Annual Report 2013/14

Ambu
Ideas that work for life

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About Ambu

Since 1937, breakthrough ideas have driven our work to bring efficient healthcare solutions to life within our fields of excellence: Anaesthesia, Patient Monitoring & Diagnostics and Emergency Care. Millions of patients and healthcare professionals worldwide depend and rely on the functionality and performance of our products. We are dedicated to improving patient safety and determined to advance single-use devices. The manifestations of our efforts range from early inventions like the Ambu bag and the legendary Blue Sensor® electrodes to our latest landmark solutions such as the aScope™ – the world's first single-use videoscope. Our commitment to bringing new ideas and superior service to our customers has made Ambu one of the most recognised medico-technical companies in the world. Our head office is situated in Ballerup near Copenhagen. Ambu employs approximately 2,350 people in Europe, North America, Asia and the Pacific region. For further information, visit www.ambu.com.

Financial highlights

DKKm		2009/10	2010/11	2011/12	2012/13	2013/14
Key figures	Revenue	940	983	1,045	1,383	1,584
	Profit before interest, tax, depreciation and amortisation (EBITDA), before special items	179	201	204	235	286
	Operating profit (EBIT) before special items	118	144	151	161	198
	Operating profit (EBIT)	116	111	145	100	198
	Net financials	0	-13	-1	-30	10
	Profit before tax	116	98	144	70	208
	Net profit for the year	84	69	110	48	151
	Depreciation, total	39	38	37	43	46
	Amortisation, total	22	18	16	31	42
	Total assets	876	889	949	1,852	2,047
	Equity	562	580	665	651	854
	Net interest-bearing debt	110	105	57	721	739
	Cash flows from operating activities	99	102	158	122	183
	Cash flows from investing activities before company acquisitions	-68	-38	-47	-54	-80
	Free cash flows before company acquisitions	31	64	111	68	103
	Acquisitions of companies and technology	-	-	31	704	112
	Average no. of employees	1,728	1,637	1,683	1,984	2,333
Ratios	Gross margin, %	54.3	55.5	54.5	49.1	50.4
	Rate of cost, %	42	41	40	37	38
	EBITDA margin before special items, %	19.0	20.4	19.5	17.0	18.1
	EBIT margin before special items, %	12.6	14.6	14.4	11.6	12.5
	Return on equity, %	16	12	18	7	20
	NIBD/EBITDA before special items	0.6	0.5	0.3	3.1	2.6
	Equity ratio, %	64	65	70	35	42
	Investments, % of revenue	7	4	4	4	5
	Working capital, % of revenue	30	32	34	28	29
	ROIC, % after tax including goodwill	12	14	14	11	12
Share data	Market price per share, DKK	136	139	148	224	425

The ratios have been calculated in accordance with the Danish Society of Financial Analysts' 'Recommendations and Financial Ratios 2010'.
For definitions, please refer to note 29.

Onwards and upwards

Ambu continues to exceed market growth and create value for shareholders.

In October 2013, Ambu launched a new four-year strategy: Climbing New Heights 2017. The targets are revenue of approx. DKK 2bn and earnings in excess of DKK 300m by 2017. These are ambitious targets, but targets which our more than 2,300 employees believe in and are working towards every day.

The financial statements for 2013/14 conclude the first of the four years and testify to the fact that we are on course, and the first mountain peak has been 'scaled'. Recording growth for the year of 15%, of which 7% is organic, and EBIT figures of 12.5% and DKK 198m, Ambu is posting solid results.

Targeted positioning

The results have been achieved on the basis of a focused strategy and the setting of clear targets, and Ambu is now one of the most dedicated suppliers of single-use products for hospitals and rescue services. We are convinced that by investing in developing the organisation, new products and sales methods, and by providing good service to our customers, Ambu will continue to outperform the market and strengthen its position as a high-quality supplier of innovative solutions which help healthcare professionals save lives.

We firmly believe that our mission of being a leading player within the development and production of single-use products is the optimum position for Ambu. The number of surgical procedures is increasing, and in the years to come, Ambu expects to see a growing demand for solutions that can reduce costs, eliminate the risk of infection and help hospitals be more efficient through the use of single-use products that do not require sterilisation.

Innovative product launches

In 2013/14, Ambu demonstrated that we are one of the most innovative companies in our line of business with the launch of three absolutely unique new products.

aScope 3
First and foremost the third generation of our optical single-use fibre scope Ambu aScope™. A product which in 2013/14 had a real breakthrough with sales of more than 30,000 scopes in the selected markets in which the product has been introduced.

King Vision aBlade
We also have high expectations for King Vision aBlade. This is the first new product developed on the King Vision platform, which Ambu acquired in connection with the acquisition of King Systems in 2013. The original King Vision video laryngoscope is primarily interesting for rescue services. With King Vision aBlade, the product has now become attractive for a significantly larger market.

AuraGain
Last, but not least, we have launched Ambu AuraGain™, the third generation of Ambu's laryngeal mask. AuraGain offers completely new capabilities for doctors during intubation and surgical procedures, and the product, which was launched in late summer, has been positively received by hospitals.

Global presence

In recent years, Ambu has invested significantly in developing the three sales regions Europe, North America and the rest of the world. It is very positive that Ambu's ambition of developing into a global player in the medico-technical market has been realised. With North America accounting for 44% of revenue, Europe for 44% and the rest of the world for 12%, Ambu has built up a strong global position and a solid foundation for its new and ambitious growth targets.

Acquisitions integrated

Within the past three years, Ambu has made three company acquisitions. On paper, acquiring and integrating companies and achieving the calculable value creation may look easy. In reality, acquisitions are far more complex, and it is therefore a pleasure to see that our acquisitions have been successful.

The latest acquisition – American King Systems – is now fully integrated with Ambu. Not just in terms of its product portfolio, sales force, production and finance unit. The former King Systems is also fully integrated with Ambu's IT business platform. The acquisition and subsequent integration of King Systems have clearly transformed Ambu and optimised our business opportunities.

We now have more than 700 employees in the US, divided between our US production plant in Indianapolis and our main sales office in Baltimore. Sales in the US market have developed markedly in recent years, now generating revenue of approx. DKK 700m. This creates a completely different springboard for the future than Ambu has been used to.

Top-tuned organisation

Our 2,300 employees is the key to our success. It is our employees who create added value, and it is our employees who every day tackle challenges and deliver high-quality products to our customers. Therefore, it is great to see that the results of our global employee satisfaction survey in spring 2014 showed highly motivated, loyal and professional employees who believe in the strategic direction and ambitious targets set by management.

FY 2013/14 has concluded with satisfactory results, a stronger foundation and clear targets and action plans for FY 2014/15.

Jens Bager	Lars Marcher
Chairman of the Board	President & CEO

Product areas

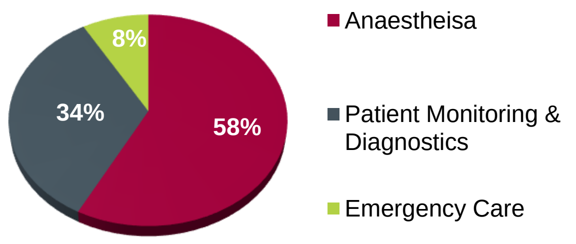
Ambu's business areas

Anaesthesia
Primary products: Laryngeal masks, ventilation bags, face masks for artificial ventilation, scopes for visualisation, anaesthesia tubes and pumps for palliative care.
Users: Hospitals, clinics and rescue services.
The general market growth is deemed to be approx. 3% in the USA, 1% in Europe and 6% in the rest of the world.

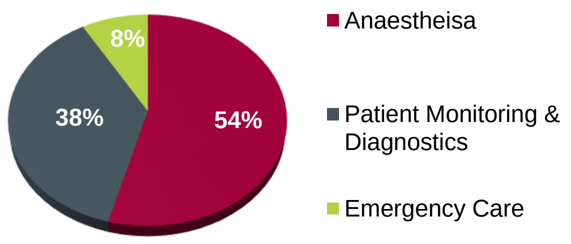
Patient Monitoring & Diagnostics
Primary products: Single-use electrodes for neurological and cardiological examinations, tubes and needles.
Users: Hospitals, clinics, rescue services and sleep laboratories.
Market growth is approx. 0-1% in the USA, 2-3% in Europe and 6-7% in the rest of the world. Growth within electrodes for cardiological applications is deemed to be approx. 2%, while growth within electrodes for neurological applications is approx. 5-8%.

Emergency Care
Primary products: Neck collars, manikins and other equipment for first-aid training.
Users: Hospitals, rescue services, aid organisations and the armed forces.
Market growth is deemed to be about 0%.

Revenue – Q4



Revenue – FY



Anaesthesia

Within Anaesthesia, sales increased by 23% in Q4 in Danish kroner, and 26% in local currencies. For the year as a whole, growth of 34% was reported, with organic growth in local currencies of 16%.

It has been a landmark year for Ambu with the global launch of three unique single-use products and the acquisition of the pain pump technology which Ambu has distributed since 2010. These four products will contribute significantly to growth in excess of market growth and to Ambu achieving the target of revenue of approx. DKK 2bn in 2017. The sales force is thus stronger than ever, being able to offer a complete product portfolio of single-use products for anaesthesiology departments.

aScope 3 was introduced in selected markets at the end of the last financial year. Sales in these markets (Scandinavia, the UK, Germany and Australia) developed very satisfactorily throughout the year, which meant that the product launches in other markets, including the USA, were pushed until the end of the year due to insufficient production capacity. Due to the strong demand, Ambu is currently building a new factory for the production of aScope 3 in Malaysia. We expect the factory to start operations before the end of the 2014 calendar year, as a minimum doubling the existing aScope 3 production capacity.

King Vision aBlade, the single-use version of the original King Vision video laryngoscope, was launched globally at the end of Q3. The existing King Vision product is sold mainly to rescue services in the Emergency Care segment. The launch of the single-use aBlade strengthens Ambu's position within the hospital segment. Together with the rest of Ambu's product portfolio, it means that Ambu plays a significant role in the millions of intubation procedures performed by hospitals each year.

One more product was launched in Q3 when Ambu introduced the world's first third-generation laryngeal mask: AuraGain. Featuring a number of new functionalities not offered by competing products, the mask helps anaesthetists improve the maintenance of airways during surgery.

In Q2, Ambu acquired patent and manufacturing rights to the pain pump technology which Ambu has been distributing in the USA since 2010. The acquisition sum of USD 10m will be paid over a period of up to seven years. The pain pump is a single-use product for delivering medication to outpatients, and complements Ambu's portfolio of products for anaesthesiologists. In H1, Ambu concluded agreements with the two major US general purchasing organisations (GPOs) Premier and MedAssets, thereby gaining access to potential sales of pain pumps worth USD 80m a year. We expect this to positively impact US sales in the coming years.

The end of Q3 saw the migration of King Systems to Ambu's ERP system, which went according to plan. King Systems is now fully integrated, which is also evident from the development in sales of the King system products. Sales increased by 6% in the financial year.

Patient Monitoring & Diagnostics (PMD)

Within PMD, sales declined by -1% in Q4 in Danish kroner. Sales were unchanged in local currencies. For the year as a whole, growth of 2% was reported, with growth in local currencies of 3%.

In the Cardiology segment, Ambu increased sales in excess of market growth, and within Neurology, Ambu achieved high double-digit growth rates. The Sleep and Intraoperative Monitoring business areas recorded slightly negative growth rates.

Q1 saw the combination of production units in the UK. The factory in Gloucestershire was closed down, and the production of WhiteSensor® electrodes was transferred to First Water Heathcote's plant in Warwick and to a partner in India, with which Ambu has worked for a number of years.

Emergency Care

Sales within Emergency Care fell in Q4. The fall constituted -7% in Danish kroner, and -6% in local currencies. For the year as a whole, growth of -12% in Danish kroner was reported, with growth in local currencies of -11%. Sales in the Emergency Care segment are largely based on project sales, resulting in fluctuating growth due to the size of single orders. After a good demand and resulting sizeable single orders, in particular for neck collars and manikins, last year, similar-sized orders did not materialise this year.

Revenue – product areas

(DKKm)	Q4 13/14	Q4 12/13	Composition of growth			FY 13/14	FY 12/13	Composition of growth		
			Organic*	Foreign currency	Reported			Organic*	Foreign currency	Reported**
Anaesthesia	253	206	26%	-3%	23%	853	639	16%	-3%	34%
PMD	152	155	0%	-1%	-1%	598	590	3%	-2%	2%
Emergency Care	37	40	-6%	-1%	-7%	133	154	-11%	-2%	-12%
Revenue	**442**	**401**	**11%**	**-1%**	**10%**	**1,584**	**1,383**	**7%**	**-2%**	**15%**

** Local currencies*

*** King Systems was included in Ambu's financial statements for just under eight months in 2012/13*

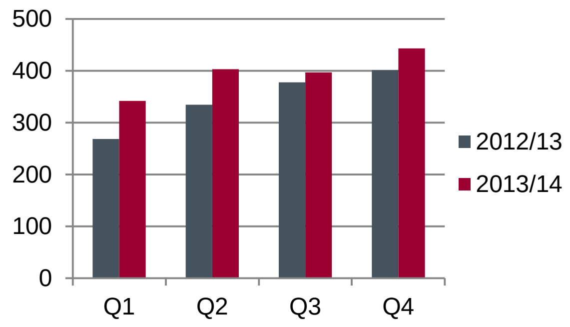
Financial results

Income statement

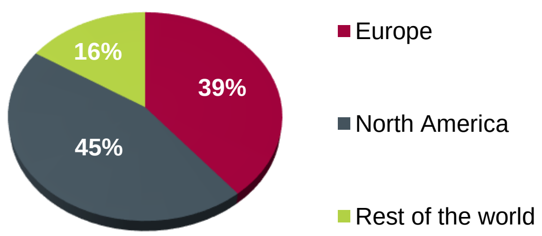
Comparative figures are stated in brackets.

Q4
As expected, Q4 became the busiest quarter of the year with revenue of DKK 442m (DKK 401m), corresponding to organic growth of 10% in Danish kroner and 11% in local currencies. Growth was reported by all regions, and particularly so within Anaesthesia, where a number of products show double-digit growth rates.

Revenue – quarters (DKKm)



39% (42%) of revenue was generated in Europe, 45% (47%) in North America and 16% (11%) in the rest of the world.



In Q4, organic growth in North America stood at 9%, which is the highest quarterly growth since the takeover of King Systems.

With strong growth in the markets outside North America and Europe, Ambu continued the development seen in recent quarters. Here, organic growth of 55% was driven by Asia and Latin America.

In Europe, Ambu posted market-level growth.

A gross profit for the quarter of DKK 224m (DKK 194m) was generated, with a gross margin of 50.7% (48.4%). Compared with the previous quarter, the gross margin fell by 0.9% due to the sales mix; increasing sales of low-margin products reduced the total margin.

Capacity costs totalled DKK 144m (DKK 135m). The rate of cost fell to 33% (34%).

In Q4, the average USD/DKK rate was 563 (563) and thus remains unchanged compared to last year.

In terms of earnings, Q4 was the best quarter of the year with EBIT of DKK 80m (DKK 59m) and an EBIT margin of 18.1% (14.7%).

After a DKK 31m value adjustment of the King Systems earn-out due to changed future sales expectations, net financials ended at DKK 38m (DKK -8m) for the quarter.

Net profit then came to DKK 85m (DKK 28m) with a tax rate of 28.0% (24.3%).

FY 2013/14

Revenue
Revenue for the year was DKK 1,584m with reported growth of 15% in Danish kroner and organic growth of 7%. The double-digit growth figure reflects the fact that King Systems was taken over in February 2013 and thus contributed to results for only eight months in FY 2012/13.

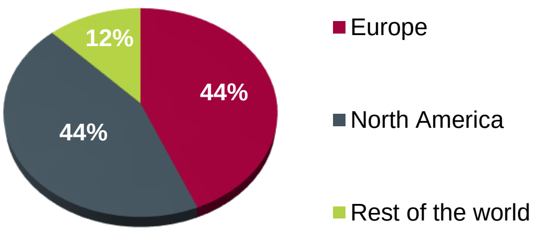
The geographical distribution of Ambu's revenue reflects the world market in which Ambu operates, with an equal distribution of revenue in Europe and North America and with a somewhat smaller, but increasing contribution margin from the rest of the world.

44% (48%) of revenue is generated in Europe, 44% (42%) in North America and 12% (10%) in the rest of the world.

Revenue – geographical areas

(DKKm)	Q4 13/14	Q4 12/13	Composition of growth			FY 13/14	FY 12/13	Composition of growth		
			Organic*	Foreign currency	Reported			Organic*	Foreign currency	Reported**
Europe	173	168	2%	0%	2%	693	664	3%	0%	5%
North America	199	187	9%	-3%	6%	699	580	5%	-3%	21%
Rest of the world	70	46	55%	-3%	52%	192	139	32%	-2%	38%
Revenue	**442**	**401**	**11%**	**-1%**	**10%**	**1,584**	**1,383**	**7%**	**-2%**	**15%**

** Local currencies*
*** King Systems was included in Ambu's financial statements for just under eight months in 2012/13*



The organic growth of 7% was driven primarily by North America and the rest of the world, while Ambu's growth in Europe was at the top end of the estimated market growth range of 1-3%.

In North America, Ambu outperformed the market with organic growth of 5%. The growth results from sales synergies from the extended product portfolio added by King Systems, a broader market coverage and the reorganised Anaesthesia and PMD sales force. As yet, the new product launches are having a modest effect, but they are expected to drive future growth.

In Europe, Ambu continues to grow in markets which are characterised by tight public budgets. Product innovation has helped Ambu to continue growing in a pressurised market.

The acquisition of King Systems has strengthened Ambu's position in the South American growth markets. Ambu's increased presence in the rest of the world in the form of own salespeople, customer service, distributors and logistics in, for example, China, India, Malaysia, Australia and New Zealand has resulted in organic growth of 32% in the markets outside North America and Europe.

Gross profit
Gross profit increased by 18% to DKK 798m, while the gross margin was up from 49% to 50%. The increasing gross margin can be ascribed to a number of factors:

- Increased sales of high-margin products such as aScope 3 and laryngeal masks.
- Continued productivity improvements and optimisations at Ambu's factories in China and Malaysia.
- Combination of the UK production companies as well as transfer of electrode production to India.

Moreover, margins are challenged by a continued pressure on prices, especially in the North America and Europe. However, through the above initiatives, Ambu has been able to compensate for the pressure on prices.

Activities have been put in motion which will ensure savings at the US factory in 2014/15. Thus, as from December, stock handling and distribution, which have so far been found in both Baltimore and Indianapolis, will be centralised and outsourced to an external logistics provider.

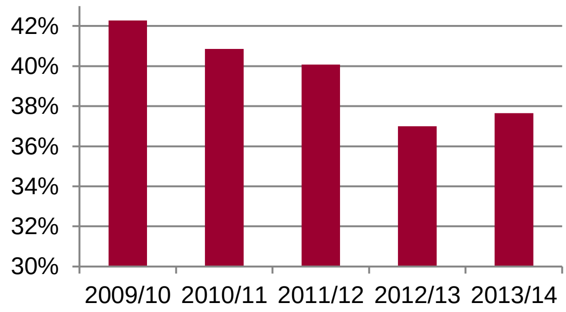
Costs
Ambu has a consistently strong focus on cost control. Capacity costs totalled DKK 600m (DKK 518m). The 16% increase is attributable, in particular, to the acquisition of King Systems, which was only included for eight months last year. The development in selling and development costs generally reflects the increased level of activity in connection with the launch and development of new products.

The rate of cost was 38% against 37% in 2012/13. Reducing the rate of cost in the period up until 2017 remains the ambition.

The average USD/DKK rate for the year was 550 (568), weakened by just over 3%. This positively impacted capacity costs in the amount of approx. DKK 15m.

Other operating expenses of DKK 4m pertain to option and warrant schemes.

