danish requirements for the financial reporting by listed companies.

We consider the chosen accounting policies to be appropriate, and in our opinion the interim report gives a true and fair picture of the Group's assets and liabilities, its financial position, profit and cash flows.

Ballerup 18 May, 2006

Executive Board

K.E. Birk
CEO

Board of Directors

N.E. Nielsen,
(Chairman)

Bjørn Ragle

Jørgen Hartzberg

Torben Ladegaard

John Stær

Anne-Marie Jensen

Hanne-Merete
Lassen

Kirsten Therkildsen-
Søndersted Olsen

Income statement

DKKm	Q2 2005/06	Q2 2004/05	Year-to-date 2005/06	Year-to-date 2004/05	FY 2004/05
Revenue	182	164	340	310	654
Production costs	86	79	165	150	313
Gross profit	95	84	175	160	341
Cost of sales	37	35	74	70	144
Development costs	7	6	12	11	21
Management and administration	28	26	57	53	105
Other operating expenses	2		2		3
Operating profit before goodwill amortisation (EBITA)	22	17	30	26	68
Goodwill amortisation	-	2	-	4	7
Operating profit (EBIT)	22	15	30	22	61
Net financials	(2)	(2)	(4)	(3)	(8)
Profit before tax (PBT)	20	13	27	19	53
Tax	6	4	8	6	15
Profit for the period	14	9	19	13	38

Balance sheet

DKKm	31.03.06	31.03.05	30.09.05
Intangible assets	157	152	152
Property, plant and equipment	179	163	178
Total fixed assets	336	315	330
Inventories	143	109	135
Receivables	168	175	183
Cash and cash equivalents	16	24	10
Total current assets	327	308	328
Total assets	663	623	658
Total equity	356	320	349
Total provisions	8	1	7
Long-term liabilities other than provisions	80	86	73
Short-term liabilities other than provisions and other liabilities	219	216	229
Total liabilities other than provisions	299	302	302
Total liabilities	663	623	658