Ideas that work for life

Ambu

Annual Report 2005 | 2006

Ambu in brief

Ambu develops, produces and markets diagnostic and life-supporting devices to hospitals and rescue services.

Ambu has five business areas: Respiratory Care, Cardiology, Neurology, Training and Immobilization. The most important business areas are Respiratory Care, Cardiology and Neurology, and the most important products in these areas are ventilation products for artificial respiration and single-use electrodes for ECG recordings and neurophysiological examinations.

Ambu offers unique, innovative products of a high quality, and the Group has a favourable market position in its chosen focus areas.

Ambu's products are sold worldwide. Exports account for 98% of sales, and sales are handled via Ambu's foreign subsidiaries or via distributors.

Headquartered in Ballerup, Denmark, the Group has production facilities in Ballerup and Ølstykke in Denmark, in Xiamen, China, and in Penang, Malaysia.

Ambu has 1,221 employees, of whom 331 work in Denmark and 890 abroad.

Ambu is listed on the Copenhagen Stock Exchange.

Contents

Letter to our shareholders

2005/06 was yet another year in which Ambu succeeded in generating both continued growth in revenue and a satisfactory improvement in earnings, an EBIT increase of 21% and a very positive cash flow. In 2005/06 we fulfilled most of the ambitious targets we had set for ourselves. This is not least attributable to the launch of a number of new and innovative products in recent years and the continued streamlining of production.

However, the growth in revenue is currently below the level which is necessary to live up to the target of revenue in the region of DKK 1bn in FY 2007/08. Consequently, a decision was made in summer 2006 to review Ambu's Strategy 2008 with a view to ensuring a more efficient implementation of the strategy.

The review of the strategy has confirmed that the strategic direction outlined remains the right one, and that Strategy 2008 is helping to ensure that Ambu attains the desired position as the leading player within the three most important business areas Respiratory Care, Cardiology and Neurology while at the same time maintaining its position within Training and Immobilization. All the most important business areas are seeing attractive market growth, and we see plenty of scope for strengthening our position thanks to our innovative products and close customer relations.

However, there is always scope for managing the business even better, and this we have identified. Our focus on development and sales of new products has meant that the existing business has seen lower-than-expected growth. At the same time, not all development projects have contributed the expected revenue and earnings. This situation is now being improved via a number of targeted activities within sales and development, in particular.

Ambu's development processes have in recent years seen significant improvements, but the innovation process must be improved further, and we must become even better at selecting the right ideas and at developing and launching the new products efficiently. The structure of the development area has therefore been made more flexible, while also having been made even more market-driven. At the same time we will to an even greater extent than before focus on developing and improving products within the product areas which are already well-established, among other things within the area of anaesthetics which falls under Respiratory Care. Here, the laryngeal mask is seeing considerable success. So far, all product development has taken place in-house, but in future Ambu will also take the opportunity of using external development resources.

Ambu's development activities have so far taken place in Denmark, but we are now in the process of building up development facilities in China. In the long term, this will result in greater flexibility, lower costs and faster development.

On the sales side, efforts are becoming even more targeted with increased focus on primary customers and with more segmentation and priority-ranking of customers. The aim is to increase the number of product types sold to individual customers and to ensure a better correlation between the size of the individual hospitals and Ambu's sales to them. We also expect to be able to win market shares in the most important markets.

Thanks to the activities outlined here, but also other initiatives – including a strengthening of Ambu's supply chain, the implementation of new IT systems and the introduction of Lean Management principles – we ensure that Ambu pursues the targets laid down in Strategy 2008.

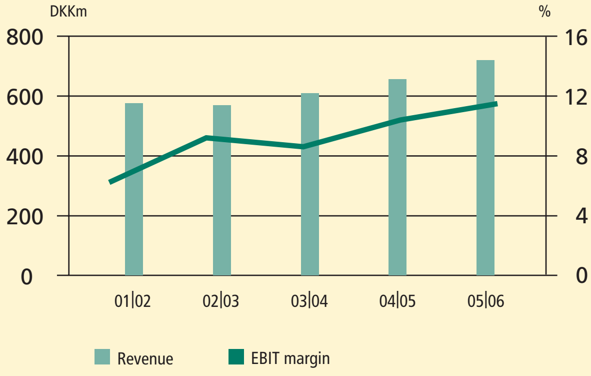
Kurt Erling Birk
President & CEO

Mission
Ambu markets innovative diagnostic and life-supporting devices that provide genuine value and ultimately improve the quality of patient care.