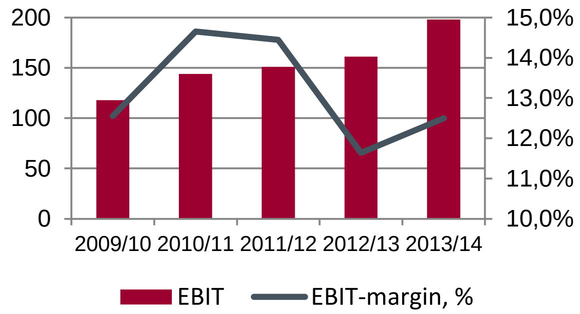
Rate of cost – 5-year summary



Operating income before special items
Profit before interest, tax, depreciation and amortisation (EBITDA) before special items increased to DKK 286m (DKK 235m). The EBITDA margin before special items increased from 17.0% to 18.1%.

EBIT before special items was up at DKK 198m (DKK 161m), resulting in an EBIT margin of 12.5% (11.6%).

EBIT and EBIT margin – before special items



Special items
Special items totalled DKK 61m and consisted of transaction and integration costs for King Systems as well as the costs of restructuring the UK production in connection with the acquisition of Unomedical's electrode business and First Water Heathcote. This year, there were no special items.

Net financials
Net financials constituted income of DKK 10m against expenses of DKK -30m the year before. The improvement is primarily due to value adjustment of the earn-out agreement relating to King Vision sales in the period up to 2016. The value adjustment will be carried out as a consequence of changed expectations of future sales, with DKK 31m being recognised as income.

Net financials:
- Interest expenses for bank and bond debt totalled DKK -29m (DKK -20m).
- Foreign currency translation adjustments of working capital and USD loans to a subsidiary as well as market value adjustments of interest and foreign currency swaps resulted in combined positive foreign currency translation adjustments of DKK 14m (DKK -5m).
- Adjustment of provisions and interest element concerning the King Vision earn-out and interest element concerning pain pump technology of DKK 24m (DKK -5m).

Net profit
A provision has been made for tax of 27.4% (31.4%) on the profit before tax adjusted for non-deductible items. This results in a net profit of DKK 151m (DKK 48m).

Balance sheet

The balance sheet total increased by DKK 195m to DKK 2,047m.

In March 2013, Ambu acquired patent and manufacturing rights to the pain pump technology which Ambu has been distributing since 2010. The acquisition sum is USD 2m plus an additional USD 8m, which is settled over a period of up to seven years.

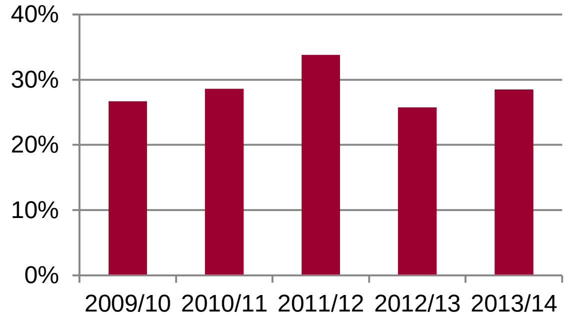
Inventories totalled DKK 253m (DKK 211m). The increase is due, in particular, to increasing sales, increased value of the US inventories when measured in Danish kroner due to the increasing USD exchange rate and the launch of new products.

Trade receivables amounted to DKK 380m (DKK 356m). Through increased focus, a significant improvement has been achieved in average receivables, which have been reduced from 101 days at end-September 2013 to 88 days at end-September 2014.

Receivables remain considerable in southern Europe, but as the vast majority of customers are from the public sector, Ambu still regards the associated risk of bad debts as being limited. Ambu has not had significant bad debts this year.

At year-end, Ambu's working capital amounted to DKK 452m, corresponding to 28.5% of revenue on a 12-month basis against 25.7% in 2012/13 (calculated on a pro forma basis). Ambu is still working towards a long-term working capital target of under 25%.

Working capital relative to revenue* – 5-year overview



** Pro forma-adjusted for King Systems*

Cash grew to DKK 86m (DKK 54m), and moreover Ambu had unutilised credit facilities of DKK 149m (DKK 210m). The financial resources are thus deemed to be sufficient for Ambu's growth plans.

Total financial net debt was DKK 739m (DKK 721m), including DKK 701m financed through the issue of corporate bonds.

Equity increased to DKK 854m (DKK 651m), while the equity ratio was 42% against 35% last year.

Net interest-bearing debt of DKK 739m corresponds to a leverage of 2.6 x EBITDA (3.1 x EBITDA) against an expected level of 2.5 x EBITDA.

Cash flows

Cash flows from operating activities totalled DKK 183m (DKK 122m).

Cash flows from investing activities, before company acquisitions, totalled DKK -80m (DKK -54m), corresponding to 5.1% of revenue (3.9%). This includes the investment in the new factory in Malaysia and other investments in production plant and development projects.

Free cash flows before acquisitions, but including payment of special items, were DKK 103m (DKK 68m). Special items totalled DKK 11m for the year, with DKK 2m outstanding for payment in 2014/15. Free cash flows before company acquisitions and before payment of special items thus totalled DKK 114m.

Acquisitions of companies and technology reduced cash flows by DKK -112m (DKK -704m). Acquisitions of technology concern patents and rights to pain pumps, as announced in March 2014. Company acquisitions relate to milestone and earn-out payments to the seller of King Systems as well as capital commitments in King Systems.

Cash flows from financing activities totalled DKK -66m (DKK 705m).

Follow-up on announced outlook

In connection with the interim report for Q3, Ambu revised its outlook for 2013/14. The actual results for the financial year are on a par with the revised outlook.

	Most recent outlook	Actual results
Revenue	Approx. DKK 1,600m	DKK 1,584m
Organic growth	Approx. 6-7%	7%
EBIT margin	Approx. 13%	12.5%
Free cash flows before special items	Approx. DKK 100-120m	DKK 114m
Leverage (NIBD/EBITDA before special items)	Approx. 2.5	2.6

Strategy – Climbing New Heights 2017

In October 2013, Ambu launched a new four-year strategy: Climbing New Heights. The target revenue is approx. DKK 2bn in 2017 with organic growth in excess of market growth, thereby continuing to increase Ambu's global market share. With our current product portfolio, new product launches and the realisation of economies of scale, we will increase our EBIT margin to approx. 17-18% in 2017. Last, but not least, a consistently strong cash flow and low debt will make it possible for Ambu to consider further acquisitions which can contribute synergies to our global business, thereby strengthening the company's competitive position.

Now, a year into the strategy period, we are well underway, and we are beginning to see the target results on the horizon. We are winning market share from our competitors, we have launched three unique single-use products, and we have strengthened our global market position with strong growth in Asia, all of which has contributed to organic growth of 7%. Earnings and cash flow have been strengthened, and we are starting to see the results of the scalability of Ambu's organisation.

Anaesthesia – that's us

Ambu's largest business area, Anaesthesia, continues to grow significantly more than the market. Our leading position as a supplier of single-use items for operating theatres has been further strengthened during the first year of the strategy period. We have launched three unique products that all improve patient safety and increase hospital efficiency. Two of the products, the single-use videoscope aScope 3 and the video laryngoscope King Vision aBlade, are contributing to strengthening our leading position within single-use visualisation equipment.

With the acquisition of King Vision and the newly launched products, Ambu has built a position as a one-stop shop for hospitals, significantly increasing the scope for cross-selling our products. This is an area which we expect to exploit to a greater extent in the years to come.

Against the background of the above, Ambu has taken another step towards becoming the innovative and dominant player of single-use products for hospital anaesthesiology departments.

Ambu has the necessary product solutions, and the sales force is focused and present in the most important markets. The next step is to increase sales of Ambu's new products, as well as exploiting opportunities for cross-selling.

From defence to offence in PMD

Today, Ambu has the best electrodes in the world in the form of its BlueSensor electrodes, and for the price-sensitive part of the market, its WhiteSensor electrodes, which constitute stable quality at a lower price. This means that we can defend our market share and reduce the general price pressure from the market. By offering a full range of single-use electrodes for diagnostics, monitoring and outpatient treatment, we are better able to build up and support the important BlueSensor business.

We will continue to invest in strengthening our attractive market position in the high-growth area of Neurology through the development of new sales methods and tools. Similarly, Ambu focuses on increasing its share of the US market, where its market share is significantly lower than in Europe.

Game changers

Ambu has been strengthened by the acquisition of King Systems, which has given the company greater weight in the US market. In combination with the development of Ambu's visualisation portfolio, this has transformed Ambu.

To further strengthen our new position, we are constantly working to optimise our processes in the entire value chain. Every day, we endeavour to supply more flexible solutions to customers, develop better sales tools, further specialise our sales force and increase Ambu's presence in high-growth countries.

People, people, people

Ambu's success is based on a strong corporate culture and on its talented and motivated employees. This was confirmed by a global employee satisfaction survey conducted this year. Our employees scored higher than the benchmarks for the overall parameters Loyalty, Satisfaction and Motivation. The survey also showed that Ambu's employees to a large extent believe in the strategic direction and the ambitious targets set by management. Ambu is thus well-positioned to continue to develop talents in the organisation as well as attracting talent from outside the organisation.

One more mountain

Ambu is working continuously to find new opportunities within or associated with our current product areas that can result in partnerships or new acquisitions. We have the financial strength and the ability to integrate companies and create synergies.

Industry and market

Ambu is a player in a market and an industry which are seeing rapid change. This presents a number of challenges and, at the same time, a wide range of opportunities for the future.

Changing behaviour
Both the industry and customers are changing their behaviour, and at the same time healthcare policies in most countries are undergoing major changes due to increasing budgetary pressures. This leads to natural price pressure both from hospitals and from national authorities.

More health for their money
A growing and ageing population creates a greater need for the treatment of lifestyle diseases, for surgery and for cosmetic treatments. Consequently, healthcare authorities are increasingly focused on getting more health for their money. Hospitals are joining forces with large general purchasing organisations with a view to realising economies of scale in relation to manufacturers. This puts pressure on manufacturers, who must be able to demonstrate that not only do their products create value for patients, they also come with clear economic benefits.

As a result of the tougher market conditions, Ambu is experiencing intensified competition for market share and a pressure to create value for hospitals and purchasing organisations. The trend is that the supplier has to offer high-quality products as well as a high level of service and effective customer support. Last but not least, suppliers are being met with stricter requirements from the authorities. The local registration of new products remains a challenge and can often take years. In addition, the US health authorities have intensified their focus on the companies and their infrastructure.

Close customer relations
With a view to accommodating developments in the industry, Ambu will to an even greater extent than previously focus on direct contact with our customers in order to provide the best possible service and support. This calls for even more focus on efficient IT systems that can be integrated with the customer's systems. It also entails a need for more clinical studies and data to underpin the value of our product solutions for customers.

We believe that hospitals and general purchasing organisations will demand more and also more innovative solutions which at the same time provide clear economic benefits. Ambu focuses on developing and selling single-use products which both improve patient safety, for example by reducing the risk of infection, and which also improve hospital routines, thereby helping to cut costs. Therefore, Ambu is in a favourable position and has considerable scope for realising further growth.

Outlook for 2014/15

In 2014/15, Ambu expects to realise growth in excess of market growth. The growth will be driven by, for example, aScope 3, Ambu's newest laryngeal mask AuraGain and by King Vision and the pain pump, all of which had been launched by the end of FY 2013/14.

Market conditions
General market growth in both Europe and North America is expected to remain relatively low as a result of continued modest economic growth as well as pressure on public budgets. The intense competition will also contribute to putting pressure on prices in most markets, but with differences between markets.

In the USA, Ambu has in recent years positioned itself as a partner with the large general purchasing organisations (GPO), and there are positive signs that this strategy will lead to growth opportunities in future. At the same time, the introduction of a number of new products in North America in 2013/14 means that Ambu in 2014/15 is well-positioned for exploiting the potential created by the acquisition of King Systems.

The European economies are still characterised by low economic growth, and there is no decisive change in this situation.

In Asia and in Latin America, Ambu has realised double-digit growth rates in recent years, and the contribution margin from these regions now has a significant impact on Ambu's total growth. The positive developments are expected to continue in 2014/15.

Revenue
Growth in local currencies of approx. 7-8% is expected in 2013/14. Measured in Danish kroner, revenue in the region of DKK 1,740m corresponding to approx. 10% growth is expected based on the above exchange rate assumptions.

Looking at the geographical segments, both North America and Europe are expected to see higher organic growth than in FY 2013/14, and the rest of the world is also expected to generate double-digit growth rates in 2014/15.

Margins
Despite the anticipated pressure on prices, the gross profit is expected to be maintained in 2014/15 at unchanged exchange rates. The gross profit margin will be affected by the following:

- Increased sales of high-margin products
- Continued productivity enhancements and optimisations at factories
- Continued pressure on prices.

The increase in total capacity costs is expected to be somewhat lower than the growth in revenue.

Against this background, an EBIT margin of approx. 12.5-13% is expected. At unchanged exchange rates, an EBIT margin of approx. 13.5-14% is expected.

Expected exchange rates
The outlook for 2014/15 is based on the assumption that the DKK exchange rate will weaken relative to the most important currencies for Ambu, compared with the level in 2013/14. For 2014/15, the following rates are thus assumed:

- USD/DKK 575 (550)
- CNY/DKK 92 (89).
- MYR/DKK 179 (170).

The average USD/DKK rate realised in 2013/14 is thus expected to be strengthened by 5%, while CNY/DKK and MYR/DKK are expected to be strengthened by 3% and 5%, respectively. Because a significant part of Ambu's production takes place in the Far East, compared with 2013/14 an overall negative effect from exchange rates is expected of just under 1 percentage point on the EBIT margin.
Based on the above exchange assumptions, an EBIT margin of approx. 12.5-13% is expected.

Foreign exchange exposure
The expected revenue for the year is significantly impacted by developments in USD/DKK, as approx. 45% of Ambu's revenue is invoiced in USD. Moreover, EBIT is influenced by developments in CNY/DKK and MYR/DKK, as a significant share of Ambu's production is settled in CNY and MYR.

The effect of an increase of 5% relative to Danish kroner is estimated as follows for each main currency:

DKKm	USD	GBP	MYR	CNY
Revenue	42	6	0	0
EBIT	12	3	-13	-9

Free cash flows and net interest-bearing debt
Free cash flows of approx. DKK 130-140m are expected for 2014/15.

At the end of September 2015, net interest-bearing debt is expected to be in the region of 2.2 x EBITDA.

Acquisitions
As an integrated part of its strategy, Ambu is working to identify companies and products that can supplement its current product portfolio. Ambu is also keen to enter into new partnerships. The outlook for the year may be affected by any acquisitions and/or partnerships.

Outlook for 2014/15	Local currency	Danish kroner
Revenue	7-8%	~ 10% (DKK 1,740m)
EBIT	13.5-14%	12.5-13%
Free cash flows	-	DKK 130-140m
Gearing	-	~ 2.2

Forward-looking statements
Forward-looking statements, especially such as relate to future sales, operating income and other financial key figures, 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 report. Such factors include, among other things, changes in market conditions and the competitive situation, changes in demand and purchasing patterns, fluctuations in foreign exchange and interest rates, and general economic, political and commercial conditions.

See also the section on risks on the following pages.

Risk management

Ambu has established policies and procedures which guarantee as efficient management as possible of the identified global risks, and Ambu's management focuses on ensuring satisfactory clarity about the group's risks.

Risk policy and risk-taking

Risk assessment is a natural part of Ambu's decision-making processes, and efficient risk management is deemed to play an important role in ensuring continued growth. Risk management also contributes to protecting Ambu's business, employees, assets and reputation.

Ambu's activities involve a number of general and specific commercial and financial risks which may have a negative impact on the company's future growth, activities, financial standing and results. Ambu seeks to identify and quantify these risks via internal control and risk management systems, and the risks are hedged and limited to the greatest possible extent. However, the nature of Ambu's business, including the development of new products, means that the company undertakes risks on an ongoing basis. The risk management systems are to ensure that only calculated risks are taken, and that these are constantly monitored and managed.

The risks which are deemed to have the largest potential impact on Ambu's business are described below. The description is not necessarily exhaustive, however, and the risk factors are not ranked in any order of priority.

Commercial risks

Competition and market conditions
In a large number of countries, there is increasing financial and political focus on reducing healthcare costs, and the global economic situation has reinforced this trend. At the same time, purchases of medico-technical products are increasingly made via general purchasing organisations and via public tenders, and there is a general demand for higher efficiency within the healthcare sector. Such structural changes are putting pressure on the prices of all medico-technical products. At the same time, low-priced copy products are often introduced in the market.

Ambu is constantly seeking to adapt its business to respond to these trends, among other things via the following activities:

- As an integrated part of product development, the question of how new products can contribute to streamlining hospital routines is considered. This is a principal element in the development of single-use products. Through clinical and health economics studies, Ambu is also increasingly working to document the savings and benefits of using Ambu's products, and these data are used actively in connection with sales activities.
- Ambu is constantly seeking to position its products in a manner which ensures that price is not the determining sales parameter.
- Over the past few years, Ambu has upgraded its competences within sales to general purchasing organisations. In the USA, Ambu has over a period of many years built up expertise in this area as a very large proportion of hospital procurement takes place via this channel, and Ambu has dedicated some of its US sales force to deal exclusively with sales to GPOs. In Europe, the proportion of purchases made via general purchasing organisations is growing, and Ambu is tailoring and targeting its sales activities at this customer group.
- At the end of 2013/14, Ambu had only very limited production left in Europe, and no production in Denmark. By having factories in China, Malaysia and the USA, production costs are optimised, and close interaction is maintained with the most important markets, thereby maintaining Ambu's competitiveness. There is ongoing focus on optimising production and on identifying the most expedient locations and structure, including partnerships.

Product development
Ambu's ability to realise its strategic targets depends on its ability to develop unique, high-quality products. As part of Ambu's strategy, the innovation organisation has been strengthened and streamlined, with departments in China, Malaysia and the USA. This ensures faster and cheaper product development than previously.

Ambu takes a targeted approach to improving its existing products, developing new products and generally strengthening the company's ability to innovate, for example by forging ever closer links between marketing and development. Thus, considerable investments are continuously being made in product development and the marketing of new products, and the success of these products in the market is a prerequisite for meeting the agreed targets.

Ability to attract and retain employees
In order to develop innovative products and ensure satisfactory financial results, it is necessary to attract and develop the right employees globally. In order to attract and retain employees with the right competences, Ambu focuses on developing individual employees, on continuous career development and on delegating a considerable degree of responsibility to its employees.

Trademarks, branding and patents
The company logo and name create coherence between the company and its products and make the company easily recognisable to customers and stakeholders. The Ambu name is included in all product names, and the active branding is intended to help prevent plagiarism. A branding strategy and a branding manual have been prepared to ensure the ongoing updating of the Ambu brand.

It is company policy to patent products with a high market value which are essential to Ambu's future growth. Within the medico-technical sector, opinions often differ on whether a given product is patented or not, for which reason any patent cases may result in considerable costs to protect Ambu's rights or to defend Ambu against alleged infringements of patents. To minimise the risk of such cases being instituted, Ambu makes a point of ascertaining whether patents exist within a particular project area before embarking on any new projects.

Production and quality
Operating disturbances or stoppages at Ambu's production units may have a negative impact on production, which could affect the company's ability to deliver. To minimise these risks, the production units are inspected on a regular basis by both internal and external resources, and a number of measures have been introduced, including fire protection, improvements to the working environment and the building-up of a certain minimum level of inventories.

The siting of the production units has been based on a risk assessment, including, among other things, an assessment of the risk of natural disasters, of the political climate, of issues related to foreign exchange and of the possibilities of attracting employees with the required qualifications.

In step with the growth in revenue, the company performs ongoing assessments of production capacity, and production units are expanded regularly to ensure that the necessary capacity is available. In FY 2013/14, this resulted in the construction of a new factory in Malaysia to produce aScope 3, as a result of the increasing demand for the product.

Ambu's products are most often used in critical situations, and product quality is vital to the company's future commercial success. Quality assurance is therefore a crucial focus for Ambu. With a view to meeting user needs and minimising patient risks, risk assessments, clinical trials and process validation are carried out in connection with product development and production, and Ambu's quality organisation is strengthened on a continuing basis. Ambu lives up to the requirements of the US Food and Drug Administration (FDA) and the European CE requirements.