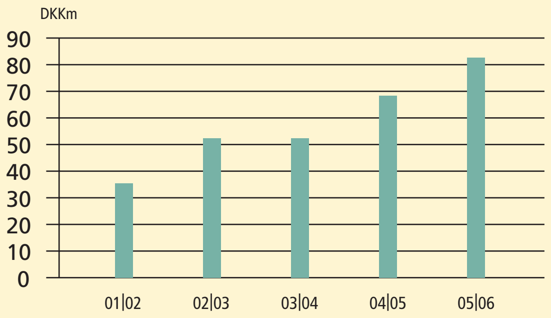
Vision
Based on a deeper understanding of customers' needs and behaviours we will constantly exceed their expectations and build strong, long-lasting relations.

Highlights

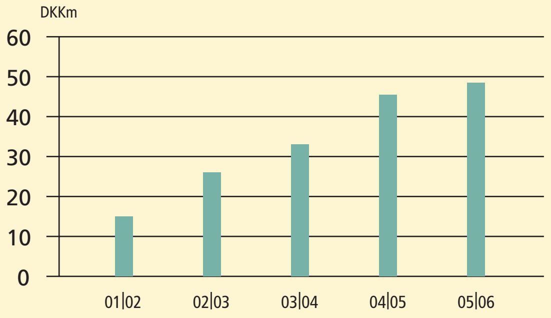
Revenue and EBIT margin



Operating profit (EBIT)



Net profit for the year



- In 2005/06 most of Ambu's activities developed in line with the targets laid down in Strategy 2008, and the company achieved satisfactory growth in both earnings and EBIT. However, in some areas growth was not as high as assumed in Strategy 2008, and growth in revenue continues to be unevenly distributed between the different periods of the financial year. A number of activities have been launched to counteract this.
- Revenue in 2005/06 amounted to DKK 715.9m, up 9.5% relative to last year. Measured on the basis of unchanged exchange rates from 2004/05, revenue in 2005/06 would have totalled approx. DKK 707m. In local currencies, organic growth totalled 8.2%.
- Revenue within the business areas Respiratory Care and Neurology is up in all important markets and increased by 21.6% and 20.3%, respectively, while revenue within Cardiology only saw a marginal increase.
- EBIT amounted to DKK 82.7m against DKK 68.3m in 2004/05, up 21%.
- The net profit for the year totalled DKK 48.4m against 45.4m last year, corresponding to a 7% increase.
- Revenue is largely in line with the company's most recent guidance for 2005/06, while EBIT is slightly under.
- Free cash flow amounted to DKK 60.8m against a negative cash flow of DKK -14.5m last year, which is better than previously announced. The increase is primarily attributable to the improved results for the year, reduced binding of liquidity in stocks and lower investments than last year.
- The Board of Directors proposes that a dividend be declared of DKK 1.50 per share for 2005/06, corresponding to 37% of the profit for the year.

- In 2006/07 focus will be on implementing the activities launched within sales and development, on achieving a more even distribution of revenue across the financial year and on streamlining Ambu's supply chain.
- In 2006/07 consolidated revenue is expected to increase to about DKK 765m, corresponding to a growth rate of approx. 7%. These expectations are based on an average USD exchange rate of 600.
- Against the backdrop of the expected increase in revenue, the EBIT margin is expected to be in the region of 13%, corresponding to approx. DKK 100m. The profit before tax is expected to be in the region of 12% of revenue, corresponding to approx. DKK 90m.
- In 2006/07 free cash flow is expected to be in the region of DKK 60m with an investment level of approx. 6% of revenue.
- The targets set out in Strategy 2008 are maintained, including an EBIT margin of approx. 16%. The revenue target of approx. DKK 1bn is expected to be attained 2 years later.

Financial highlights

DKKm		2001/02*)	2002/03*)	2003/04*)	2004/05	2005/06
Key figures	Revenue	575	567	608	654	716
	Operating profit before ordinary depreciation and amortisation (EBITDA)	72	90	95	106	126
	Operating profit (EBIT)	36	52	52	68	83
	Net financials	(8)	(18)	(6)	(8)	(12)
	Profit before tax (PBT)	27	34	46	61	70
	Net profit for the year	15	26	33	45	48
	Total assets at year-end	563	556	591	670	678
	Equity at year-end	284	294	320	358	391
	Share capital	58	58	59	118	118
	Investments in non-current assets and acquisitions	44	55	73	55	47
	Depreciation of and impairment losses on non-current assets	36	38	42	37	44
	Cash flows from operating activities	26	63	55	40	99
	Free cash flow	(16)	26	(14)	(15)	61
	Average no. of employees	810	875	1,024	1,280	1,221
Ratios	EBITDA margin, % 1)	12.4	15.9	15.5	16.2	17.7
	EBIT margin, % 2)	6.2	9.2	8.6	10.4	11.5
	Return on assets, % 3)	6.3	9.4	8.8	10.2	12.2
	Return on equity, % 4)	5.4	9.0	10.8	13.4	12.9
	Equity ratio, % 5)	50	53	54	53	58
	Profit per DKK 10 share 6)	1.30	2.26	2.86	3.87	4.12
	Equity value per share 7)	25	26	27	30	33
	Share price at year-end	18	30	54	106	96
	CAPEX, % 8)	7.6	9.8	12.0	8.4	6.5
	ROIC, % 9)	5.3	7.7	7.6	9.2	10.4

**) The comparative figures for these years have not been restated in accordance with IFRS, cf. note 26.*
1) EBITDA margin: Operating profit before ordinary depreciation and goodwill amortisation in % of revenue
2) EBIT margin: Operating profit in % of revenue
3) Return on assets: Operating profit in % of total assets
4) Return on equity: Ordinary profit after tax rated to average equity
5) Equity ratio: The proportion of total liabilities to equity at year-end
6) Profit per DKK 10 share: The proportion of profit after tax to average no. of shares
7) Equity value of shares: The proportion of total equity to no. of shares at year-end
8) CAPEX: Investments in non-current assets and acquisitions in relation to revenue
9) ROIC: EBIT less tax in relation to assets less non-interest-carrying debt

The ratios have been calculated in accordance with The Danish Society of Financial Analysts' "Recommendations and Financial Ratios 2005".
For share-related key figures, see p. 23.

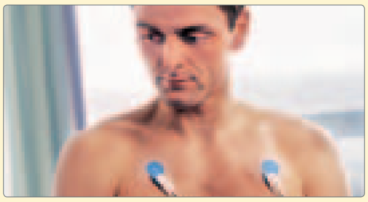
Ambu's business areas

RESPIRATORY CARE

Products: Resuscitators and masks for artificial ventilation
Target group: Hospitals and rescue services

CARDIOLOGY

Products: Disposable electrodes for measuring heart rhythm
Target group: Hospitals, clinics and rescue services



NEUROLOGY

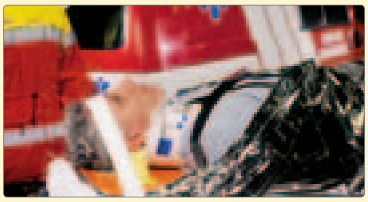
Products: Disposable electrodes for diagnosing diseases in nerves and muscles
Target group: Hospitals and clinics

TRAINING

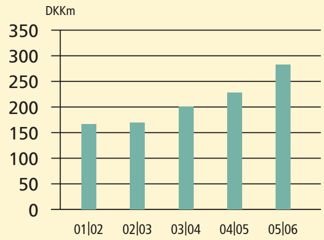
Products: Manikins for basic and advanced first aid
Target group: Hospitals, rescue services, aid organisations and the armed forces