In FY 2013/14, Ambu underwent two FDA routine inspections: one inspection in China and one in the USA.

IT security
Ambu has a special IT emergency support system and has established special procedures for handling any IT breakdowns. The emergency support system includes, among other things, automatic fault reporting, the conclusion of service level agreements for all business-critical systems and the use of external data hosting, while redundancy has been established for the most important business systems.

Insurance
The company's insurance policy lays down the overall framework for the extent and management of insurance risks. The insurance policy contains guidelines on the group's hedging and insurance matters. Insurance matters and insurance risks are assessed annually in cooperation with international insurance consultancy companies. In addition to statutory insurance cover, the company has taken out product liability and operating loss insurance. Property, operating equipment and inventories are covered on an all-risk basis at replacement cost.

Financial risks

Developments in Ambu's results and equity are impacted by a number of financial risks, including foreign exchange risks, interest rate risks, liquidity and credit risks. Ambu has centralised the management of financial risks in the group's finance function, which also acts as a service centre for all subsidiaries. The group does not engage in speculative transactions. Financial risks and financial risk management are described in further detail in notes 14, 17 and 21.

Corporate governance

Principles
Ambu is managed with reference to the company's vision, mission, values, Code of Conduct and the Five Star Leadership management concept. The legal framework for Ambu's management is constituted by statutory requirements and company law, NASDAQ OMX Copenhagen's Recommendations on Corporate Governance, stock exchange rules, best practice and the company's internal rules.

Shareholders

The shareholders own Ambu and exercise their right to make decisions at the annual general meeting, for example adopting the annual report, amending the Articles of Association, electing members of the Board of Directors and appointing the company's auditors. At the annual general meeting, shareholders are entitled to ask the Board of Directors and the Executive Board questions and suggest items for consideration.

All shareholders are entitled to attend and vote at the annual general meeting. The notice convening the annual general meeting is published at least three weeks and at the most five weeks before the date of the meeting. The documents are sent out to shareholders who have requested that the notice be sent out. The notice can also be found on the Ambu website.

Ambu's Articles of Association do not impose any restrictions on ownership or voting rights, but the share capital is divided into Class A and Class B shares. Class A shares carry ten votes per share, while Class B shares carry one vote per share.

The Class A shares are non-negotiable, and according to Ambu's Articles of Association, a transfer of more than 5% of the total number of Class A shares at a price higher than that quoted for the company's Class B shares can take place only if the buyer offers all holders of Class A and Class B shares to buy their shares at the same price.

The Board of Directors regularly discusses the existing ownership structure with the holders of Class A shares. The Board of Directors and the holders of Class A shares agree that the ownership structure has been and remains expedient for all the company's stakeholders as it creates a sound framework for the implementation of Ambu's strategy and plans, thereby safeguarding the interests of all shareholders. Moreover, the ownership structure does not restrict the planned activities in any way.

Board of Directors

Ambu has a two-tier management structure, consisting of the Board of Directors and the Executive Board. The two bodies are independent of each other, and there is no overlap in membership.

On behalf of the shareholders, the Board of Directors is responsible for the overall management of Ambu, the formulation of objectives and strategies as well as the approval of the overall budgets and action plans. The Board of Directors also performs overall supervision of the company's activities and ensures that Ambu is managed in a responsible manner and in compliance with legislation and the Articles of Association.

Composition of the Board of Directors
The Board of Directors currently has six members who have been elected by the shareholders at the annual general meeting and three members elected by the employees pursuant to the Danish rules on employee representation. The members elected by the shareholders are elected for one year at a time. The age limit is 65 years for new appointments and 70 years for reappointments. The employee-elected members are elected for a four-year term as stipulated by law.

A gradual succession has taken place in recent years among the members elected by the shareholders, and five out of six members have thus been on the Board of Directors for four years or less. The succession has brought new competences to the Board of Directors, and a good mix of different experience, backgrounds and ages has been created. At the general meeting in December 2013, Jens Bager was re-elected Chairman, and Mikael Worning was re-elected Vice-Chairman.

For the Board of Directors to undertake its responsibilities and act as a good sounding board for the Executive Board and the Executive Management Team, the following competences are particularly relevant: Insights into the management of a global growth company, insights into the medico and medico-technical industries with both public and private-sector customers, experience with the acquisition and divestment of enterprises and insights into risk management and financial affairs. Ambu's Board of Directors is deemed to possess these competences and to be of the right size.

None of the members elected by the shareholders represent a controlling shareholder or have direct or indirect interests in the company over and above their interests as shareholders. Five out of six of the members elected by the general meeting are considered to be independent members, as defined by NASDAQ OMX Copenhagen, while one member – John Stær – is not an independent member under the same definitions as he has been a member of the Board of Directors for more than twelve years.

Duties of the Board of Directors
The Board of Directors held a total of ten meetings during the financial year, of which eight were physical meetings and two were conference calls. The previous year, eight meetings were held. On three occasions, one of the board members elected by the general meeting was unable to attend the meetings, and on one occasion, one of the employee-elected board members was unable to attend.

The Executive Management Team participates in the meetings of the Board of Directors to ensure a direct dialogue and that the Board of Directors is as well-informed about the company's operations as possible.

Moreover, the Audit Committee held four meetings during the year. The Audit Committee consists of three members of the Board of Directors, the CEO and the CFO. The auditors appointed by the general meeting also participate in the meetings. The purpose of the committee is to assist the Board of Directors in ensuring the quality and integrity of the presentation of the company's financial statements, reporting and auditing. At the same time, the committee monitors all accounting and reporting processes, the auditing process and the work and independence of external auditors. The Charter of the Audit Committee and the review of the control and risk management systems in connection with the financial reporting can be found at www.ambu.com/auditcom.
The Board of Directors has appointed a Nomination and Remuneration Committee with three members of the Board of Directors and Ambu's CEO, and this committee has held four meetings. Ambu has decided to set up a joint committee and not two separate committees as this model is deemed to be more appropriate for Ambu. The committee's duties are to evaluate the Board of Directors and the Executive Management Team, to propose new board members to the annual general meeting and generally to ensure that Ambu's remuneration policy supports Ambu's objectives and needs. The instructions and rules of procedure of the committee can be seen at www.ambu.com/nominationcom.

The Board of Directors is authorised to acquire treasury shares amounting to up to 10% of Ambu's share capital and to increase the share capital by up to 9.9%.

Executive Board

The Board of Directors appoints the Executive Board and lays down its terms of employment. The Executive Board is responsible for Ambu's day-to-day management, including the development of Ambu's activities and operations, its financial reporting and internal affairs. The Executive Board also prepares the company's strategy, budgets and targets for presentation to the Board of Directors. The delegation of powers and responsibilities by the Board of Directors to the Executive Board is described in Ambu's Order of Business and the provisions of the Danish Companies Act (*Selskabsloven*).

Members of the Executive Board are CEO Lars Marcher and CFO Michael Højgaard.

Corporate governance

The Board of Directors has considered the new recommendations from the Committee on Corporate Governance (www.corporategovernance.dk) from May 2013 and has systematically reviewed the recommendations in a document which can be found on the Ambu website (www.ambu.com/corpgov).

Ambu complies with all the committee's recommendations with the exception of: Disclosure in the consolidated financial statements of the total remuneration granted to each member of the Executive Board, where Ambu has decided to disclose only the total and combined remuneration paid to members of the Executive Board.

Diversity

Both on the Board of Directors and generally, Ambu will ensure that the most qualified person is appointed to a given position. The performance of all employees and managers is therefore assessed with reference to individual targets, and managers at all levels are measured in 180-degree surveys and assessed by their superiors and employees with reference to the Five Star Leadership management concept. The evaluations form the basis of, for example, promotions and the delegation of new responsibilities to ensure that such decisions are based on performance and objective criteria.

As a global group, Ambu wants to encourage diversity and create equal opportunities for all, regardless of gender, age, ethnicity and political and religious convictions. This ambition is described in Ambu's Code of Conduct, which can be found on the Ambu website (www.ambu.com/corp/about_ambu/csr/code_of_conduct.aspx), and a policy has been prepared to ensure an increased proportion of women in management.

According to this policy, Ambu will work to find more female candidates with a view to increasing the underrepresented gender's share of members of the Board of Directors elected by the annual general meeting to at least 17% by 2017. At present, all members elected by the shareholders are men, while two of the employee-elected members are women.

Moreover, in the recruitment of managers for the group, Ambu will ensure that the proportion of female candidates short-listed equals the proportion of female applicants. In connection with promotions to managerial positions, Ambu will ensure that at least one female candidate is considered. Two promotions to managerial positions were made this year, and both positions were filled by women. Finally, Ambu has discussed the possibility of starting a network for women. At present, Ambu's Global Management Team consists of 85% men and 15% women.

For a complete report on Ambu's corporate governance, including the policy on diversity and the Board of Directors' views on all the recommendations from the Committee on Corporate Governance, see the Corporate Governance section on the website (www.ambu.com/corpgov).

Board of Directors and Executive Board

Board of Directors

Jens Bager, born 1959
Chairman, member of the Board since 2010, re-elected in 2013; Chairman of the Nomination and Remuneration Committee.
Position: President and CEO of ALK-Abelló A/S.
Special competences: General management of international, listed companies within the ingredients and pharmaceutical industries.
No. of shares: 20,060 (+60).

Mikael Worning, born 1962
Vice-Chairman, member of the Board since 2010, re-elected in 2013; member of the Audit Committee.
Position: President and COO of William Demant Inc.
Honorary offices: Various companies in the William Demant group (MB).
Special competences: General management experience with focus on international sales and marketing of medico-technical products and management of international sales organisations.
No. of shares: 3,070 (+1,000).

Jesper Funding Andersen, born 1966
Member of the Board since 2011, re-elected in 2013; member of the Nomination and Remuneration Committee.
Position: Senior Vice President, Global Sales and Marketing in Widex a/s
Honorary offices: Elipse A/S (C), DDD Holding A/S (MB).
Special competences: General management with extensive experience within international medico-technical companies as well as within the acquisition and divestment of companies.
No. of shares: 10,000 (unchanged).

Pernille Bartholdy, born 1972
Member of the Board since 2013.
Position: Portfolio Management Coordinator. Elected by the employees.
No. of shares: 0

Anita Krarup Rasmussen, born 1975
Member of the Board since 2013.
Position: Corporate Legal & IP Affairs Manager. Elected by the employees.
No. of shares: 485.

Jakob Bønnelykke Kristensen, born 1972
Member of the Board since 2013.
Position: Senior R&D Project Manager. Elected by the employees.
No. of shares: 387 (-175).

Allan Søgaard Larsen, born 1956
Member of the Board since 2011, re-elected in 2013; member of the Nomination and Remuneration Committee.
Position: CEO of Falck A/S.
Honorary offices: Various companies in the Falck group (C), PensionDanmark Holding A/S (MB), Welfare Tech, Confederation of Danish Industry (MB).
Special competences: General management and special experience within the development and operation of international business activities in the cross-field between the public and the private sectors.
No. of shares: 10,000 (unchanged).

Christian Sagild, born 1959
Member of the Board since 2012; member of the Audit Committee.
Position: CEO of Topdanmark A/S and Topdanmark Forsikring A/S.
Honorary offices: Bruhn Holding (MB), Forsikring & Pension (MB).
Special competences: General management of a listed company, special insights into financial matters and risk management.
No. of shares: 8,000 (+3,000).

John Stær, born 1951
Member of the Board since 1998, re-elected in 2013; Chairman of the Audit Committee.
Position: CEO
Honorary offices: DLH (MB)
Special competences: General management, including management of international activities, the acquisition and divestment of companies and risk management.
No. of shares: 5,200 (unchanged).

Executive Board

Lars Marcher, born 1962
CEO since 2008.
Honorary offices: Subsidiaries in the Ambu group (C), Danish American Business Forum (VC), Confederation of Danish Industry – Committee on International Market Policy, Confederation of Danish Industry – Committee on Health Policy, Danske Hospitalsklovne (MB), Handicare AS (MB).
No. of shares: 7,924 (unchanged).

Michael Højgaard, born 1964
CFO since January 2013.
Honorary offices: Subsidiaries of the Ambu group (MB).
No. of shares: 1,012 (unchanged).

Honorary offices and shareholdings as per 1 October 2014. C = Chairman of the Board of Directors, VC = Vice-Chairman of the Board of Directors, MB = Member of the Board of Directors

Remuneration

Share options
In February 2013, Ambu introduced a new share option scheme for the Executive Management Team. The scheme comprises a total of 306,398 share options which can be allocated successively over a period of three years provided that specific financial targets are achieved in each of the 2012/13, 2013/14 and 2014/15 financial years. The targets for each year are determined by the Board of Directors and published in the annual report.

After the general meeting and based on the results for FY 2013/14, 66,833 options will be granted to the two members of Ambu's Executive Board, and 34,065 options to the two other members of the Executive Management Team.

Calculated according to the Black-Scholes model, the total value of the scheme is DKK 6.7m, and the costs associated with the scheme will be expensed on a continuous basis; in 2013/14, DKK 1.2m was expensed in respect of this scheme.

The options are allocated according to the guidelines for an incentive programme adopted by the general meeting in December 2012. The general meeting also adopted the updated remuneration policy which is based on the overall principles that the remuneration paid to the Board of Directors and the Executive Board must be competitive and contribute to ensuring that Ambu is able to attract and retain competent members of the Board of Directors and of the Executive Board. The remuneration offered must also be structured so as to promote value creation and appropriately align management's interests with shareholder interests.

Executive Board
The remuneration for the Executive Board is determined by the Board of Directors based on market levels, Ambu's financial position and the competences, efforts and results of the individual members of the Executive Board. Members of the Executive Board receive a fixed basic remuneration, pension and usual benefits such as company car and telephone as well as share options and cash bonuses. In the past financial year, the remuneration totalled DKK 10.3m (DKK 9.2m).

Ambu establishes bonus programmes for the Executive Board, managers and specialists for one year at a time. The Executive Management Team receives a cash bonus if the company as a whole meets the targets defined. Bonuses for other managers and specialists are conditional upon overall targets for the company as well as area-specific targets.

The notices of termination to be given by Ambu to members of the Executive Board cannot exceed 18 months, and the notice of termination to be given by the members of the Executive Board to Ambu cannot normally exceed 9 months. Moreover, any severance pay to members of the Executive Board, for example in the event of a change of control, is subject to a maximum value corresponding to two years' remuneration

Board of Directors
Members of the Board of Directors do not receive variable remuneration, but a fixed annual remuneration, which is approved by the general meeting. The basic remuneration for board members constituted DKK 225,000 in 2013/14. The Chairman receives three times the basic remuneration, while the Vice-Chairman receives two times the basic remuneration. Furthermore, the chairmen of the board committees receive a remuneration of DKK 125,000, while committee members receive DKK 75,000. The total remuneration paid to the Board of Directors, including the board committees, constituted DKK 3,250,000 in 2013/14.

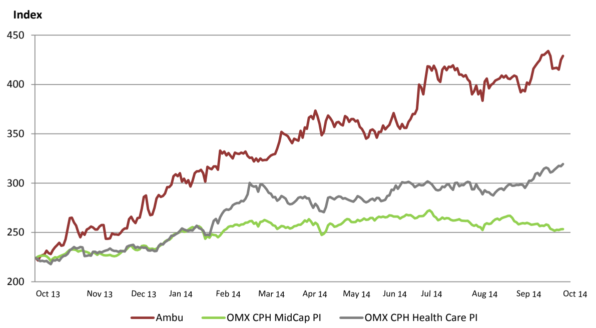
Share option and warrant schemes

Year of allocation	Persons	No. of options and warrants	Options (O)/warrants (W)	Executive Board's share (%)	Exercise period	Outstanding
2014	52	100,000	W	0%	2016-19	92,500
2014	4	100,898	O	66%	2017-20	All
2013	4	86,546	O	66%	2016-19	All
2012	69	126,900	W	0%	2015-17	111,400
2011	49	110,000	W	0%	2014-16	51,000
2011	1	63,000	O	100%	2015-17	All
2010	1	63,000	O	100%	2014-16	All
2009	20	160,738	O	0%	2012-14	9,581

Shareholders and investor relations

Return
The opening price quoted for Ambu's Class B share at the beginning of the financial year was 224, rising to a closing level at the end of the financial year of 425, thereby securing a 90% return for the shareholders, including dividend. By comparison, the MidCap index on NASDAQ OMX Copenhagen rose by 15% in the same period, while the Health Care index increased by 44%.

The change in the share price increased Ambu's market capitalisation from DKK 2,667m to DKK 5,076m, with the value of both Class A and Class B shares being recognised at the price quoted for the Class B share. This makes Ambu the 37th-largest company listed on NASDAQ OMX Copenhagen when measured in terms of market value.



Liquidity
The price increases went hand in hand with a markedly increasing interest in the share. Approx. 3.1 million shares were traded in the course of the financial year, corresponding to an average of 12,437 shares per business day, and 30% of the total number of Class B shares were thus traded, up from 26% the year before. Ambu is maintaining its focus on increasing the liquidity of the share. At the beginning of October 2014, the Ambu share was the 39th most traded share on NASDAQ OMX Copenhagen based on transactions in the three preceding months.

Shareholders
The share capital has increased to DKK 119,435,800 following two capital increases in connection with the exercise of employee warrants issued in 2011. The number of Class B shares is up from 10,192,080 to 10,227,580 of DKK 10 each. The number of Class A shares is unchanged at 1,716,000 of DKK 10 each. There have been no changes in the rights attached to the shares or in the negotiability of the shares.

Ambu's Class B share is listed on NASDAQ OMX Copenhagen under ISIN code DKK0010303619 and shortname AMBU-B, while all Class A shares are held by descendants of Ambu's founder Holger Hesse. A Shareholders' Agreement has been concluded between Tove Hesse, Inga Kovstrup and Dorrit Ragle, as outlined in Ambu's Prospectus from 1992, and Ambu's Articles of Association also contain provisions on the trading of Class A shares.

In addition to the Class A shares, the family also holds 873,895 Class B shares corresponding to 7.3% of the share capital and thus controls a total of 21.7% of the capital and 65.8% of the votes. In the course of the year, the family sold approx. 0.1 million Class B shares.

The international ownership interest has increased, and it is estimated that just over 20% of the capital is now owned by institutional investors from Sweden, the UK, Germany and the USA etc.

On 1 October 2014, the total number of shareholders in Ambu having arranged name registration of their holding was approx. 3,538, who held a combined 91% of the total share capital.

The following shareholders had filed ownership of more than 5% of the share capital and/or votes as at 1 October:

	Share of votes %	**Share of capital %**
Dorrit Ragle*, Kongens Lyngby	22.0	2.7
Inga Kovstrup, Fredericia	18.7	6.4
Tove Hesse, Lyngby-Taarbæk	11.2	4.2
N.P. Louis Hansen Aps, Nivå	6.8	15.6
Hannah Hesse, Frederiksberg	5.3	1.3
Simon Hesse, Virum	5.3	1.3
Chr. Augustinus Fabrikker A/S, Copenhagen	4.6	10.6

**Dorrit Ragle has transferred a number of shares to family members, but retains the voting rights.*

Corporate bonds
In March 2013, Ambu issued corporate bonds generating proceeds of DKK 701m. The bonds were purchased by a circle of Danish and international institutional investors, and in December 2013, they were listed on NASDAQ OMX Copenhagen.

Since the introduction in March 2013, the spread between the bond and the mid-swap curve has narrowed from 2.18% to approx. 1.1% as at 30 September 2014.

Investor relations
Each quarter, a conference call has been held focusing on the interim report, and Ambu has participated in a growing number of meetings and conferences in Denmark and abroad.

Ambu strives to ensure a high and uniform level of information for its stakeholders, and seeks an active dialogue with investors, share analysts, journalists and the general public.

Communication takes the form of the regular issue of company announcements, investor presentations, conference calls and meetings etc. The aim is to ensure a fair share price reflecting both the actual and the expected creation of value in Ambu. This is done by ensuring that investors' knowledge of Ambu is up-to-date, and that Ambu is regarded as credible, accessible and professional.

The share is covered by analysts from ABG Sundal Collier and Danske Market Equities.