IMMOBILIZATION

Products: Collars for supporting neck and head in case of injury
Target group: Rescue services

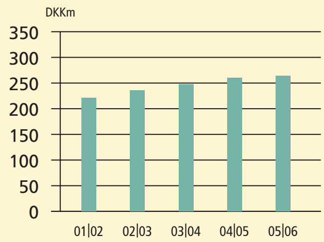


Revenue, Respiratory Care



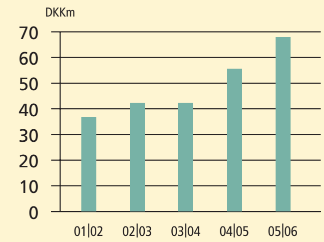
Ambu is an important player within Respiratory Care with a broad product portfolio and a favourable market position, especially within disposable resuscitators for artificial ventilation and laryngeal masks. This business area saw growth in revenue of 22% in 2005/06. Sales of the Ambu Laryngeal Mask, which was introduced in spring 2004, have contributed significantly to this growth, but several other areas have also seen high growth. In the coming period, Ambu will identify new product areas within the field of anaesthesiology where the laryngeal mask has been particularly successful.

Revenue, Cardiology



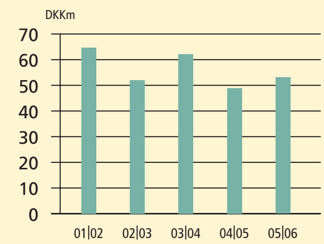
Ambu has a strong position as a supplier of high-quality electrodes, and the past financial year has seen satisfactory growth in sales of electrodes for diagnostic purposes, e.g. examinations of resting ECG and advanced diagnostic tests. On the other hand, growth has been less satisfactory within some of the other product areas. Combined revenue within Cardiology has therefore seen only slight growth in the past year, while volume is up 5%. The challenges within Cardiology can, among other things, be ascribed to intensifying competition and increasing pressure on prices. A number of activities have been launched to boost growth within this area.

Revenue, Neurology



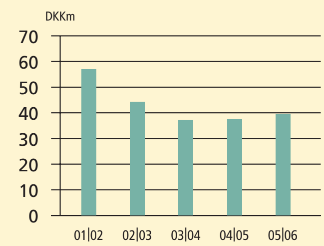
Neurology is an important area for Ambu's future growth. The neurology market is attractive with regard to both size and potential. Ambu has created a position for itself as a specialist supplier of disposable electrodes and achieved a growth in revenue of 20% in 2005/06. In a number of markets – including Germany and the USA – neurophysiological examinations are on the increase, among other things in connection with the diagnosing of sclerosis, epilepsy and sleep disorders. By strengthening the product portfolio and further developing relations with neurophysiologists who are very influential when it comes to purchases of their own products, Ambu expects continued growth within this business area.

Revenue, Training



Ambu has for a number of years enjoyed an attractive market position within manikins for first aid and is currently the second-largest player in the market, which is dominated by one large and a few smaller suppliers. 2005/06 saw growth in revenue of 8% within this business area, and products are continuously being adapted so as to meet changing market requirements and to defend this market position.

Revenue, Immobilization



Immobilization is Ambu's smallest business area, and sales of collars are concentrated in the US market where it is customary to use collars in connection with the transportation of injured persons. Ambu has a leading position in this area in the USA and saw a 3% increase in sales in 2005/06. Continued product improvements will be introduced to meet market requirements and maintain this market position.

Management's review

The ambitious Strategy 2008 provides a framework for Ambu's development. Strategy 2008 is to ensure that Ambu becomes a leading player within its three most important business areas. In the past year, Ambu has seen continued growth, but growth must be higher – consequently a number of activities have been launched which are aimed, among other things, at increasing efficiency within sales and development.