The www.ambu.com website is updated on an ongoing basis with information about Ambu's results, activities and strategy, and all company announcements and financial statements can be viewed and downloaded there.

During the financial year, Ambu issued 32 company announcements, 13 of which were announcements concerning insiders' trading in the share. On the website, shareholders can also sign up to attend the annual general meeting, and download all relevant material in relation to the general meeting.

The people in charge of Investor Relations and the contact with analysts, investors, shareholders, the press etc. are:

CEO Lars Marcher – lm@ambu.com
CFO Michael Højgaard – miho@ambu.com
Ambu A/S
Baltorpbakken 13
DK-2750 Ballerup
Telephone +45 72 25 20 00

Financial calendar 2014/15

13/11/2014	Annual report 2013/14
17/12/2014	Annual general meeting
02/02/2015	Report for Q1 2014/15
06/05/2015	Report for Q2 2014/15
19/08/2015	Report for Q3 2014/15
30/09/2015	End of FY 2014/15

Proposals to the annual general meeting

The annual general meeting will be held on 17 December 2014 at IDA Mødecenter, Kalvebod Brygge 31-33, 1780 Copenhagen V, Denmark.

According to Ambu's dividend policy, about 30% of the group's profit is generally distributed as dividend. The Board of Directors proposes to the annual general meeting that a dividend be declared of DKK 3.75 per share for 2013/14, corresponding to 30% of the profit for the year. The board finds the level reasonable in view of Ambu's financial resources and the outlook for the coming financial year.

The Board of Directors therefore proposes that the profit for the year of DKK 151m be appropriated as follows (DKKm):

Dividend of DKK 3.75 per share	45
Retained earnings	106
Total	**151**

Payment of the dividend will be effected automatically immediately after the annual general meeting via VP SECURITIES A/S.

Moreover, the Board of Directors proposes to the annual general meeting that:

- The Board of Directors be authorised to acquire treasury shares on behalf of Ambu amounting to up to 10% of the share capital.
- The nominal value of the company's shares be changed so that one DKK 10 share is split into four shares of DKK 2.5 each. The purpose of the 1:4 share split is to increase liquidity in the share and provide a basis for a more precise valuation.
- The overall guidelines on incentive pay for the Board of Directors and the Executive Board be updated.

The agenda for the annual general meeting with annexes is expected to be published on Tuesday 25 November 2014.

Share-related ratios

	2009/10	2010/11	2011/12	2012/13	2013/14
Earnings per share	7.16	5.92	9.48	4.05	12.76
Cash flow per share	8.31	8.57	13.24	10.25	15.32
Equity value per share	47	49	56	56	72
Share price at year-end	136	139	148	224	425
Price/equity value	2.9	2.8	2.6	4.0	5.9
Dividend per share	2.5	2.0	3.0	1.25	3.75
Pay-out ratio, %	35	34	33	31	30
P/E ratio	19	23	16	55	33

The ratios have been calculated in accordance with the Danish Society of Financial Analysts' 'Recommendations and Financial Ratios 2010'. Definitions appear from page 66.

Quarterly results

DKKm	Q4 2013/14	Q3 2013/14	Q2 2013/14	Q1 2013/14	Q4 2012/13	Q3 2012/13	Q2 2012/13	Q1 2012/13
Revenue	442	397	403	342	401	378	335	269
Organic growth in local currencies	*11%*	*8%*	*8%*	*-4%*	*8%*	*7%*	*3%*	*13%*
Production costs	-218	-192	-209	-167	-207	-196	-172	-129
Gross profit	**224**	**205**	**194**	**175**	**194**	**182**	**163**	**140**
Gross margin	*50.7*	*51.6*	*48.1*	*51.2*	*48.4*	*48.1*	*48.7*	*52.0*
Selling costs	-86	-90	-82	-89	-73	-83	-72	-64
Development costs	-12	-11	-9	-12	-10	-9	-8	-6
Management and administration	-46	-48	-54	-57	-51	-50	-46	-45
Other operating income	0	0	0	0	0	0	0	3
Other operating expenses	0	-1	-2	-1	-1	-1	-1	-1
Operating profit (EBIT) before special items	**80**	**55**	**47**	**16**	**59**	**39**	**36**	**27**
EBIT margin before special items	*18.1*	*13.9*	*11.7*	*4.7*	*14.7*	*10.3*	*10.7*	*10.0*
Special items	0	0	0	0	-14	-14	-27	-6
Operating profit (EBIT)	**80**	**55**	**47**	**16**	**45**	**25**	**9**	**21**
Financial income	56	0	8	0	0	0	4	0
Financial expenses	-18	-10	-14	-12	-8	-14	-9	-3
Profit before tax	**118**	**45**	**41**	**4**	**37**	**11**	**4**	**18**
Income tax	-33	-12	-11	-1	-9	-5	-1	-7
Net profit for the period	**85**	**33**	**30**	**3**	**28**	**6**	**3**	**11**
Earnings per share								
Earnings per share (DKK)	7.17	2.80	2.54	0.25	2.28	0.56	0.19	1.02
Diluted earnings per share (DKK)	7.01	2.73	2.49	0.25	2.27	0.56	0.19	1.01
Key figures								
Rate of cost, %	33	38	37	46	34	38	38	42
EBITDA before special items	105	78	68	35	81	62	52	40
EBITDA margin before special items, %	23.8	19.6	16.9	10.2	20.2	16.4	15.5	14.9
Depreciation	12	11	11	12	11	12	11	9
Amortisation	13	12	10	7	11	11	5	4
EBIT before special items	80	55	47	16	59	39	36	27
EBIT margin before special items, %	18.1	13.9	11.7	4.7	14.7	10.3	10.7	10.0
Working capital relative to revenue, %	29	27	26	26	28	32	36	35
Total assets	2,047	1,974	1,925	1,886	1,852	1,935	1,986	963
Equity	854	701	663	632	651	651	652	642
Cash flows from operating activities	73	53	37	20	57	27	44	-6
Cash flows from investing activities before acquisitions	-27	-25	-11	-17	-13	-17	-17	-7
Free cash flows before acquisitions	46	28	26	3	44	10	27	-13
Of which payment of special items	-1	-2	-4	-4	-15	-19	-1	0
Net interest-bearing debt	739	784	729	732	721	767	781	97
NIBD/EBITDA before special items	2.6	3.0	3.0	3.2	3.1	3.6	3.9	0.5

Corporate social responsibility

Corporate social responsibility

Ambu takes a targeted approach to corporate social responsibility (CSR) based on the strong belief that it creates value for the company as well as for society if Ambu takes responsibility through the way in which the company operates and through its products. Read more at www.ambu.com/CSR. In 2013/14, efforts have focused on launching phthalate-free products, conduct a global employee satisfaction survey as well as revising our Code of Conduct for business partners.

Ambu's CSR work is based on the principles set out in the UN's Global Compact initiative. Global Compact is a set of internationally recognised principles which the UN encourages businesses worldwide to live up to.

Guidelines on Ambu's CSR work

1. We work to promote diversity and non-discrimination in employment.
2. We work for a safe and healthy work environment.
3. We prohibit the use of forced and child labour.
4. We support collaboration with educational institutions.
5. We focus on reducing Ambu's environmental impact in our work on innovation and in the production and distribution of our products.
6. We use materials efficiently, and strive to optimise packaging and waste handling.
7. We work to reduce energy consumption.
8. We are committed to abide by the laws and regulations of the countries in which we operate. In the absence of adequate laws and regulations, we refer to recognised international standards and industry norms.
9. We do not accept bribery or other kinds of corruption.

Organisation of CSR work

A CSR unit has been set up to work with CSR, comprising employees from Marketing, HR and R&D. The CSR unit reports to the Executive Management Team and meets every quarter and on an ad-hoc basis as and when required.

Ambu's CSR work in 2013/14

Below follows a description of the initiatives mentioned in the latest annual report. Information is also provided on the results achieved by Ambu in 2013/14.

Phthalate-free products

Ambu is dedicated to ensuring that our products are as safe for the environment and for patients and healthcare professionals as at all possible. With the phthalate policy, which came into force last year, Ambu undertakes to replace classified phthalates in all products before the end of 2017. In 2014, Ambu took another significant step and launched phthalate-free versions of the products AuraOnce, AuraStraight, AuraFlex and Spur II, so that all laryngeal masks and resuscitation bags are now phthalate-free.

End-of-life environmental profiles

In cooperation with external partners, Ambu has prepared an end-of-life environmental profile for the aScope 3 videoscope, which was launched in 2013. Ambu is intending to use end-of-life environmental profiles for more targeted communication about the environmental impacts of the products when disposed of. Also, the knowledge provided by the end-of-life environmental profile is used to environmentally optimise the future development of products.

Business ethics and human rights

Ambu does not tolerate bribery and corruption. For this reason, the implementation of the anti-bribery/anti-corruption policy has included training for Ambu's entire management group.

As mentioned in the annual report 2012/13, our Code of Conduct has been extended to apply to both suppliers and distributors, and this year it was revised further. Ambu's Code of Conduct for suppliers has been signed by all A and B suppliers in Denmark, China and Malaysia.

Employee satisfaction survey

In 2014, a global employee satisfaction survey was conducted. The survey had a response rate of 90% and has resulted in 229 local initiatives aimed at increasing employee satisfaction. Some of these initiatives have already been completed, and we will continue to follow up on the remaining initiatives and on the general development in employee satisfaction.

Collaboration with educational institutions

Ambu continues to work to strengthen its collaboration with educational institutions. This has meant, among other things, that Ambu has taken on more trainees, interns and students for the benefit of both the company and the students.

Initiatives in 2014/15

In the next financial year, focus will be on the following initiatives:

- continuing to replace classified phthalates with environmentally friendly alternatives in the remaining products;
- evaluating experience with end-of-LIFE environmental profiles to decide whether they should be developed for newly developed single-use products in future;
- collecting climate data from our production units with a view to establishing a baseline for future climate goals;
- continuing the collaboration with educational institutions.

Management's statement

On this day, the Board of Directors and the Executive Board have considered and approved the annual report of Ambu A/S for the financial year 1 October 2013 to 30 September 2014.

The annual report has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU. The annual report has moreover been prepared in accordance with additional Danish disclosure requirements for listed companies.

In our opinion, the consolidated financial statements and the financial statements give a true and fair view of the group's and the company's assets, liabilities and financial position as at 30 September 2014 and of the results of the group's and the company's operations and cash flows for the financial year 1 October 2013 to 30 September 2014.

In our opinion, the management's review includes a fair account of the development and performance of the group and the company, the results for the year and of the group's and the company's financial position, together with a description of the principal risks and uncertainties that the group and the company face.

The annual report is submitted for adoption by the annual general meeting.

Copenhagen, 13 November 2014

Executive Board

Lars Marcher, President & CEO	Michael Højgaard, CFO

Board of Directors

Jens Bager Chairman	Mikael Worning Vice-Chairman	Jesper Funding Andersen
Allan Søgaard Larsen	Christian Sagild	John Stær
Pernille Bartholdy Elected by the employees	Anita Krarup Rasmussen Elected by the employees	Jakob Bønnelykke Kristensen Elected by the employees

Independent auditor's report

To the shareholders of Ambu A/S

Auditor's report on the consolidated financial statements and the financial statements

We have audited the consolidated financial statements and the financial statements of Ambu A/S for the financial year 1 October 2013 to 30 September 2014, pp. 28-66, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including significant accounting policies for both the group and the company. The consolidated financial statements and the financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Management's responsibility for the consolidated financial statements and the financial statements

The management is responsible for the preparation and fair presentation of consolidated financial statements and financial statements in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies. Furthermore, the management is responsible maintaining such internal control as the management deems necessary for the preparation of consolidated financial statements and financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements and the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements pursuant to Danish audit legislation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the consolidated financial statements and the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the financial statements. The audit procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement in the consolidated financial statements and the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the consolidated financial statements and the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements and the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualifications.

Opinion

In our opinion, the consolidated financial statements and financial statements give a true and fair view of the group's and the company's assets and liabilities and financial position as at 30 September 2014 as well as of the results of their activities and cash flows for the financial year 1 October 2013 to 30 September 2014 in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Statement on the management's review

We have read the management's review pursuant to the Danish Financial Statements Act (*Årsregnskabsloven*), pp. 3-24. We have not performed procedures additional to the audit of the consolidated financial statements and the financial statements. Against this background, we believe that the information provided in the management's review is in accordance with the consolidated financial statements and the financial statements.

Copenhagen, 13 November 2014
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Jens Otto Damgaard State-Authorised Public Accountant	Martin Lunden State-Authorised Public Accountant

Financial statements

Financial statements

Notes

Other information

Income statement and statement of comprehensive income
1 October - 30 September

DKKm

Income statement		Group		Parent company	
	Note	2013/14	2012/13	2013/14	2012/13
Revenue	3	1,584	1,383	1,034	810
Production costs	4, 13	-786	-704	-672	-560
Gross profit		**798**	**679**	**362**	**250**
Selling costs	4	-347	-292	-57	-50
Development costs	4	-44	-33	-27	-22
Management and administration	4, 5	-205	-192	-103	-93
Other operating income	22	0	3	0	0
Other operating expenses	4, 23	-4	-4	-3	-3
Operating profit (EBIT) before special items		**198**	**161**	**172**	**82**
Special items	26	0	-61	-2	-30
Operating profit (EBIT)		**198**	**100**	**170**	**52**
Financial income	6	64	0	104	34
Financial expenses	7	-54	-30	-49	-21
Profit before tax (PBT)		**208**	**70**	**225**	**65**
Tax on profit for the year	8	-57	-22	-55	-16
Net profit for the year		**151**	**48**	**170**	**49**
Distribution of profit					
Proposed dividend for the year		45	15	45	15
Retained earnings		106	33	125	34
		151	**48**	**170**	**49**
Earnings per share in DKK	12				
Earnings per share (EPS)		12.76	4.05		
Diluted earnings per share (EPS-D)		12.48	4.03		

Statement of comprehensive income				
Net profit for the year	151	48	170	49
Items which are moved to the income statement under certain conditions:				
Translation adjustment in foreign subsidiaries	53	-25	2	-2
Tax on translation adjustments in foreign subsidiaries	-6	1	0	0
Adjustment to fair value for the period:				
Disposals included in net financials	1	1	1	1
Additions concerning hedging instruments	0	1	0	1
Tax on hedging transactions	0	0	0	0
Comprehensive income for the year	**199**	**26**	**173**	**49**

Balance sheet
30 September

DKKm

Assets	Note	Group 30.09.14	Group 30.09.13	Parent company 30.09.14	Parent company 30.09.13
Acquired technologies, trademarks and customer relations		107	116	0	0
Completed development projects		69	43	59	43
Rights		53	18	75	45
Goodwill		748	707	144	143
Development projects in progress		24	39	13	29
Intangible assets	10, 27	**1,001**	**923**	**291**	**260**
Land and buildings		121	102	21	22
Plant and machinery		110	113	1	1
Other plant, fixtures and fittings, tools and equipment		22	29	12	16
Prepayments and plant under construction		18	8	2	0
Property, plant and equipment	11, 27	**271**	**252**	**36**	**39**
Shares in subsidiaries	9	-	-	235	222
Receivables from subsidiaries		-	-	706	5
Deferred tax asset	15	21	21	9	1
Other non-current assets		**21**	**21**	**950**	**228**
Total non-current assets		**1,293**	**1,196**	**1,277**	**527**
Inventories	13	253	211	75	55
Trade receivables	14	380	356	60	54
Receivables from subsidiaries		-	-	434	872
Other receivables	14	11	2	1	0
Income tax receivable	16	6	1	0	0
Prepayments		18	23	3	12
Derivative financial instruments		0	9	0	9
Cash		86	54	0	0
Total current assets		**754**	**656**	**573**	**1,002**
TOTAL ASSETS		**2,047**	**1,852**	**1,850**	**1,529**

Balance sheet
30 September

DKKm

Equity and liabilities		Group		Parent company	
	Note	30.09.14	30.09.13	30.09.14	30.09.13
Share capital		119	119	119	119
Share premium		15	9	15	9
Reserve for hedging transactions		-4	-5	-4	-5
Reserve for foreign currency translation adjustments		40	-7	0	-2
Proposed dividend		45	15	45	15
Retained earnings		639	520	433	295
Equity	12	**854**	**651**	**608**	**431**
Credit institutions	17	4	56	4	56
Provision for deferred tax	15	33	30	35	27
Corporate bonds	17	698	697	698	697
Other provisions	18	55	60	35	1
Non-current liabilities		**790**	**843**	**772**	**781**
Current portion of non-current liabilities	17	4	10	4	10
Other provisions	18	18	108	3	3
Bank debt	17	119	12	119	12
Trade payables		88	75	23	18
Payables to subsidiaries		-	-	232	196
Income tax	16	45	22	44	15
Other payables		122	124	38	56
Derivative financial instruments		7	7	7	7
Current liabilities		**403**	**358**	**470**	**317**
Total liabilities		**1,193**	**1,201**	**1,242**	**1,098**
TOTAL EQUITY AND LIABILITIES		**2,047**	**1,852**	**1,850**	**1,529**

Cash flow statement

1 October – 30 September

DKKm

		Group		Parent company	
	Note	**2013/14**	**2012/13**	**2013/14**	**2012/13**
Net profit for the year		151	48	170	49
Adjustment of items with no cash flow effect	A	137	138	44	35
Income tax paid		-33	-29	-19	-21
Interest income and similar items		8	0	55	34
Interest expenses and similar items		-37	-7	-37	-21
Changes in working capital	B	-49	-22	-217	-660
Cash flows from provisions		6	-6	0	0
Cash flows from operating activities		**183**	**122**	**-4**	**-584**
Purchase of non-current assets		-80	-60	-27	-60
Sale of non-current assets		0	6	0	0
Cash flows from investing activities before acquisitions of companies and technology	C	**-80**	**-54**	**-27**	**-60**
Free cash flows before acquisitions of companies and technology		**103**	**68**	**-31**	**-644**
Acquisition of technology		-11	0	-11	0
Company acquisitions	27	-101	-704	0	-16
Free cash flows from acquisitions of companies and technology	C	**-112**	**-704**	**-11**	**-16**
Free cash flows after acquisitions of companies and technology		**-9**	**-636**	**-42**	**-660**
Corporate bond issue		0	697	0	697
Changes in other non-current liabilities		-59	36	-58	36
Capital increase, Class B share capital		6	0	6	0
Exercise of options		17	29	17	29
Purchase of Ambu A/S shares		-15	-22	-15	-22
Dividend paid		-15	-35	-15	-35
Cash flows from financing activities		**-66**	**705**	**-65**	**705**
Changes in cash and cash equivalents		**-75**	**69**	**-107**	**45**
Cash and cash equivalents, beginning of year		42	-26	-12	-57
Translation adjustment of cash and cash equivalents		0	-1	0	0
Cash and cash equivalents at year-end		**-33**	**42**	**-119**	**-12**
Note A: Adjustment of items with no cash flow effect					
Depreciation and amortisation		88	74	41	28
Accounting gain from sale of non-current assets		0	-3	0	0
Transaction costs in connection with company acquisitions		0	11	0	1
Share-based remuneration		4	4	3	3
Value adjustment of other provisions		-2	0	0	0
Financial expenses etc.		-10	30	-55	-13
Tax on profit for the year		57	22	55	16
		137	**138**	**44**	**35**
Note B: Changes in working capital					
Changes in inventories		-42	48	-20	-3
Changes in receivables		-30	-72	2	-14
Changes in balances with group companies		-	-	-240	-662
Changes in trade payables etc.		23	2	41	19
		-49	**-22**	**-217**	**-660**
Note C: Cash flows from investing activities		**-192**	**-758**	**-38**	**-76**

Statement of changes in equity

30 September

DKKm

Group

	Share capital	Share premium	Reserve for hedging transactions	Reserve for foreign currency translation adjustment	Retained earnings	Proposed dividend	Total
Equity as at 30 September 2012	**119**	**9**	**-7**	**17**	**491**	**36**	**665**
Effect of error (note 28)					-22		-22
Tax effect of error					6		6
Corrected equity as at 30 September 2012	**119**	**9**	**-7**	**17**	**475**	**36**	**649**
Net profit for the year					48		48
Other comprehensive income for the year			2	-24			-22
Total comprehensive income	**0**	**0**	**2**	**-24**	**48**	**0**	**26**
Transactions with the owners:							
Exercise of options					29		29
Share options					4		4
Purchase of treasury shares					-22		-22
Distributed dividend						-36	-36
Dividend, treasury shares					1		1
Proposed dividend					-15	15	0
Equity as at 30 September 2013	**119**	**9**	**-5**	**-7**	**520**	**15**	**651**
Net profit for the year					151		151
Other comprehensive income for the year			1	47			48
Total comprehensive income	**0**	**0**	**1**	**47**	**151**	**0**	**199**
Transactions with the owners:							
Exercise of options					17		17
Share options					4		4
Tax deduction relating to share options					7		7
Purchase of treasury shares					-15		-15
Distributed dividend						-15	-15
Dividend, treasury shares							0
Capital increase, Class B share capital		6					6
Proposed dividend					-45	45	0
Equity as at 30 September 2014	**119**	**15**	**-4**	**40**	**639**	**45**	**854**

Statement of changes in equity
30 September

DKKm

Parent company

	Share capital	Share premium	Reserve for hedging transactions	Reserve for foreign currency translation adjustment	Retained earnings	Proposed dividend	Total
Equity as at 1 October 2012	**119**	**9**	**-7**	**0**	**250**	**36**	**407**
Net profit for the year					49		49
Other comprehensive income for the year			2	-2			0
Total comprehensive income	**0**	**0**	**2**	**-2**	**49**	**0**	**49**
Transactions with the owners:							
Exercise of options					29		29
Share options					3		3
Purchase of treasury shares					-22		-22
Distributed dividend						-36	-36
Dividend, treasury shares					1		1
Proposed dividend					-15	15	0
Equity as at 30 September 2013	**119**	**9**	**-5**	**-2**	**295**	**15**	**431**
Net profit for the year					170		170
Other comprehensive income for the year			1	2			3
Total comprehensive income	**0**	**0**	**1**	**2**	**170**	**0**	**173**
Transactions with the owners:							
Exercise of options					17		17
Share options					4		4
Tax deduction relating to share options					7		7
Purchase of treasury shares					-15		-15
Distributed dividend						-15	-15
Dividend, treasury shares							0
Capital increase, Class B share capital		6					6
Proposed dividend					-45	45	0
Equity as at 30 September 2014	**119**	**15**	**-4**	**0**	**433**	**45**	**608**

Notes

NOTE 1. ACCOUNTING POLICIES

Ambu A/S is a public limited company domiciled in Denmark. The annual report for the period 1 October 2013 - 30 September 2014 comprises the consolidated financial statements of Ambu A/S and its subsidiaries (the group) as well as the separate financial statements of the parent company.