Follow-up on Strategy 2008

Ambu has in recent years allocated considerable and targeted resources to the development and marketing of new products, generally fulfilling the strategic targets laid down within these areas. A number of new products have been launched within Ambu's three most important business areas Respiratory Care, Cardiology and Neurology, and the business area Respiratory Care has in particular contributed to the growth in sales of new products. However, the strong focus on Respiratory Care has also resulted in the existing product programme not generating the expected growth in a number of areas.

With a view to increasing the growth in sales of both new and existing products, an analysis was conducted in the last months of the financial year to shed light on the causes of the lower growth in revenue within these areas while at the same time identifying ways of increasing growth. The analysis was also intended to identify the reasons for the uneven distribution of revenue across the financial year.

The main conclusions of the analysis were as follows:

- The elected strategic direction is still the right one, but the strategy must be implemented more efficiently
- The combined growth does not fully meet the targets laid down in Strategy 2008, and the revenue target of about DKK 1bn is not expected to be met in 2007/08, but 2 years later
- Growth in the existing business is lower than anticipated due to a lack of focus, especially within Cardiology
- Not all development projects have resulted in the expected revenue and earnings
- So far the financial results have developed in line with the targets

On the basis of this analysis, the management has launched a number of activities intended to increase revenue and earnings.

Optimising product development
Considerable improvements have in recent years been seen in Ambu's development processes, and a number of new products have been launched within the main business areas. The new products, especially within Respiratory Care (the laryngeal mask and new generations of disposable and reusable resuscitators), have lived up to expectations, but several of the other development projects have not resulted in the expected revenue and earnings. The innovation process will therefore be improved further, while the ability to choose the right ideas, develop them efficiently and launch them will be strengthened. To realise these improvements, a search function has been established, while the product management function has been strengthened.

So far, the R&D department has been divided into sections in line with Ambu's business area structure. Now a more flexible structure is being introduced, across the individual development teams. At the same time, competences will to a larger extent be concentrated within the areas where Ambu enjoys the strongest position in relation to its main customers. The R&D department must to an even greater extent focus on developing and improving products within the established product areas, and the development processes must become even more market-oriented than has been the case up until now.

So far, development activities have taken place in Denmark, but Ambu is now in the process of building up development facilities in China. The department in China will, among other things, be in charge of developing variants of existing products. In the long term, this will result in greater flexibility, lower costs and faster development.

The new search function must ensure that Ambu seeks out and evaluates new product opportunities on an ongoing basis which will create added value for Ambu's customers and hold attractive market potential. Focus will be on identifying products within known product areas which are in line with Ambu's strategy. For all new products, it will in future be decided whether the development of individual products should take place in-house or whether these activities should be outsourced.

The product management function has become more clearly defined and will, among other things, handle activities within portfolio management, pricing, follow-up on new projects and the development of sales concepts and services.

Strengthening the sales function
All the business areas in which Ambu is active are seeing growth, and the individual areas are also of a considerable size. Ambu has a market share within the individual product segments in Europe and the USA of typically 10-20%, with market growth standing at an estimated 5-8% within most of the product segments. In a market which continues to be fragmented, Ambu is well-positioned for further increasing its market share, and a number of new sales initiatives will ensure the more efficient exploitation of the sales potential.

The primary customer group consists of hospitals, while secondary customers are found in the prehospital sector. In future, greater attention will be devoted to central customers, with increasing segmentation and priority-ranking of customers. The implementation of a new CRM system will support this process. Ambu has in recent years developed its relations to customer groups such as anaesthetists, cardiology nurses and neurophysiologists and engages in a continuous and close dialogue with these groups. In line with Ambu's mission and vision, this allows Ambu to identify and turn unknown requirements into new solutions and to create a situation in which Ambu is associated with innovation and close relations to the most important customer groups. The aim is to increase the number of product types sold to individual customers and to ensure a better correlation between the size of the individual hospitals and Ambu's sales to them.

In order to ensure the desired focus and the right priority-ranking of the individual product groups, the sales companies' portfolio management activities will be more centralised in future, and the individual country managers will to a greater extent be made directly responsible for major customers.

There will generally be more focus on performance, and the incentive schemes for development, production and sales personnel will be closely linked to the achievement of the strategic objectives and the interim targets set for the individual areas and periods. Keywords are transparency, accountability and follow-up.

Ambu's main markets are still Europe and the USA where sales are primarily handled by the company's own salespeople. In the other markets, Ambu has decided to be represented by distributors, and these will in the coming years continue to play an important role. Ambu will engage in closer collaboration with the distributors to promote sales of Ambu's products. The distributors will be an important factor in the positioning of Ambu in the future growth markets – primarily Russia, China, Turkey, Brazil, India and Japan.

Updating financial targets
In connection with the analysis, the financial targets

to be achieved by the end of FY 2007/08 have been updated.

The financial targets are maintained at the levels announced earlier. In 2007/08, an EBIT margin of approx. 16% is thus expected, with a free cash flow of approx. DKK 75m and a return on the invested capital, including goodwill (ROIC) of approx. 12%.

The revenue target of approx. DKK 1bn via organic growth is not expected to be attained in 2007/08, but 2 years later.

At the same time, another unchanged target is for 25% of revenue in 2007/08 to come from products launched within the past five years.

Moreover, in the strategy period Ambu will – as a minimum – actively seek to carry out one major acquisition. The criteria for acquisitions are still that candidates must be capable of becoming part of a consolidation process within the existing product programme, or they must give obvious synergies between existing and acquired products. Also, it is decisive that value is created for Ambu's shareholders.

Efficient implementation of strategy
The initiatives which have been launched will contribute to making Ambu's organisation more flexible and market-oriented and able to respond faster to the opportunities offered by the market. At the same time, greater coherence and efficiency will be created in the entire value chain – from development to sales.

The initiatives will ensure the efficient implementation of the plans contained in Strategy 2008.

Global market developments

The medical device industry is characterised by growth in global demand, and this is expected to continue in the coming years. Market growth will be determined primarily by the ageing of the population, the introduction of new technologies, improved possibilities in relation to diagnosis and treatment and the establishment of health care systems in, e.g. Eastern Europe and Asia.

All Ambu's five business areas are also seeing growth in demand, the increase being driven, among other things, by the increased use of disposable articles following from a desire to reduce the risk of cross-contamination as well as a desire to improve treatment quality and to simplify and increase the efficiency of procedures. At the same time there is generally greater focus on prevention and timely diagnosis. These trends are also expected to characterise the coming period.

Technological advances are constantly being made within Ambu's business areas, and the need for treatment is being met by ever better and more effective products. Increasing attention is being devoted to newly developed products and the appurtenant services in step with the continued focus on resource allocation in the hospital sector and optimisation endeavours of individual hospitals. Suppliers which are able to offer a combination of high-quality products, guidance and training stand a good chance of creating customer loyalty and thereby winning their share of the growing market.

Increased focus on costs within the health care sector has generally led to efficiency and optimisation measures in the purchasing of hospital articles. At the hospitals, centralised and professional purchasing functions are deciding an increasing proportion of purchases, which means that for sales to be efficient, a number of stakeholders over and above the actual users must be handled. There is also a tendency for the product portfolio having to be of a certain minimum size for suppliers to gain access to the purchasing functions, and the number of suppliers is continuously being reduced. Consequently, increasing importance attaches to the broadness of the product programme.

In a number of countries, an ever greater share of purchases are subject to public tenders or organised by purchasing organisations. This is a global trend, and it is therefore important to address the purchasing organisations directly and enter into agreements with them to achieve the desired market share within individual product areas.

Ambu has in recent years developed its competences so as to be able to handle these demand-side changes and has successfully positioned itself among the ever stronger and more influential group of purchasers.

The competitive situation within Ambu's business areas is complex. Thus, the picture varies considerably

Strategy 2008 in brief

In May 2005, Ambu announced the Ambu Strategy 2008, the aim of which is to create a basis for further growth and to improve earnings via continued focus and differentiation. Focus involves the careful prioritisation of resources which will be allocated to selected business areas, countries and customer groups. Differentiation means that Ambu, via the ongoing development of innovative products, close customer relations and specialisation, must be able to compete on parameters other than product pricing.