The consolidated financial statements and the financial statements 2013/14 of Ambu A/S are presented in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

Basis of preparation of financial statements

The annual report has been prepared in accordance with the historical cost principle, except for derivative financial instruments, which are measured at fair value.

Non-current assets and disposal groups held for sale are measured at the lower of carrying amount prior to the changed classification and fair value less selling costs.

The accounting policies have been applied consistently in the financial year and for the comparative figures and are consistent with those applied in 2012/13.

In connection with the interim report for Q2 2013/14, an error was detected in the valuation of inventories. For a further description of the error and the correction of earn-out, please refer to note 28.

New accounting regulation

Ambu has implemented all relevant new and updated accounting standards issued by the IASB and effective as of 1 October 2013. The implementation of these standards has not had a material financial effect on the statement of Ambu's results, assets and liabilities or equity in connection with the preparation of the financial statements for the financial years presented.

No accounting standards need to be implemented in FY 2014/15 which will have a material financial effect on the statement of Ambu's results, assets and liabilities or equity in connection with the preparation of the financial statements 2014/15.

DESCRIPTION OF ACCOUNTING POLICIES

Consolidated financial statements

The consolidated financial statements comprise the parent company, Ambu A/S, and subsidiaries in which Ambu A/S has a controlling influence on the financial and operating policies with a view to obtaining returns or other advantages from the activities of such enterprises. A controlling influence is obtained by owning or controlling, directly or indirectly, more than 50% of the voting rights or otherwise controlling the enterprise in question.

The consolidated financial statements consolidate the financial statements of the parent company and its subsidiaries, prepared in accordance with the accounting policies of the group and eliminating intercompany income and expenditure, shareholdings, balances and dividends as well as realised and unrealised proceeds from intercompany transactions. Unrealised losses are eliminated in the same way as unrealised proceeds to the extent that no impairment exists.

Investments in subsidiaries are offset against the proportionate share of the subsidiaries' fair value of identifiable net assets and recognised contingent liabilities at the date of acquisition.

Business combinations

Newly acquired enterprises are included in the consolidated financial statements as from the date of acquisition. Comparative figures are not restated for newly acquired enterprises. In connection with the acquisition of new enterprises in which Ambu obtains a controlling influence, the purchase method is applied. The identifiable assets, liabilities and contingent liabilities of the acquired enterprises are measured at fair value at the date of acquisition. Identifiable intangible assets are recognised, provided that such assets can be recognised separately or originate from a contractual right and the fair value can be measured reliably. Deferred tax on the reassessments made is recognised. The date of acquisition is the date when Ambu obtains actual control over the acquired enterprise.

For business combinations, the positive balances (goodwill) between the cost of the enterprise and the fair value of the acquired identifiable assets, liabilities and contingent liabilities are recognised as goodwill under intangible assets. Goodwill is not amortised, but is subject to an annual impairment test. The first impairment test is carried out by the end of the year of acquisition. Upon acquisition, goodwill is attributed to the cash-generating units, which will subsequently form the basis of an impairment test. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with another functional currency than DKK are treated as assets and liabilities of the foreign entity and are translated to the functional currency of such entity using the exchange rate applicable at the transaction date. Transaction costs incurred in connection with the acquisition of enterprises are expensed.

DKKm

NOTE 1. ACCOUNTING POLICIES (CONTINUED)

Leases
Lease commitments are, for accounting purposes, divided into finance and operating leases.

A lease is classified as a finance lease when it, in all materiality, transfers the risks and benefits of owning the asset held under a finance lease. Other leases are classified as operating leases.

The accounting treatment of assets held under finance leases and the related commitment is described in the sections 'Property, plant and equipment' and 'Financial liabilities'.

Lease payments in respect of operating leases are recognised according to the straight-line method in the income statement over the term of the lease.

Foreign currency translation
For each of the reporting group enterprises, a functional currency is specified. The functional currency is the currency used in the primary economic environment in which the individual reporting enterprise operates. The consolidated financial statements are presented in Danish kroner (DKK), which is also the parent company's functional currency and presentation currency.

Foreign currency transactions are translated to DKK using the exchange rate applicable at the transaction date.

Receivables, payables and other monetary items denominated in foreign currencies are translated to the functional currency at the exchange rate applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and the exchange rate applicable at the date on which the receivable or payable occurred or the exchange rate stated in the most recent annual report is recognised in the income statement under net financials.

On recognition of foreign enterprises, income statement items are translated at the exchange rates applicable at the transaction date, and balance sheet items are translated at the exchange rates applicable at the balance sheet date. Exchange rate differences arising from the translation of the equity of such enterprises at the beginning of the year using the exchange rates applicable at the balance sheet date and the translation of income statement items from the exchange rates applicable at the transaction date to the exchange rates applicable at the balance sheet date are recognised in other comprehensive income and presented as a separate reserve for foreign currency translation adjustments under equity.

Translation adjustment of balances which are considered to be part of the total net investment in foreign enterprises is recognised in the consolidated financial statements in other comprehensive income under a separate reserve for foreign currency translation adjustments and under net financials in the income statement of the parent company.

Derivative financial instruments are recognised as from the transaction date and are measured at fair value in the balance sheet. The fair value of derivative financial instruments is calculated on the basis of current market data as well as accepted valuation methods.

Changes in the fair value of derivative financial instruments classified as and fulfilling the criteria for hedging the fair value of a recognised asset or liability are recognised in the income statement together with any changes in the value of the hedged asset or liability as regards the hedged part.

Changes in the part of the fair value of derivative financial instruments classified as and fulfilling the criteria for hedging future cash flows, and which, in an efficient manner, hedge changes in the value of the hedged item, are recognised in other comprehensive income and presented as a separate reserve for hedging transactions under equity until the hedged transaction is realised. At this time, gains or losses on such hedging transactions are transferred from equity and recognised under the same item as the hedged item. When hedging proceeds from future borrowings, the gains or losses on hedging transactions are, however, transferred from other comprehensive income over the term of the loan.

For derivative financial instruments which do not fulfil the conditions for treatment as a hedging instrument, changes in the fair value are recognised on an ongoing basis in the income statement.

SEGMENT INFORMATION

The company is a supplier of medico-technical products for the global market. Except for the sales of the different products, no structural or organisational aspects allow for a division of earnings from individual products as sales channels, customer types and sales organisations 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.

The company has thus only identified one operating segment and has therefore only shown the activities' geographical distribution by purchasing country.

Notes

DKKm

INCOME STATEMENT

Revenue
Revenue from the sale of goods is recognised in the income statement, provided that delivery and passing of risk to the buyer have taken place before the end of the year, and provided that the income can be measured reliably and is expected to be received.

Revenue is measured at the fair value of the agreed consideration, exclusive of VAT and taxes collected on behalf of a third party. All kinds of discounts offered are recognised in revenue.

Production costs
Production costs comprise costs incurred in generating the revenue for the year. Such costs include direct and indirect costs for commodities and consumables, wages and salaries, rent and leases as well as depreciation and impairment of plant.

Selling costs
Selling costs comprise costs relating to sales staff, advertising, exhibitions as well as amortisation and impairment.

Development costs
Development costs comprise salaries and costs which, directly or indirectly, can be attributed to research, product improvements and the development of new products which do not fulfil the criteria for capitalisation. In addition, the amortisation and impairment of capitalised development costs are recognised.

Administrative expenses
Administrative expenses comprise expenses incurred during the year for management and administration, including expenses for the administrative staff, office premises and office expenses, as well as amortisation and impairment.

Other operating income and operating expenses
Other operating income and operating expenses comprise items of a secondary nature as regards the activities of the enterprises.

Special items
Special items comprise significant amounts concerning affairs which cannot be attributed to normal operations, e.g. legal costs in connection with important patent cases, significant restructuring costs and non-recurring costs as well as income not originating from ordinary operations.

Net financials
Financial income and expenses comprise interest, exchange gains and losses, write-downs of payables and transactions in foreign currencies, amortisation of financial assets and liabilities, including finance lease commitments. The timing effect and fair value adjustment of the purchase price payable are classified under net financials. Dividend from investments in subsidiaries is recognised as income in the income statement of the parent company in the financial year in which the dividend is declared.

Tax on profit for the year
The tax for the year, which consists of current tax and changes in deferred tax, is recognised in the income statement with the portion attributable to the profit or loss for the year, and in equity with the portion attributable to amounts recognised directly in other comprehensive income.

Tax is provided on the basis of the tax rules and tax rates applicable in the individual countries.

BALANCE SHEET

Intangible assets
Goodwill is, on initial recognition, recognised at cost in the balance sheet as described under 'Business combinations'. Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised.

Goodwill is attributed, at the time of acquisition, to the cash-generating units which are expected to benefit from the business combination; however, not to a lower level than the lower of segment level and the level on which goodwill is monitored as part of the internal financial management.

Development projects that are clearly defined and identifiable and where the technical utilisation degree, sufficient resources and a potential future market or scope for use in the enterprise can be proven, and where the company intends to produce, market or use the project, are recognised as intangible assets where the cost of the project can be calculated reliably and there is sufficient certainty that the future earnings or the net selling price can cover the costs of production, sale, administration and development. Other development costs are recognised in the income statement as incurred.

NOTE 1. ACCOUNTING POLICIES (CONTINUED)

Recognised development costs are measured at cost less accumulated amortisation and impairment losses. Cost comprises salaries and other external expenses, e.g. consultancy fees, travel expenses etc., which are directly attributable to the company's development activities.

Upon completion of the development activity, development projects are amortised according to the straight-line method over the estimated useful life as from the time when the asset is ready for use. The amortisation period is usually five years. The basis of amortisation is reduced by impairment losses, if any.

Rights in the form of distribution rights and licences etc. are measured at cost less accumulated amortisation and impairment losses. Rights are amortised according to the straight-line method over the shorter of the remaining term of the agreement and the useful lives of the assets.

Other intangible assets, including intangible assets acquired in connection with business combinations, are measured at cost less accumulated amortisation and impairment losses. Other intangible assets are amortised according to the straight-line method over the expected useful lives of the assets.

Property, plant and equipment
Land and buildings, including investment property, plant and machinery and other plant, fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price and any costs directly attributable to the acquisition until the date when the asset is ready for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, subsuppliers, wages and salaries. The cost of a total asset is divided into separate elements which are depreciated individually when the useful lives of the individual elements differ.

For assets held under finance leases, cost is calculated at the lower of the fair value of the assets and the present value of the future minimum lease payments. For calculating the present value, the internal rate of interest of the lease is used as the discount rate or an approximation of this value.

Property, plant and equipment are depreciated according to the straight-line method over the expected useful lives of the assets/-components as follows:

Buildings, including investment property	10-25 years
Building installations	10 years
Plant and machinery	2-10 years
Other plant, fixtures and fittings, tools and equipment	3-5 years

Land is not depreciated.

The basis of depreciation is calculated in consideration of the residual value of the asset and is reduced by impairment, if any. The residual value is fixed at the date of acquisition and is subject to annual review. When the residual value exceeds the carrying amount of the asset, depreciation will no longer take place.

In connection with changes in the depreciation period or the residual value, the effect of depreciation is recognised in future as a change in the accounting estimate.

Depreciation is recognised in the income statement under production costs, distribution costs and administrative expenses, respectively, in so far as depreciation is not included in the cost of self-constructed assets.

Shares in subsidiaries
Investments in subsidiaries are measured at cost in the financial statements of the parent company. If there is any indication of impairment loss, an impairment test is carried out. Where the cost exceeds the recoverable amount, impairment is made to the lower value.

Impairment losses on non-current assets
Goodwill is tested annually for impairment, the first time being by the end of the year of acquisition. Development projects in progress are also subject to an annual impairment test.

The carrying amount of goodwill is tested for impairment together with the other non-current assets of the cash-generating unit to which goodwill has been allocated and is impaired to the recoverable amount in the income statement if the carrying amount is higher. Impairment of goodwill is recognised as a separate item in the income statement.

Deferred tax assets are assessed on an annual basis and are only recognised to the extent that such assets are likely to be used.

NOTE 1. ACCOUNTING POLICIES (CONTINUED)

The carrying amount of other non-current assets is assessed on an annual basis to establish whether there is any indication of impairment. When such indication exists, the recoverable amount of the assets is calculated. The recoverable amount is the higher of the fair value of the asset less expected selling costs and the value in use. The value in use is calculated as the present value of expected future cash flows from the asset or the cash-generating unit in which the asset is included.

An impairment loss is recognised when the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount of the asset or the cash-generating unit. Impairment losses are recognised in the income statement under production costs, selling costs, development costs and administrative expenses, respectively.

Impairment of goodwill is not reversed. Impairment of other assets is reversed in so far as the assumptions and estimates on the basis of which the impairment is made have been changed. Impairments are only reversed in so far as the new carrying amount of the asset does not exceed the carrying amount of the asset after depreciation, had the asset not been impaired.

Inventories

Inventories are measured at the lower of cost calculated according to the FIFO principle and net realisable value. The net realisable value is calculated as the selling price less costs of completion and costs necessary to make the sale.

The cost of goods for resale as well as commodities and consumables comprises the acquisition price plus delivery costs.

The cost of manufactured goods and work in progress comprises the cost of commodities, consumables, direct labour costs and production overheads in the form of logistics and planning costs, production management as well as expenses for production facilities and equipment etc.

Receivables

Receivables are measured at amortised cost less individual write-downs. Trade receivables are tested for impairment when objective evidence for impairment exits in the form of delayed payments, provable financial problems of the debtor etc.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of the coming financial year and are measured at cost.

EQUITY

Dividend

Proposed dividend is recognised as a liability at the time of its adoption by the annual general meeting (the time of declaration). Expected dividend payable for the year is shown as a separate item under equity.

Treasury shares

Acquisition costs and consideration as well as dividend on treasury shares are recognised directly in retained earnings under equity. Proceeds from the sale of treasury shares and the issue of shares in Ambu A/S in connection with the exercise of share options or employee shares are taken directly to equity.

Reserve for foreign currency translation adjustments

Reserve for foreign currency translation adjustments in the consolidated financial statements comprises exchange rate differences arising from the translation of the financial statements of foreign enterprises to DKK. Reserve for foreign currency translation adjustments was zeroed on 1 October 2004 in accordance with IFRS 1.

EMPLOYEE CONTRIBUTIONS

Pension obligations and similar non-current liabilities

The group has entered into defined-contribution plans with a number of the group's employees.

Liabilities in respect of defined-contribution plans under which the group pays fixed pension contributions to independent pension providers are recognised in the income statement in the period during which such contributions are earned, and contributions payable are recognised in the balance sheet under other payables.

The group has no pension obligations in respect of defined-benefit plans or similar obligations.

NOTE 1. ACCOUNTING POLICIES (CONTINUED)

Share-based remuneration
The share option scheme for senior employees in the group is an equity-based scheme.

The fair value of the services provided by the employees in return for the allocation of share options is calculated on the basis of the value of the options allocated. The fair value of the share options at the time of allocation is calculated according to the Black-Scholes model. In the calculation, the terms and conditions applying to the share options allocated are taken into account.

The fair value of share-based remuneration at the time of granting is recognised as an expense over the period in which the employees earn the right to such share options. On recognition of the fair value, account is taken of the number of employees who are expected to obtain a final option right. At the end of each period, adjustment is made for this estimate, so that only the number of options for which a final option right has been obtained, are recognised.

The value of equity-based schemes is taken to equity.

Tax payable and deferred tax
Current tax payable and current tax receivable are recognised in the balance sheet as tax calculated on the taxable income for the year adjusted for tax on previous years' taxable income and amounts paid on account.

Deferred tax is measured under the balance-sheet liability method on the basis of all temporary differences between the carrying amount and tax base of assets and liabilities. Deferred tax is not recognised on temporary differences resulting from the initial recognition of goodwill. Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised under other non-current assets at the expected usable value, either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity.

Adjustment is made of deferred tax in relation to eliminations made as regards unrealised intercompany profits and losses.

Deferred tax is measured on the basis of the taxation rules and tax rates which, pursuant to the legislation in force at the balance sheet date, will apply in the individual countries at the time when the deferred tax is expected to become payable as current tax. Changes in deferred tax resulting from changes in tax rates are recognised in the income statement.

Provisions
Provisions are recognised when the group, as a result of an event having occurred before or on the balance sheet date, has incurred a legal or actual liability, and it is probable that economic benefits will flow from the group in order to settle the liability. If the effect of the time value of money is significant, provisions are discounted using a before-tax discount rate. When applying a discount rate, the change in provisions due to the timing is recognised as a finance cost.

Warranty commitments are recognised in step with the sale of goods and services on the basis of the level of warranty expenses incurred in previous financial years.

FINANCIAL LIABILITIES

Credit institutions
Debt to credit institutions etc. is recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the 'effective rate of interest method' so that the difference between the proceeds and the nominal value is recognised under financial expenses in the income statement for the duration of the loan term.

The capitalised remaining lease obligation in respect of finance leases, measured at amortised cost, is also recognised under financial liabilities.

Other liabilities are measured at amortised cost, including corporate bonds issued.

Deferred income
Deferred income recognised under liabilities comprises payments received in respect of the coming financial years and is measured at cost.

DKKm

NOTE 1. ACCOUNTING POLICIES (CONTINUED)

CASH FLOW STATEMENT

The cash flow statement shows the cash flows divided into cash flows from operating activities, investing activities and financing activities for the year as well as changes in cash and cash equivalents for the year and cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities
Cash flows from operating activities are calculated according to the indirect method as the profit or loss before tax, adjusted for non-cash operating items, changes in working capital, interest received and paid, dividend received and income tax paid.

Cash flows from investing activities
Cash flows from investing activities comprise payments in connection with the acquisition and divestment of enterprises and activities, the purchase and sale of intangible assets, property, plant and equipment and other non-current assets as well as the purchase and sale of securities not included in cash and cash equivalents.

The conclusion of finance leases is considered to be non-cash transactions.

Cash flows from financing activities
Cash flows from financing activities comprise changes to the size or composition of share capital and costs incidental thereto as well as the arrangement of loans, the repayment of interest-bearing debt, the purchase and sale of treasury shares and the payment of dividend to shareholders.

Cash flows relating to assets held under finance leases are recognised as payment of interest and repayment of debt.

Cash and cash equivalents
Cash and cash equivalents comprise cash and overdraft facilities forming part of the ongoing cash management. Cash flows denominated in currencies other than DKK are translated using average exchange rates, unless such rates deviate materially from the exchange rates applicable at the transaction date.

As from FY 2012/13, the actual circumstances have entailed that the management considers overdraft facilities as part of the group’s cash resources. This reflects the fact that overdraft facilities are included in the group’s ongoing cash management, and the comparative figures for the cash flow statement have consequently been restated.

DKKm

NOTE 2. MATERIAL ACCOUNTING ESTIMATES AND ASSESSMENTS

In connection with the preparation of Ambu's consolidated financial statements, the management makes material 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. The material accounting estimates and assessments are described below.

The estimates made are based on assumptions deemed to be reasonable by the management, but which are naturally subject to uncertainty. Such assumptions may be incomplete or inaccurate, and unexpected events or incidents may occur. Furthermore, the company is subject to risks and uncertainties which may cause the actual results to deviate from the estimates.

Business combinations
When applying the purchase method in connection with the acquisition of enterprises, the management makes material estimates and assessments. On 15 February 2013, Ambu acquired all of the share capital in King Systems Corp. at a price of DKK 813m.

In this connection, intangible assets of DKK 131m were identified; all with determinable useful lives. Up until 2023, EBIT will be negatively affected by the amortisation of these assets. The following intangible assets have been identified and valued: Technologies (DKK 105m), trademarks (DKK 18m), customer relations (DKK 5m) and order book (DKK 3m).

The total purchase sum includes contingent consideration of up to USD 50m. In connection with the acquisition, the management recognised this liability at USD 22m, of which a sum of USD 12m was paid in 2013/14. Upon remeasurement as at 30 September 2014, the value of the liability was adjusted by DKK 31m, which had a positive effect on net financials. Following the shortening of the discounting period subsequent to the acquisition, reducing the earn-out by DKK 10m, in combination with translation adjustments, the earn-out as at 30 September 2014 was recognised at DKK 35m.

The material estimates of future sales are based on sales budgets for the period up to 30 September 2015, with the subsequent period until 31 April 2016 being estimated using projection. A deviation between the estimated sales assumptions and the future circumstances of +/- 10% will increase/reduce the liability by DKK 3m.

Intangible assets
The measurement of goodwill may be significantly impacted by changes in the estimates and assessments made when calculating values in use in connection with impairment tests. Goodwill can primarily be attributed to the acquisition of King Systems Corp. Goodwill amounted to DKK 748m (2013: DKK 707m).

Continuous impairment tests are made in respect of both completed development projects and development projects in progress, where the management compares the estimated future net cash flows with the carrying amount of the asset. Impairment tests require material estimates of how future events will affect the value of development projects. The value of completed development projects was DKK 69m (2013: DKK 43m), while the value of development projects in progress was DKK 24m (2013: DKK 39m).

For other intangible assets with determinable useful lives, the management assesses whether there are internal or external indications of impairment. In the event of an indication of impairment, an impairment test is carried out, and the tested intangible asset is written down to the lower of recoverable amount and carrying amount.

Goodwill, development projects and impairment tests are described in note 10, while intangible assets identified in connection with company acquisitions appear from note 27.

Inventories
The cost of commodities and consumables as well as finished goods consists of the cost of raw materials, consumables, direct labour costs and production overheads. Production overheads consist of materials and wages and salaries as well as maintenance and depreciation of non-current assets used in the production process. In addition, expenses for administration of production are recognised. Goods are impaired if the net realisable value is lower than the cost.

Production overheads with the value of inventories added are calculated on the basis of a standard cost method, which is reviewed on a regular basis to ensure valid assumptions. Changes in the assessments made will affect the group's valuation of inventories and gross profit. The carrying amount of capitalised production overheads totalled DKK 45m (2013: DKK 38m).

Sales discounts and provisions for GPOs
Sales discounts are offset against trade receivables and primarily concern sales in the USA. Provisions for distributor discounts in the US market are subject to estimation uncertainty as the actual discount is not determined until the distributor's sale to the end customer (hospitals, clinics etc.). Sales discounts are the difference between the price agreed with the end customer and the distributor's list price. Sales discounts are calculated on the basis of a combination of previous experience and sales data from distributors. Provisions for sales discounts totalled DKK 54m (2013: DKK 42m).

DKKm

NOTE 3. INFORMATION ABOUT THE GEOGRAPHICAL DISTRIBUTION OF THE ACTIVITIES

	Group	
	2013/14	**2012/13**
Revenue:		
Europe	693	664
North America	699	580
Rest of the world	192	139
Total revenue	**1,584**	**1,383**

Ambu is domiciled in Denmark. The group's revenue in Denmark totalled DKK 37m (2012/13: DKK 35m).

	Group 30.09.14		Group 30.09.13	
	Assets	**Investments**	**Assets**	**Investments**
Assets and Investments:				
Europe	664	69	608	48
North America	1,152	16	1,058	807
Rest of the world	231	35	186	12
	2,047	**120**	**1,852**	**867**

DKKm

NOTE 4. STAFF EXPENSES, SHARE-BASED REMUNERATION AND DEPRECIATION/AMORTISATION

	Group		Parent company	
	2013/14	**2012/13**	**2013/14**	**2012/13**
Staff expenses are included in functional costs as follows:				
Production costs	211	156	17	17
Selling costs	161	136	12	7
Development costs	11	11	7	8
Management and administration	147	115	68	62
Other operating expenses	4	4	3	3
Special items	0	22	0	10
Total staff expenses	**534**	**444**	**107**	**107**
Staff expenses comprise:				
Remuneration, Executive Board	9	8	9	8
Pension contributions, Executive Board	0	0	0	0
Share options	1	1	1	1
Staff expenses, Executive Board	**10**	**9**	**10**	**9**
Wages and salaries	457	383	85	86
Pension contributions	11	9	6	6
Social security costs	50	38	1	2
Share options and warrants	3	3	2	2
Remuneration, committees	1	0	1	0
Remuneration, Board of Directors	2	2	2	2
Total staff expenses	**534**	**444**	**107**	**107**
Average number of employees	2,333	1,984	132	133
Number of employees at year-end	2,341	2,194	136	130

The Ambu group has defined-contribution plans only. In connection with the defined-contribution plans, the group does not carry the risk of the future development in interest rates, inflation, death rate and disability rate.

Share option scheme, Executive Board
At the general meeting in December 2008, it was decided to award share options to the Executive Board. The Executive Board has been awarded a total of 189,000 share options, which were allocated successively over a period of three years by one-third each year. The share options were allocated for the first time on 1 October 2009 at a price of 83.75. The share options can be exercised for a period starting three years after the respective share options have been allocated and ending six years after the share options have been allocated. Each option entitles the holder to buy one Class B share with a nominal value of DKK 10 at a price per share corresponding to the market price at the initial allocation date plus 8% p.a.

Share option scheme, Executive Management Team
At the general meeting in December 2012, it was decided to establish an option scheme for the Executive Management Team. The scheme comprises a total of 306,398 share options (of which 202,952 are reserved for the Executive Board), which will be allocated successively over a period of three years provided that specific financial targets are achieved. The first allocation was made on 1 February 2013. The targets for each year are determined by the Board of Directors and published in the annual report prior to the vesting year.

Each option entitles the holder to buy one Class B share with a nominal value of DKK 10 at a price per share corresponding to the listed price at the initial allocation date plus 8.0% p.a. The average market price has been calculated at DKK 160 per share based on a five-day average of the market price quoted on NASDAQ OMX Copenhagen, starting on 1 February 2013 and for the subsequent four business days.

The financial targets were achieved in full for FY 2012/13, and based on this, 86,546 options were allocated, 57,326 of which went to the Executive Board. The financial targets have been achieved in full for FY 2013/14, and based on this, 100,898 options have been allocated, 66,833 of which go to the Executive Board.

DKKm

NOTE 4. STAFF EXPENSES, SHARE-BASED REMUNERATION AND DEPRECIATION/AMORTISATION (CONTINUED)

Share option scheme, senior employees
An option scheme comprising 17 of the group's senior employees in Denmark and abroad was established in June 2007. The purpose of the option scheme is to promote the creation of value in Ambu by achieving the company's strategic objectives and creating identical interests among the participants in the option scheme and the company's shareholders. The allocation is subject to the participants acquiring a certain number of Ambu Class B shares at market price. The total maximum value obtainable by the individual participants in the option scheme is an amount corresponding to four years' salary. Share options are allocated in four rounds – the first time in connection with the establishment of the scheme in June 2007 (at a price of 104), and then at the end of FY 2006/07, 2007/08 and 2008/09 subject to an annual price increase of 8%. The total number of share options allocated during this period was 977,013, corresponding to 8.2% of Ambu's share capital.

Warrant scheme, senior employees
Warrant schemes were established in April 2011, April 2012 and December 2013. The purpose of the warrant schemes is to promote the creation of value in Ambu by achieving the company's strategic objectives and creating identical interests among the participants in the warrant schemes and the company's shareholders. The warrant schemes in 2011, 2012 and 2013 comprised 49, 69 and 52, respectively, of the group's senior employees in Denmark and abroad. Under all warrant schemes, each warrant entitles the holder to buy one Class B share with a nominal value of DKK 10 at a price of 160.5 under the 2011 scheme, at a price of 158 under the 2012 scheme and at a price of 265.2 under the 2013 scheme. The total number of warrants allocated under the 2011 scheme was 110,000, corresponding to 0.9% of Ambu's share capital, 126,900 under the 2012 scheme, corresponding to 1.1% of Ambu's share capital, and 100,000 under the 2013 scheme, corresponding to 0.8% of Ambu's share capital.

Assumptions at allocation
When the option and warrant schemes were awarded, the value at allocation was calculated according to the Black-Scholes model on the basis of the following assumptions:

	Volatility	Interest rate	Dividend per share	Exercise price	Fair value at allocation
2013/14:					
Warrants, December 2013	24%	0.60%	3.0	265.20	DKK 4m
Share options, February 2014	28%	0.20%	3.0	186.60	DKK 2m
2012/13:					
Share options, February 2013	28%	0.20%	3.0	172.80	DKK 2m

The incentive programmes are accrued and expensed over the vesting period. No particular requirements have to be met by those participating in the programmes, except continued employment and, for senior employees, ownership of a number of Ambu Class B shares.

The vesting period of the incentive programmes is three years, after which the exercise period runs for two years. As concerns the programmes for the Executive Management Team, the exercise period runs for three years after the vesting period.

DKKm

NOTE 4. STAFF EXPENSES, SHARE-BASED REMUNERATION AND DEPRECIATION/AMORTISATION (CONTINUED)

Share options/warrants in the Ambu group

2013/14	No. of options/-warrants	Exercise price per option/-warrant in DKK	No. of options/-warrants which can be exercised	Average share price at exercise date	Term to maturity in years	Market value in DKK ’000
Executive Board, share options						
Outstanding balance as at 1 October 2013	246,326	110	63,000		3	28
Additions during the year (no.)	66,833	187	-		4	16
Matured during the year (no.)	-	90	63,000		-	-
Options exercised during the year	-63,000	84	-63,000	332	-	-9
Market value adjustment	-	-	-		-	37
Senior employees, share options						
Outstanding balance as at 1 October 2013	139,961	139	110,741		-	12
Matured during the year (no.)	-	-	-		-	-
Forfeited	-9,483	131	-9,483		-	-
First-portion options exercised during the year	-	-	-		-	-
Second-portion options exercised during the year	-	-	-		-	-
Third-portion options exercised during the year	-	-	-		-	-
Fourth-portion options exercised during the year	-91,677	131	-91,677	270	0	-9
Additions during the year	34,065	187	-		4	8
Market value adjustment	-	-	-		-	7
Senior employees, warrants						
Outstanding balance as at 1 October 2013	213,800	159	-		2	14
Additions during the year (no.)	100,000	265	-		3	16
Matured during the year (no.)	-	161	86,500		-	-
Forfeited	-23,400	192	-		-	-1
Warrants exercised during the year	-35,500	161	-35,500	377	-	-2
Market value adjustment	-	-	-		-	31
Outstanding balance as at 30 September 2014	**577,925**	**168**	**123,581**	**311**	**-**	**148**

2012/13						
Executive Board, share options						
Outstanding balance as at 1 October 2012	189,000	91	63,000		3	11
Additions during the year (no.)	57,326	173	-		5	-
Options exercised during the year	-	-	-		-	-
Market value adjustment	-	-	-		-	17
Senior employees, share options						
Outstanding balance as at 1 October 2012	359,279	124	233,460		-	9
Matured during the year (no.)	-	131	125,819		-	-
Second-portion options exercised during the year	-32,507	112	-32,507	152	-	-1
Third-portion options exercised during the year	-191,961	121	-191,961	171	-	-5
Fourth-portion options exercised during the year	-24,070	131	-24,070	188	1	0
Additions during the year	29,220	173	-		5	0
Market value adjustment	-	-	-		-	9
Senior employees, warrants						
Outstanding balance as at 1 October 2012	218,800	159	-		3	6
Additions during the year (no.)	-	-	-		-	-
Forfeited	-5,000	161	-		-	-
Options exercised during the year	-	-	-		-	-
Market value adjustment	-	-	-		-	8
Outstanding balance as at 30 September 2013	**600,087**	**134**	**173,741**	**171**	**-**	**54**

The market value of share options and warrants issued is calculated as the difference between the subscription price and the share price in Ambu A/S at the end of the accounting period. The market value calculated on the balance sheet date cannot be equated with the fair value.

There are no agreements on special remuneration for the Executive Board in the event of a change of control.

Notes

DKKm

NOTE 4. STAFF EXPENSES, SHARE-BASED REMUNERATION AND DEPRECIATION/AMORTISATION (CONTINUED)

	Group		Parent company	
	2013/14	**2012/13**	**2013/14**	**2012/13**
Depreciation, amortisation and impairment losses have been allocated to the following functions:				
Production costs	31	31	3	3
Selling costs	6	7	0	0
Development costs	44	22	30	15
Management and administration	7	14	8	10
Total depreciation, amortisation and impairment losses	**88**	**74**	**41**	**28**

NOTE 5. FEE TO AUDITORS APPOINTED BY THE ANNUAL GENERAL MEETING

	Group		Parent company	
	2013/14	**2012/13**	**2013/14**	**2012/13**
Fee for PWC	2	2	1	1
Other assurance engagements	0	0	0	0
Tax consultancy services	1	1	0	0
Other services	0	1	0	1
Total fees	**3**	**4**	**1**	**2**

NOTE 6. FINANCIAL INCOME

	Group		Parent company	
	2013/14	**2012/13**	**2013/14**	**2012/13**
Interest income:				
Interest income, loans to subsidiaries	0	0	47	34
Interest income, swap	8	0	8	0
Other financial income:				
Foreign exchange gains, net	25	0	49	0
Fair value adjustment, earn-out	31	0	0	0
	64	**0**	**104**	**34**

NOTE 7. FINANCIAL EXPENSES

	Group		Parent company	
	2013/14	**2012/13**	**2013/14**	**2012/13**
Interest expenses:				
Interest expenses, bank	5	7	5	7
Interest expenses, swap	9	0	9	0
Interest expenses, bonds	24	13	24	13
Other financial expenses:				
Effect of shorter discounting period, earn-out	5	5	0	0
Effect of shorter discounting period, acquisition of technology	2	0	2	0
Fair value adjustment, swap	9	0	9	0
Foreign exchange losses, net	0	5	0	1
	54	**30**	**49**	**21**

Notes

DKKm

NOTE 8. TAX ON PROFIT FOR THE YEAR

	Group		Parent company	
	2013/14	**2012/13**	**2013/14**	**2012/13**
Current tax on profit for the year	43	41	48	17
Deferred tax on profit for the year	15	-16	8	2
Adjustment, previous years	-1	0	-1	0
Adjustment, change in tax rates	0	-3	0	-3
Total tax on profit for the year	**57**	**22**	**55**	**16**
Tax on profit for the year comprises (%):				
Calculated 24.5% (2012/13: 25%) tax on income from ordinary activities before tax	24.5	25.0	24.5	25.0
Effect of tax rate in foreign subsidiaries	-1.3	1.0	0.0	0.0
Income not subject to tax	0.0	-0.2	0.0	0.0
Non-deductible costs	0.6	7.1	0.1	4.2
Adjustment, change in tax rates	-0.5	-4.3	-0.5	-4.3
Value adjustment, earn-out	-4.1	2.5	0.2	0.0
Tax adjustment in respect of previous years	-0.4	0.4	-0.1	-0.1
Impairment of tax asset	8.6	0.0	0.0	0.0
Effective tax rate	**27.4**	**31.5**	**24.2**	**24.8**

The Danish Parliament has adopted a reduction of the income tax rate from 25.0% to 22.0%. The reduction will be implemented gradually over a period of three years. Ambu A/S’s income tax rate was 24.5% in 2013/14 and fell to 23.5% in 2014/15. The final reduction of the income tax rate to 22% takes place in 2015/16.

DKKm

NOTE 9. SHARES IN SUBSIDIARIES

	2013/14	2012/13
Acquisition price, beginning of year	222	66
Additions	13	156
Disposals	0	0
Acquisition price at year-end	**235**	**222**
Carrying amount as at 30 September	**235**	**222**

Subsidiaries **Wholly owned**	**Reg. office**	**Established/ acquired**	**Share capital, nominal**
Ambu Inc.	USA	1983	USD 250,000
Ambu Sarl	France	1989	EUR 170,245
Ambu Ltd.	UK	1991	GBP 1,000
Ambu GmbH	Germany	1992	EUR 51,129
Ambu s.r.l.	Italy	1992	EUR 68,200
Firma Ambu, S.L.	Spain	1993	EUR 200,113
Ambu Sdn. Bhd.	Malaysia	1995	MYR 2,400,000
Ambu Ltd.	China	1998	RMB 6,623,760
Ambu KK (inactive company)	Japan	2000	JPY 20,000,000
Ambu B.V.	Netherlands	2006	EUR 22,700
Ambu (Xiamen) Trading Co., Ltd.	China	2008	USD 70,000
Ambu Australia Pty. Ltd.	Australia	2010	AUD 1
Ambu White Sensor Ltd.	UK	2012	GBP 1,000
King Systems Holding Inc.	USA	2013	USD 3,562
King Systems Corp.	USA	2013	USD 843,800
First Water Heathcote Ltd.	UK	2013	GBP 104,000

In addition to the above, Ambu has branches in both Sweden and Finland as well as a representative office in India.
The activities of the above units are consolidated in Ambu's consolidated accounts.