Strategy 2008 will contribute to ensuring that Ambu becomes a leading player within the three most important business areas – Respiratory Care, Cardiology and Neurology.

both within the different product categories and within the individual markets. Generally, Ambu does not have one major competitor, but a few large competitors as well as several smaller ones within the individual areas, and Ambu's product portfolio is composed in such a way that it prevents comparisons with individual competitors. There are generally two types of competitors within all business areas: The large-scale one-stop-shopping companies which are broadly based internationally, and the specialist companies – geographically or at product level.

Within all product segments there are typically one or two dominant players, while the other positions are not necessarily occupied. Ambu's strategy therefore involves trying to ensure that the company's products are distinguishable from those of its competitors.

The market structure contributes to a dynamic environment in which the individual companies are constantly being encouraged to develop their competitive edge by increasing their development and sales activities and streamlining production. Ambu is experiencing a high level of loyalty among customers which the company has served for a number of years, and via its sales organisation Ambu is dedicating efforts to forging even closer customer relations so as to identify and meet customer requirements in the best possible way.

The price of the individual products is always an important factor, and prices are expected to remain under pressure in the coming period on account of intensifying competition, consolidation among customers, increasing professionalisation of purchasing functions, more tendering etc. Consequently, cost control, economies of scale and product differentiation are factors which are coming to play an ever more important role.

Product development and new products

The aim of Ambu's product development activities is to develop products which will enable Ambu to attain a dominant market position within the most important business areas. It is therefore of decisive importance that Ambu should be able to continually develop and launch innovative products at short intervals.

According to Strategy 2008, the target is for 25% of consolidated revenue in 2007/08 to be attributable to products launched after 1 October 2003. In 2005/06, products developed after October 2003 accounted for approx. 19% of revenue. In Q4 2005/06, sales of new products accounted for 26% of revenue.

In 2005/06, development resources were concentrated on the development of new products within Respiratory Care, Cardiology and Neurology, resulting in the launch of several new products and the commencement of several new projects.

In FY 2005/06, Ambu launched the following products:

- Ambu White Sensor, ECG electrode
- Ambu Blue Sensor NEO, ECG electrode
- Aura40, reusable laryngeal mask

Ambu White Sensor was launched in January 2006 and is an electrode for short-term monitoring (primarily used during surgery). The launch constitutes an expansion of the existing product programme.

Ambu Blue Sensor NEO was launched in March 2006 and is an electrode for measuring ECG on premature and newborn babies. Products of this type must meet very special requirements as they are used in incubators at high temperatures and high humidity levels and are applied to sensitive skin. The electrode has therefore been developed in close dialogue with doctors and nurses to identify the very specific requirements that must be met.

Aura40, which is a reusable laryngeal mask, was launched in March 2006. As a result, Ambu is able to offer both disposable and reusable laryngeal masks and is well-positioned for gaining a share of the market growth in this area. Aura40 features the same unique design and properties as Ambu's AuraOnce disposable mask. An estimated 250,000-300,000 reusable laryngeal masks are used each year. Even though the market is gradually becoming a market for disposable products, the market for reusable products will remain a lucrative one for many years to come, and with Aura40 Ambu will be able to gain a share of this market segment.

Ambu will launch a number of new products in the coming years to complement the existing product portfolios within, in particular, Respiratory Care and Neurology. Moreover, Ambu will identify one or more new product areas within the field of anaesthesiology where the laryngeal mask has been particularly successful. The new product areas will contribute to strengthening Ambu's position within the field of anaesthesiology.

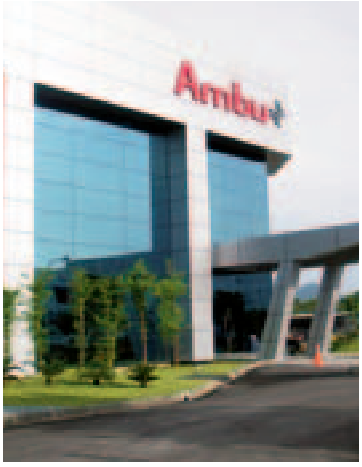
Supply chain

In 2005/06 a supply chain strategy was prepared which is to ensure further streamlining of Ambu's purchasing, planning, order handling and inventory management functions. The new strategy contains three main elements:

- More local purchasing – among other things, more of the purchases currently made for the plants in Asia will be placed with local suppliers.