DKKm

NOTE 10. INTANGIBLE ASSETS

2013/14	Acquired technologies, trademarks and customer relations	Completed development projects	Rights	Goodwill	Development projects in progress	Total
Group						
Acquisition price, beginning of year	129	167	31	707	39	1,073
Translation adjustment	9	2	1	41	1	54
Additions during the year	0	0	40	0	28	68
Disposals during the year	0	0	0	0	0	0
Transferred during the year	0	44	0	0	-44	0
Acquisition price at year-end	**138**	**213**	**72**	**748**	**24**	**1,195**
Amortisation and impairment losses, beginning of year	13	124	13	0	0	150
Translation adjustment	2	0	0	0	0	2
Disposals during the year	0	0	0	0	0	0
Impairment losses for the year	0	0	0	0	0	0
Amortisation for the year	16	20	6	0	0	42
Amortisation and impairment losses at year-end	**31**	**144**	**19**	**0**	**0**	**194**
Carrying amount at year-end	**107**	**69**	**53**	**748**	**24**	**1,001**
Amortisation period	5-10 years	5 years	5-20 years			
Parent company						
Acquisition price, beginning of year	0	167	57	143	29	396
Translation adjustment	0	0	1	1	0	2
Additions during the year	0	0	40	0	19	59
Disposals during the year	0	0	0	0	0	0
Transferred during the year	0	35	0	0	-35	0
Acquisition price at year-end	**0**	**202**	**98**	**144**	**13**	**457**
Amortisation and impairment losses, beginning of year	0	124	12	0	0	136
Translation adjustment	0	0	0	0	0	0
Disposals during the year	0	0	0	0	0	0
Impairment losses for the year	0	0	0	0	0	0
Amortisation for the year	0	19	11	0	0	30
Amortisation and impairment losses at year-end	**0**	**143**	**23**	**0**	**0**	**166**
Carrying amount at year-end	**0**	**59**	**75**	**144**	**13**	**291**
Amortisation period		5 years	5-20 years			

	Additions during the year	Amortisation period	**2013/14**	**2012/13**
Important intangible assets at carrying amount:				
Technologies	2012/13	5-10 years	90	96
Customer relations	2012/13	5 years	4	4
Trademarks	2012/13	5 years	13	16
Pain pump technology	2013/14	5 years	36	0
			143	**116**

Technologies, customer relations and trademarks were recognised in connection with the acquisition of King Systems Corp. Please refer to note 27, and to note 2 for a description of the management’s material estimates.

DKKm

NOTE 10. INTANGIBLE ASSETS (CONTINUED)

Goodwill in the group of DKK 748m (2013: DKK 707m) concerns goodwill in connection with the acquisition of the companies King Systems Corp. and First Water Heathcote Ltd. in 2013, the Medicotest group in 2001 and the Sleepmate Inc. activities in 2008. The acquired enterprises are integrated into all parts of the Ambu group, which means that the goodwill value relates to Ambu as a whole.

As at 30 September 2014, the management carried out an impairment test of the carrying amount of goodwill. Based on this test, no amortisation of goodwill was deemed necessary. In connection with the impairment test, the discounted cash flow of the cash-generating unit is compared with the carrying amounts. Cash flows are based on the 2014/15 budget and on growth of 1% in the terminal period (2012/13: 1%). In connection with the discounting, a WACC of 7.3% after tax has been applied (2012/13: 7.5%), corresponding to a WACC of 10.1% before tax (2012/13: 10.7%).

The key assumptions for the impairment test are the WACC and the EBITDA margin.
The management believes that even material changes in these assumptions will not result in an impairment of goodwill.

2012/13	Acquired technologies, trademarks and customers	Completed development projects	Rights	Goodwill	Development projects in progress	Total
Group						
Acquisition price, beginning of year	0	136	32	147	34	349
Translation adjustment	-2	0	-1	-7	0	-10
Additions during the year	0	0	0	0	36	36
Additions in connection with acquisition	131	0	0	567	0	698
Disposals during the year	0	0	0	0	0	0
Transferred during the year	0	31	0	0	-31	0
Acquisition price at year-end	**129**	**167**	**31**	**707**	**39**	**1,073**
Amortisation and impairment losses, beginning of year	0	109	11	0	0	120
Translation adjustment	-1	0	0	0	0	-1
Disposals during the year	0	0	0	0	0	0
Impairment losses for the year	0	0	0	0	0	0
Amortisation for the year	14	15	2	0	0	31
Amortisation and impairment losses at year-end	**13**	**124**	**13**	**0**	**0**	**150**
Carrying amount at year-end	**116**	**43**	**18**	**707**	**39**	**923**
Amortisation period	5-10 years	5 years	10-20 years			
Parent company						
Acquisition price, beginning of year	0	136	30	144	34	344
Translation adjustment	0	0	-1	-1	0	-2
Additions during the year	0	0	28	0	26	54
Disposals during the year	0	0	0	0	0	0
Transferred during the year	0	31	0	0	-31	0
Acquisition price at year-end	**0**	**167**	**57**	**143**	**29**	**396**
Amortisation and impairment losses, beginning of year	0	109	10	0	0	119
Translation adjustment	0	0	0	0	0	0
Disposals during the year	0	0	0	0	0	0
Impairment losses for the year	0	0	0	0	0	0
Amortisation for the year	0	15	2	0	0	17
Amortisation and impairment losses at year-end	**0**	**124**	**12**	**0**	**0**	**136**
Carrying amount at year-end	**0**	**43**	**45**	**143**	**29**	**260**
Amortisation period		5 years	10-20 years			

Notes

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NOTE 11. PROPERTY, PLANT AND EQUIPMENT

2013/14	Land and buildings	Plant and machinery	Other plant, fixtures and fittings, tools and equipment	Prepayments and plant under construction	Total
Group					
Acquisition price, beginning of year	190	269	103	8	570
Translation adjustment	9	15	2	1	27
Additions during the year	20	9	3	20	52
Disposals during the year	-2	-6	-4	-2	-14
Transferred during the year	2	3	4	-9	0
Acquisition price at year-end	**219**	**290**	**108**	**18**	**635**
Depreciation and impairment losses, beginning of year	88	156	74	0	318
Translation adjustment	3	8	1	0	12
Disposals during the year	-2	-6	-4	0	-12
Impairment losses for the year	0	0	0	0	0
Depreciation for the year	9	22	15	0	46
Depreciation and impairment losses at year-end	**98**	**180**	**86**	**0**	**364**
Carrying amount at year-end	**121**	**110**	**22**	**18**	**271**
Of which assets held under finance leases	0	0	1	0	1
Depreciation period	10-25 years	2-10 years	3-5 years		
Parent company					
Acquisition price, beginning of year	83	5	72	0	160
Translation adjustment	0	0	0	0	0
Additions during the year	0	0	0	8	8
Disposals during the year	-2	0	0	0	-2
Transferred during the year	2	0	4	-6	0
Acquisition price at year-end	**83**	**5**	**76**	**2**	**166**
Depreciation and impairment losses, beginning of year	61	4	56	0	121
Translation adjustment	0	0	0	0	0
Disposals during the year	-2	0	0	0	-2
Impairment losses for the year	0	0	0	0	0
Depreciation for the year	3	0	8	0	11
Depreciation and impairment losses at year-end	**62**	**4**	**64**	**0**	**130**
Carrying amount at year-end	**21**	**1**	**12**	**2**	**36**
Depreciation period	10-25 years	2-10 years	3-5 years		

There are no contractual obligations concerning the purchase of property, plant and equipment.

Land and buildings include investment property where the market value in all material respects corresponds to the carrying amount.

Notes

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NOTE 11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2012/13	Land and buildings	Plant and machinery	Other plant, fixtures and fittings, tools and equipment	Prepayments and plant under construction	Total
Group					
Acquisition price, beginning of year	149	224	92	6	471
Translation adjustment	-4	-11	-1	-2	-18
Additions during the year	11	20	10	-16	25
Additions in connection with acquisition	37	37	6	28	108
Disposals during the year	-4	-7	-4	-1	-16
Transferred during the year	1	6	0	-7	0
Acquisition price at year-end	**190**	**269**	**103**	**8**	**570**
Depreciation and impairment losses, beginning of year	84	146	65	0	295
Translation adjustment	-1	-6	-1	0	-8
Disposals during the year	-3	-5	-4	0	-12
Impairment losses for the year	0	0	0	0	0
Depreciation for the year	8	21	14	0	43
Depreciation and impairment losses at year-end	**88**	**156**	**74**	**0**	**318**
Carrying amount at year-end	**102**	**113**	**29**	**8**	**252**
Of which assets held under finance leases	0	0	1	0	1
Depreciation period	10-25 years	2-10 years	3-5 years		
Parent company					
Acquisition price, beginning of year	82	6	67	2	157
Translation adjustment	0	0	0	0	0
Additions during the year	1	0	5	1	7
Disposals during the year	0	-1	0	-3	-4
Transferred during the year	0	0	0	0	0
Acquisition price at year-end	**83**	**5**	**72**	**0**	**160**
Depreciation and impairment losses, beginning of year	58	5	48	0	111
Translation adjustment	0	0	0	0	0
Disposals during the year	0	-1	0	0	-1
Impairment losses for the year	0	0	0	0	0
Depreciation for the year	3	0	8	0	11
Depreciation and impairment losses at year-end	**61**	**4**	**56**	**0**	**121**
Carrying amount at year-end	**22**	**1**	**16**	**0**	**39**
Depreciation period	10-25 years	2-10 years	3-5 years		

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NOTE 12. SHARE CAPITAL AND TREASURY SHARES

The share capital as at 30 September 2014 comprises:

Class A shares, ten votes per share, 1,716,000 shares of DKK 10 each.
Class B shares, one vote per share, 10,227,580 shares of DKK 10 each.

	Class A shares		Class B shares	
	2013/14	**2012/13**	**2013/14**	**2012/13**
No. of shares issued as at 1 October	1,716,000	1,716,000	10,192,080	10,192,080
Additions	0	0	35,500	0
Disposals	0	0	0	0
No. of shares issued as at 30 September	**1,716,000**	**1,716,000**	**10,227,580**	**10,192,080**

In April 2011, Ambu A/S issued 110,000 warrants which vested in April 2014. Nineteen employees issued instructions to exercise a total of 24,000 warrants in May 2014, and four employees issued instructions to exercise a total of 11,500 warrants in August 2014. As a consequence of the exercise of the warrants, Ambu's Board of Directors effected the resulting capital increase of a total of 35,500 shares in two stages (April 2014 and August 2014). The total capital increase means that Ambu's share capital has been increased by a nominal amount of DKK 355,000 from DKK 119,080,800 to DKK 119,435,800 through the issue of 35,500 Class B shares. The share capital is now divided into 10,227,580 Class B shares of DKK 10 each and 1,716,000 Class A shares of DKK 10 each.

	No. of shares		Nominal value		In % of share capital	
Treasury shares – Class B shares	**2013/14**	**2012/13**	**2013/14**	**2012/13**	**2013/14**	**2012/13**
1 October	143,945	253,397	1.4	2.5	1.1%	2.1%
Additions	54,700	123,984	0.5	1.2	0.5%	1.0%
Disposals	-154,677	-233,436	-1.5	-2.3	-1.3%	-2.0%
Class B treasury shares as at 30 September	**43,968**	**143,945**	**0.4**	**1.4**	**0.3%**	**1.1%**

Treasury shares have been purchased to partially cover option schemes.

	Group	
Earnings per share	**2013/14**	**2012/13**
Net profit for the year	151	48
Average no. of outstanding Class A and Class B shares	11,848,875	11,707,923
Average no. of diluted Class A and Class B shares	12,121,488	11,805,124
Earnings per DKK 10 share (EPS) in DKK	12.76	4.05
Diluted earnings per DKK 10 share (EPS-D) in DKK	12.48	4.03

Notes

DKKm

NOTE 13. INVENTORIES

	Group		Parent company	
	30.09.14	**30.09.13**	**30.09.14**	**30.09.13**
Commodities and consumables	82	66	2	2
Finished goods	171	145	73	53
	253	**211**	**75**	**55**
Cost of sales for the year	619	541	657	503
Inventory write-down				
Write-down as at 1 October	8	6	3	1
Additions	1	3	1	2
Disposals	-2	-1	0	0
Write-down as at 30 September	**7**	**8**	**4**	**3**

Disposals relating to the inventory write-down can be attributed to the scrapping of obsolete products.

NOTE 14. RECEIVABLES

	Group		Parent company	
	30.09.14	**30.09.13**	**30.09.14**	**30.09.13**
Trade receivables	380	356	60	54
Receivables from group enterprises	-	-	434	872
Other receivables	11	2	1	0
	391	**358**	**495**	**926**
Write-down as at 1 October	4	4	1	1
Recognised bad debts	-1	0	-1	0
Write-downs of receivables for the year	1	1	0	0
Reversal for the year of previous write-downs	-1	-1	0	0
Write-downs included in the receivables mentioned above as at 30 September	**3**	**4**	**0**	**1**

Credit risks
Ambu is exposed to credit risks in respect of receivables. The maximum credit risk corresponds to the carrying amount.

Outstanding receivables are monitored on a regular basis in accordance with the company's debtor policy, which is based on concrete debtor assessments of private customers. Public-sector customers are an important part of the company's receivables, and it is believed that no debtor risks are associated with public-sector customers. In the event of uncertainty as to a customer's ability or willingness to pay a receivable and where it is deemed that the claim is subject to risk, a write-down is made to hedge such risk.

Provisions are made for bad debts on the basis of an individual assessment of the risk. No material changes were made during the financial year with regard to provisions for bad debts.

	Group		Parent company	
	30.09.14	**30.09.13**	**30.09.14**	**30.09.13**
Trade receivables				
Not due	247	237	57	47
1-90 days	85	68	2	2
91-180 days	30	18	1	0
> 180 days	18	33	0	5
Value written down as at 30 September	**380**	**356**	**60**	**54**

DKKm

NOTE 15. PROVISION FOR DEFERRED TAX

	Group		Parent company	
	30.09.14	**30.09.13**	**30.09.14**	**30.09.13**
Deferred tax as at 1 October	9	13	26	27
Addition in connection with acquisition	0	15	0	0
Translation adjustment	-1	0	0	0
Deferred tax on other comprehensive income	-7	0	-7	0
Deferred tax for the year	15	-16	8	2
Adjustment, change in tax rates	0	-3	0	-3
Change in respect of previous years	-4	0	-1	0
Deferred tax as at 30 September	**12**	**9**	**26**	**26**
Deferred tax relates to:				
Intangible assets	33	20	33	24
Property, plant and equipment	10	25	2	3
Current assets	-18	-14	0	0
Provisions	0	-1	0	-1
Payables	-13	-21	-9	0
	12	**9**	**26**	**26**
Classified in the balance sheet as follows:				
Deferred tax asset	-21	-21	-9	-1
Deferred tax	33	30	35	27
	12	**9**	**26**	**26**
Deferred tax falling due within 12 months	-31	-36	-9	-1

Ambu has an unrecognised tax asset stemming from the US operating activities totalling DKK 22m. Due to uncertainty as to the capitalisation of the tax asset, the asset has been recognised at DKK 0.

NOTE 16. INCOME TAX

	Group		Parent company	
	30.09.14	**30.09.13**	**30.09.14**	**30.09.13**
Income tax payable as at 1 October	21	18	15	19
Addition in connection with acquisition	0	-9	0	0
Translation adjustment	1	0	0	0
Paid during the year	-33	-29	-19	-21
Adjustment in respect of previous years	1	0	0	0
Tax on other comprehensive income	6	0	0	0
Tax on profit for the year	43	41	48	17
Income tax payable as at September 30 (net)	**39**	**21**	**44**	**15**
Classified in the balance sheet as follows:				
Income tax receivable	-6	-1	0	0
Income tax payable	45	22	44	15
	39	**21**	**44**	**15**

DKKm

NOTE 17. CURRENT AND NON-CURRENT LIABILITIES

	Group		Parent company	
	30.09.14	**30.09.13**	**30.09.14**	**30.09.13**
Credit institutions	8	66	8	66
Corporate bonds	698	697	698	697
Bank debt	119	12	119	12
	825	**775**	**825**	**775**

Carrying amount:

Loan	Maturity	Type	Fixed/floating	Effective rate of interest	30.09.14	30.09.13	30.09.14	30.09.13
DKK	2018	Bonds	Fixed	3.5%	698	697	698	697
USD	2014	Credit institution	Floating	2.9%	-	3	-	3
EUR	2014	Credit institution	Fixed	2.4%	-	2	-	2
DKK	2015	Credit institution	Fixed	2.6%	3	5	3	5
DKK	2018	Credit institution	Floating	3.4%	4	5	4	5
DKK	2014	Credit institution	Floating	2.0%	-	50	-	50
DKK	2017	Finance leases	Fixed	3.1%	1	1	1	1
DKK	-	Bank debt	Floating	2.2%	119	12	119	12
Total as at 30 September					**825**	**775**	**825**	**775**
Weighted interest rate					**3.3%**	**3.4%**	**3.3%**	**3.4%**

Of the total debt, the following falls due:

	30.09.14	30.09.13	30.09.14	30.09.13
0-1 year	122	71	122	71
1-5 years	703	704	703	704
> 5 years	0	0	0	0
	825	**775**	**825**	**775**

Corporate bonds

In March 2013, Ambu A/S issued bonds at a nominal value of DKK 700.5m. The bonds offer a fixed interest rate of 3.375% and a yield to maturity of 3.506%. The bonds must be repaid in full in March 2018. The fair value of the bonds issued was DKK 733m as at 30 September 2014 (2013: DKK 697m). The debt can be attributed to level 1 of the fair value hierarchy as the bond is listed on NASDAQ OMX Copenhagen.

Liquidity risks

As a consequence of Ambu's acquisition of King Systems in 2013, net interest-bearing debt increased significantly. Naturally, this has resulted in increased focus on cash management at Ambu. The debt, which was arranged through the bond issue in 2013, is serviced by way of the ordinary operating income. Plans are to partially refinance the debt at maturity in 2018.

The objective of the cash management is to ensure a return for the shareholders and to ensure that adequate and flexible cash resources are being maintained, thus enabling Ambu to honour its current obligations, such as repaying loans and settling other liabilities.

Liquidity is managed centrally from Ambu's head office. No cash-pool solutions are applied, but intercompany loans have been extended by Ambu A/S to a few subsidiaries.

Ambu is exposed to credit risks in respect of bank deposits. Cash is not deemed to be subject to any credit risks as the counterpart is banks with a good credit rating. The liquidity risk is countered by a consistent focus on budgeted and realised cash flow.

The cash resources consist of unutilised credit facilities in banks.

DKKm

NOTE 17. CURRENT AND NON-CURRENT LIABILITIES (CONTINUED)

2013/14	0-1 year	1-5 years	> 5 years	Total *)	Fair value	Carrying amount
Credit institutions	4	4	0	8	8	8
Corporate bonds	24	771	0	795	733	698
Other provisions	18	55	0	73	73	73
Bank debt	119	0	0	119	119	119
Trade payables	88	0	0	88	88	88
Other payables	122	0	0	122	122	122
Total financial liabilities	**375**	**830**	**0**	**1,205**	**1,143**	**1,108**
Cash	86	0	0	86	86	86
Trade receivables	380	0	0	380	380	380
Other receivables	29	0	0	29	29	29
Total financial assets	**495**	**0**	**0**	**495**	**495**	**495**
Liquidity risk, net 30.09.14	**-120**	**830**	**0**	**710**	**648**	**613**

2012/13	0-1 year	1-5 years	> 5 years	Total *)	Fair value	Carrying amount
Credit institutions	60	8	0	68	67	66
Corporate bonds	24	795	0	819	697	697
Other provisions	108	60	0	168	168	168
Bank debt	12	0	0	12	12	12
Trade payables	75	0	0	75	75	75
Other payables	124	0	0	124	124	124
Total financial liabilities	**403**	**863**	**0**	**1,266**	**1,143**	**1,142**
Cash	54	0	0	54	54	54
Trade receivables	356	0	0	356	356	356
Other receivables	34	0	0	34	34	34
Total financial assets	**444**	**0**	**0**	**444**	**444**	**444**
Liquidity risk, net 30.09.13	**-41**	**863**	**0**	**822**	**699**	**698**

**) All cash flows are non-discounted and comprise all liabilities under agreements concluded, including future interest payments on loans.*

	Group		**Parent company**	
	30.09.14	**30.09.13**	**30.09.14**	**30.09.13**
Unutilised credit facilities	149	210	127	188

DKKm

NOTE 17. CURRENT AND NON-CURRENT LIABILITIES (CONTINUED)

Interest rate risks
It is group policy to hedge material interest rate risks in respect of the group's loans. Hedging is normally done by concluding interest rate swaps with floating-rate loans being converted to fixed-rate loans.

The group's net interest-bearing debt is calculated as corporate bonds, debt to credit institutions and bank debt less cash and cash equivalents. Based on the company's net debt as at 30 September 2014, which partly carries a fixed and partly a floating rate of interest, a 1% increase/fall in the general interest rate level will have the following effect on the income statement and equity as far as the development in interest rate swaps is concerned.

	Group	
	30.09.14	**30.09.13**
Net interest-bearing debt	739	721
Increase/fall in the interest rate level of 1 percentage point – impact on results +/-	0	0
Increase/fall in the interest rate level of 1 percentage point – impact on equity +/-	2	3

NOTE 18. OTHER PROVISIONS

	Group		Parent company	
	2013/14	**2012/13**	**2013/14**	**2012/13**
Provisions as at 1 October	168	0	4	0
Additions during the year	40	0	40	0
Additions in connection with acquisition	0	169	0	4
Used during the year	-112	-4	-11	0
Reversal of unused amounts	-2	0	0	0
Value adjustment	-24	5	2	0
Foreign currency translation adjustment	3	-2	3	0
Other provisions as at 30 September	**73**	**168**	**38**	**4**
Provisions expected to fall due:				
Current liabilities	18	108	3	3
Non-current liabilities	55	60	35	1
Other provisions as at 30 September	**73**	**168**	**38**	**4**

During the financial year, Ambu settled obligations provided for in the amount of DKK 112m relating to milestone payments, earn-out and capital commitments in respect of King Systems as well as payment to Medical Flow Systems Ltd. During the year, a reversal of DKK 2m was made for provisions for capital commitments.

The value adjustment in 2013/14 can be attributed to a drop in fair value upon remeasurement of the earn-out agreement of DKK 31m (2012/13: DKK 0m) as well as the effect of the shorter discounting period of DKK 7m (2012/13: DKK 5m) in respect of earn-out obligations and debt to Medical Flow Systems Ltd. For information on the management's accounting estimates, please refer to note 2.

As at the balance sheet date on 30 September 2014, provisions concerned the earn-out agreement relating to the acquisitions of King Systems Corp. and First Water Heathcote Ltd. as well as debt to Medical Flow Systems Ltd. deriving from the purchase of pain pump technology.

DKKm

NOTE 19. OPERATING LEASES

	Group		Parent company	
Operating leases	**2013/14**	**2012/13**	**2013/14**	**2012/13**
Payments due within 0-1 year	32	20	7	7
Payments due within 1-5 years	94	46	32	29
Payments due after 5 years	78	86	75	83
Total operating leases	**204**	**152**	**114**	**119**
Operating leases expensed in the income statement	27	26	10	11

Operating leases have been entered into with Danish and foreign lease companies and with an original lease period of up to 15 years, being non-terminable on the part of both parties. The leases are normally renewable for a minimum of one year at a time, and the lease payments are normally fixed throughout the term of the lease. The lease commitment has been calculated on the basis of the payments falling due over the term of the lease. The property leased in Denmark carries a call option. The call option is based on the estimated fair value at the time of its exercise.

NOTE 20. RELATED PARTIES

Ambu's related parties include subsidiaries, the company's Board of Directors and Executive Board and members of their families. Related parties further include enterprises in which the above-mentioned persons have a significant interest.

Ambu A/S has engaged in the following important transactions with related parties:

	Parent company	
	2013/14	**2012/13**
Sale to subsidiaries	798	592
Purchase from subsidiaries	601	571

During the year, no transactions, except for payment of the management's remuneration and intercompany transactions eliminated in the consolidated financial statements, have been carried out with the Board of Directors, Executive Board, senior employees, major shareholders or other related parties.

Outstanding balances and receivables in the balance sheet in respect of related parties, arising from ordinary business relations, i.e. the purchase and sale of products, are included in the balance sheet of the parent company. Such transactions are carried out on the same terms as apply to the group's other customers and suppliers. For information on the year's interest on intercompany loans, please refer to notes 6 and 7.

The parent company has extended long-term loans to a number of subsidiaries. The loans carry interest on market conditions. Furthermore, the parent company has issued declarations of support to the subsidiaries in Ambu Sdn. Bhd. and White Sensor Ltd.

Guarantees have been provided to banks in respect of the subsidiaries.

	Parent company	
	2013/14	**2012/13**
Guarantees and security furnished on behalf of subsidiaries	23	22

DKKm

NOTE 21. FINANCIAL INSTRUMENTS

Ambu has recognised the following financial instruments:

	Group		Parent company	
Recognised financial instruments	**30.09.14**	**30.09.13**	**30.09.14**	**30.09.13**
Loans and receivables:				
Trade receivables	380	356	60	54
Cash	86	54	0	0
Other receivables	11	2	1	0
Hedging instruments stated at fair value in the income statement:				
Derivative financial instruments (level 2)*	0	9	0	9
Carrying amount as at 30 September	**477**	**421**	**61**	**63**
Financial liabilities recognised at amortised cost:				
Credit institutions	-8	-66	-8	-66
Corporate bonds	-698	-697	-698	-697
Other provisions	-33	-37	-33	0
Bank debt	-119	-12	-119	-12
Trade payables	-88	-75	-23	-18
Other payables	-122	-124	-38	-56
Liabilities stated at fair value in the income statement:				
Earn-out obligation (level 3)*	-40	-131	-5	-4
Hedging instruments stated at fair value through other comprehensive income:				
Derivative financial instruments (level 2)*	-7	-7	-7	-7
Carrying amount as at 30 September	**-1,115**	**-1,149**	**-931**	**-860**

*) Level 1: The fair value of financial instruments traded on the active markets is based on the listed market prices at the balance sheet date. The listed price is used for the group's financial assets as the current purchase price.
Level 2: The fair value of financial instruments which are not traded in an active market (e.g. over-the-counter derivatives) is determined using valuation methods.
Level 3: If no observable market data is available, the instrument is included in the last category.

Earn-out obligations recognised at fair value
Ambu's earn-out obligations have been recognised and measured at fair value using unobservable data (level 3). No movements have taken place between the different hierarchies in this and the previous financial year. Please refer to note 2 for a description of significant factors applied in connection with the determination of the fair value of the earn-out obligations.

	Group		Parent company	
Earn-out obligations – level 3 of the IFRS fair value hierarchy	**30.09.14**	**30.09.13**	**30.09.14**	**30.09.13**
Fair value as at 1 October	131	0	4	0
Addition in connection with acquisition	0	128	0	4
Foreign currency translation adjustment	2	-2	1	0
Used during the year	-67	0	0	0
Adjustments made through the income statement:				
Effect for the year of shorter discounting period	5	5	0	0
Value adjustment to fair value	-31	0	0	0
Fair value as at 30 September	**40**	**131**	**5**	**4**

DKKm

NOTE 21. FINANCIAL INSTRUMENTS (CONTINUED)

Foreign currency risks
The largest part of Ambu's revenue, production costs and capacity costs is invoiced and paid in foreign currencies, and all assets and liabilities in the subsidiaries' balance sheets are denominated in foreign currency. As a consequence, fluctuations in these exchange rates against DKK might impact Ambu's financial position and results. The most important exchange rates are USD, EUR, GBP, MYR and CNY.

Sensitivity analysis
The following table shows the impact on the group in the event of a 5% fluctuation in the main exchange rates relative to the recognised financial instruments. The development of 5% constitutes the management's assessment of a realistic exchange rate development within the main exchange rates. The financial instruments comprised by the sensitivity analysis include the group's trade receivables, cash, short-term and long-term payables, trade payables and forward exchange contracts.

	Decrease of 5% in main exchange rates		Increase of 5% in main exchange rates	
	2013/14	**2012/13**	**2013/14**	**2012/13**
Income statement	-10	-7	10	7
Other comprehensive income	13	12	-14	-12
	3	**5**	**-4**	**-5**

To assess Ambu's exposure to developments in the main exchange rates, an analysis has been performed of the impact on revenue and EBIT. It is shown below how a 5% decrease relative to Danish kroner for each main exchange rate will impact revenue and EBIT.

	2013/14		2012/13	
	Revenue	**EBIT**	**Revenue**	**EBIT**
USD	-41	-14	-29	-12
GBP	-5	-2	-5	-1
MYR	0	11	0	10
CNY	0	9	0	8

	Contract value		Fair value	
Fair value of financial instruments	**2013/14**	**2012/13**	**2013/14**	**2012/13**
Commodity hedging:				
Silver price hedging	12	14	0	-1
Currency swaps:				
Currency swap, USD 40m, floating to fixed rate, maturity 15 March 2018	237	221	-1	9
Interest rate swaps:				
Interest rate swap, DKK 20m, floating to fixed rate, maturity 31 December 2015	0	0	0	0
Interest rate swap, EUR 13m, floating to fixed rate, maturity 31 December 2016	92	95	-6	-6
Total financial liabilities	**341**	**330**	**-7**	**2**

Hedging of expected future transactions
In order to hedge future expected net cash flows for purchasing silver for the production, the group has entered into a derivative financial instrument which hedges the purchase price of silver throughout 2014/15.

Notes

DKKm

NOTE 22. OTHER OPERATING INCOME

	Group		Parent company	
	2013/14	**2012/13**	**2013/14**	**2012/13**
Accounting gain from the sale of non-current assets	0	3	0	0
	0	**3**	**0**	**0**

NOTE 23. OTHER OPERATING EXPENSES

In 2013/14 and 2012/13, other operating expenses comprise the effect of the option and warrant schemes established. For further information, please refer to note 4.

NOTE 24. CONTINGENT LIABILITIES AND OTHER CONTRACTUAL LIABILITIES

After the end of the financial year, Ambu has been contacted by the owner of rights to certain patents which Ambu has been utilising for a number of years upon agreement with the owner. The query from the owner concerns a royalty audit conducted and concerns a claim for additional payments due to allegedly too low royalty payments for the period since 2008.

Based on the information available at the present time, Ambu is unable to reliably predict anything about the time aspect or the final outcome of this claim, and it is therefore not possible for Ambu to estimate the financial effect.

On the basis of the knowledge currently available, Ambu is convinced that this will not materially affect the group's financial position.

Other contractual liabilities

Bid and performance bonds totalling DKK 2m (2013: DKK 2m) have been issued in respect of some of Ambu's customers. The bonds expire once delivery is made and approved by the customer.

There is a change of control clause in respect of committed borrowing facilities, which are included under bank debt in the amount of DKK 100m.

NOTE 25. SUBSEQUENT EVENTS

No material events have occurred after the end of the financial year.

NOTE 26. SPECIAL ITEMS

	Group		Parent company	
	2013/14	**2012/13**	**2013/14**	**2012/13**
Costs related to advisers etc. in connection with the purchase of King Systems/White Sensor	0	13	0	11
Liabilities upon termination of employees in the Ambu group	0	22	0	10
Integration of King Systems, including ERP system	0	17	2	6
Restructuring of UK production	0	9	0	3
	0	**61**	**2**	**30**

DKKm

NOTE 27. COMPANY ACQUISITIONS

Ambu did not make any company acquisitions in 2013/14.

Cash flows for acquisitions of companies and technology total DKK -112m and pertain to the capital commitments in King Systems (DKK -34m), earn-out and milestone payments to the seller of King Systems (DKK -67 million) as well as the acquisition of pain pump technology (DKK -11m).

In 2012/13, Ambu obtained a controlling influence over King Systems Corp. and First Water Heathcote Ltd.

	Previous ownership interest	Acquired ownership interest	Date of acquisition	Type	Area	Cost
King Systems Corp.	0%	100%	15 Feb. 2013	Share purchase	Anaesthesia	813
First Water Heathcote Ltd.	0%	100%	8 May 2013	Share purchase	PMD	15

Fair value on date of acquisition	King Systems Corp.	First Water Heathcote Ltd.	Total company acquisitions
Technologies	105	0	105
Trademarks	18	0	18
Customer relations	5	0	5
Order book	3	0	3
Total intangible assets	131	0	131
Property, plant and equipment	108	0	108
Inventories	56	1	57
Trade receivables	44	2	46
Other current assets	7	0	7
Tax receivable	9	0	9
Cash	6	0	6
Provision for loss-making contracts	-41	0	-41
Payables	-45	-2	-47
Deferred tax	-15	0	-15
Identifiable net assets	260	1	261
Goodwill	553	14	567
Total purchase sum	**813**	**15**	**828**
The purchase sum comprises:			
Cash and cash equivalents	689	11	700
Contingent consideration	124	4	128
	813	**15**	**828**
Transaction-related costs included in special items	9	1	10
Cash flows for company acquisitions as at 30 September 2013	692	12	704

DKKm

NOTE 27. COMPANY ACQUISITIONS (CONTINUED)

King Systems Corp.

Description of the activities acquired

King Systems Corp. is based in Indiana, USA, where a staff of approx. 400 produce and sell anaesthesia products in the US market. Around 13% of total revenue is generated outside the USA. With the acquisition, the King Vision video laryngoscope complements Ambu's aScope™ to give a strong product offering in the market for single-use visualisation devices.

The most important assets are state-of-the-art production facilities manufacturing a wide range of medical devices used to establish and maintain patient airways in both hospital and pre-hospital settings as well as the intangible assets described below.

The technologies acquired comprise platforms within the Airway Management area of activity, including the King Vision laryngoscope. The fair value measurement is based on future sales budgets, and estimates are thus associated with some uncertainty. The technologies acquired have been valued according to the relief from royalty method and are amortised over their estimated useful lives of five to ten years.

The trademarks taken over relate to the King brand and are amortised over their estimated useful lives of five years. Trademarks include rights and image relating to King Systems products. The trademarks acquired have been valued according to the relief from royalty method and are amortised over their estimated useful lives of five years. Identifiable customer relations have been valued according to the multi-period excess earnings model and are amortised over their estimated useful lives of five years.

Identifiable net assets include trade receivables with a fair value of DKK 44m. Nominal receivables total DKK 45m, of which an amount of DKK 1m is deemed uncollectible.

A provision for the completion of two automated production lines is recognised in the pre-acquisition balance sheet as at 15 February 2013. The assumptions applied in the business cases at the time were no longer valid on the date of acquisition. The investments have been reviewed, and the scope of the loss-making contracts has been estimated on this basis. The amount of DKK 41m reflects the best estimate of the future investments required to complete the production lines. The provision is expected to be realised in FY 2013/14.

The statement of the pre-acquisition balance sheet for King Systems Corp. was finally completed in connection with the interim report for H1 2013/14.

Goodwill

Goodwill is recognised at the amount with which the purchase sum exceeds the identifiable net assets. The calculated goodwill can be attributed to expected revenue and cost synergies, including synergies relating to King Vision. The recognised goodwill is not amortisable for tax purposes.

Contingent consideration

The total purchase sum includes contingent consideration of up to USD 50m. This obligation pertains to the commercial development of King Vision. Ambu's obligation to pay the contingent consideration is treated as a provision. The expected future payments are discounted at a rate of 8.2%. The difference between the discounted value and the future earn-out obligation will be expensed under net financials.

Contingent payment	**Due date**	**Undiscounted payment**	**Fair value on date of acquisition**
Milestone payment	Expected 2013	USD 0-10m	DKK 55m
Earn-out 2014	May 2014	USD 0-7m	DKK 14m
Earn-out 2015 and catch-up provision	May 2015	USD 0-7m	DKK 26m
Earn-out 2016 and catch-up provision	May 2016	USD 0-7m	DKK 29m
Cumulative earn-out	May 2016	USD 0-20m	DKK 0m
			DKK 124m

Earn-out payments are based on the annual sales of King Vision during the May-April period. A catch-up provision in the agreement means that earn-out payments in 2015 and 2016 may trigger payment of previously unearned earn-out payments.

Given the current sales forecasts, the cumulative earn-out is unlikely to materialise.

Information about acquired business

From the date of acquisition until 30 September 2013, King Systems Corp. contributed DKK 242m to consolidated revenue and DKK 13m to operating profit for the year (EBIT before special items). Consolidation of King Systems from 1 October 2012 would have contributed revenue of DKK 392m and an operating profit (EBIT before special items) of DKK 26m. The figures stated have been calculated before the effect of purchase price allocations.

DKKm

NOTE 27. COMPANY ACQUISITIONS (CONTINUED)

First Water Heathcote Ltd.

Description of the activities acquired

First Water Heathcote Ltd. is based in the UK. The factory manufactures a range of conductive adhesive gels for use in the production of skin-contacting biomedical electrodes, such as Ambu's ECG electrodes, and in connection with electro surgery and defibrillation. With the acquisition, Ambu strengthens its PMD business by acquiring in-house hydrogel competences.

Identifiable net assets include trade receivables with a fair value of DKK 2m. None of the acquired receivables are deemed to be uncollectible on the takeover date.

The statement of the pre-acquisition balance sheet for First Water Heathcote Ltd. has been completed.

Goodwill

The calculated goodwill can be attributed to the existing staff, know-how and production synergies. The recognised goodwill is not amortisable for tax purposes.

Contingent consideration

The total purchase sum includes contingent consideration of up to GBP 1m. This obligation pertains to the future production volume of hydrogel. The expected future payments are discounted at a rate of 8.2%. Based on future sales budgets, the management estimates that the full earn-out will be paid.

Information about acquired business

From the date of acquisition until 30 September 2013, First Water Heathcote Ltd. contributed DKK 3m to consolidated revenue and DKK 1m to operating profit for the year (EBIT before special items). Consolidation of First Water Heathcote Ltd. from 1 October 2012 would have contributed revenue of DKK 9m and an operating profit (EBIT before special items) of DKK 0m.

NOTE 28. PRIOR-PERIOD ERRORS

	Reported	**Group error**	**Corrected**
Balance sheet as at 30 September 2013			
Deferred tax asset	15	6	21
Inventories	233	-22	211
Goodwill	730	-23	707
Total assets	1,891	-39	1,852
Retained earnings	536	-16	520
Total equity	667	-16	651
Other provisions	191	-23	168

In connection with the preparation of the interim report for Q2 2013/14, a review of Ambu's business intelligence system revealed an error in the calculations on which the valuation of inventories of finished goods is based. The error relates to 2011/12 and before that and has meant that the intercompany profits calculated across several accounting periods have been too low. This means that the valuation of the inventories of finished goods has been too high. At the end of FY 2011/12, the error constituted DKK 22m, corresponding to DKK 16m after tax, which affects the balance sheet as at 30 September 2013.

In the balance sheet, the value of inventories is reduced by DKK 22m as at 30 September 2013, with an adjustment in this respect of the deferred tax asset of DKK 6m. Key ratios have been restated accordingly.

In connection with the reassessment of the earn-out obligation relating to the King Systems acquisition, it was ascertained that the obligation has been overvalued relative to the actual contractual basis. Consequently, the provision has been adjusted by DKK 23m, which reduces goodwill correspondingly.

Notes

DKKm

NOTE 29. KEY FIGURES AND RATIO DEFINITIONS

Gross margin, %:	Gross margin in % of revenue.
EBITDA:	Operating profit before depreciation, amortisation and special items.
EBITDA margin:	EBITDA before special items in % of revenue.
EBIT:	Operating profit before special items.
EBIT margin:	EBIT before special items in % of revenue.
Capacity costs:	Selling, development and management costs, administrative expenses and other operating income and expenses.
Rate of cost:	Capacity costs in % of revenue.
Return on equity:	Net profit for the year for a rolling 12-month period in relation to average equity.
NIBD:	Net interest-bearing debt.
NIBD/EBITDA before special items:	Net interest-bearing debt/EBITDA before special items.
Equity ratio:	Equity’s share of total assets at year-end.
Investments in % of revenue:	Cash flows from investing activities, incl. assets disposed of, in % of revenue.
Working capital in % of revenue:	Inventories, trade receivables, other receivables and deferred income less trade payables and other payables in % of revenue.
ROIC:	EBIT before special items for a rolling 12-month period less tax in relation to assets less interest-bearing debt.
Cash flow per share:	Cash flow from operating activities relative to number of shares at year-end.
Equity value per share:	Total equity relative to number of shares at year-end.
Dividend per share:	Dividend relative to number of shares at year-end.
Pay-out ratio:	Dividend declared as a percentage of profit for the year.
P/E ratio:	Market price relative to earnings per share.

Earnings per share (EPS) and diluted earnings per share (EPS-D) are calculated in accordance with IAS 33.

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