Ambu White Sensor, an electrode for short-term monitoring, was launched in January 2006.

In March 2006, Ambu launched a reusable laryngeal mask, Aura40. The mask features the same unique design and qualities as Ambu's disposable laryngeal mask.



In autumn 2006 Ambu completed the construction of a new plant in Malaysia. Ambu has in recent years built up extensive competences in both Malaysia and China, and in 2005/06 just over 50% of total production was produced at these two plants.

- Optimising inventories – among other things by improving the models used to predict cost of sales etc.
- More efficient distribution in Europe – among other things via the establishment of a European distribution centre.

Via the new strategy, Ambu is expected to be able to optimise its product flow and reduce the binding of liquidity in inventories. In this way, Ambu will become geared to handling continued competition.

Production

An important aspect of Ambu's strategy is to continuously optimise production of the company's products. This is a precondition for being able to ensure competitive product pricing. As part of its optimisation efforts, Ambu has in recent years significantly expanded production capacity and competences in China and Malaysia. Production has gradually been transferred to the two countries, and expectations still are that in 2007/08 approx. 70% of Ambu's combined production will take place at the company's two plants in China and Malaysia. In 2005/06, approx. 51% of Ambu's revenue was generated from products produced at the plants in China and Malaysia.

In autumn 2005 Ambu completed the construction of a new plant in Malaysia. The plant was completed on time, and the investments were in line with expectations. The new 4,300-square-metre plant was fully operational at the end of 2005. The additional capacity will be used to meet the expected growth in sales of the existing products, including in particular Neurology products, to transfer production of the remaining needle products from Denmark and for the production of a number of new products.

In the past year, Ambu has continued to transfer production to China and Malaysia, and at the same time production of most new products commences at one of these two plants. The rest of the products which are to be produced in China or Malaysia will be transferred within the coming year.

An ever greater share of purchases for the plants in Asia are made locally, while these orders used to be placed with European and US-based suppliers. This process is bringing considerable savings.

A considerable streamlining of the production of Cardiology products at the plant in Ølstykke, Denmark, took place in 2005/06. The streamlining is based on the automation of processes and Lean Management principles, with focus on creating efficient processes, eliminating waste and ensuring the unambiguous division of responsibilities. The project is expected to be completed in Q3 2006/07 within the other product areas.

A Lean Management pilot project has also been conducted at the plant in China. Initially, the project comprised the production of reusable resuscitators (SPUR products). The project has resulted in greater efficiency, reduced waste and a lower area requirement. The activities will continue in 2006/07 within the other product areas.

Developments in business areas

Ambu has divided its activities into five business areas: Respiratory Care, Cardiology, Neurology, Training and Immobilization.

The business areas fall into two groups:

- *Focus areas:*
  Respiratory Care, Cardiology and Neurology
- *Maintain areas:*
  Training and Immobilization

The business area Respiratory Care has this year made the greatest contribution to growth, but the business area Neurology, which is the smallest of the three strategic business areas, has also seen high growth. The growth in revenue within Cardiology has

Revenue by business area

DKKm	2005/06	Share	2004/05	Growth in DKK, %	Growth in local currency, %
Respiratory Care	282.4	39.5	228.4	23.7	21.6
Cardiology	264.1	36.9	259.9	1.6	1.0
Neurology	67.8	9.5	55.6	21.9	20.3
Training	53.1	7.4	48.9	8.5	8.0
Immobilization and other products	48.5	6.7	61.1	(20.7)	(22.3)
Total	**715.9**	**100.0**	**653.9**	**9.5**	**8.2**

been modest, while the number of units sold has increased by approx. 5%.

Respiratory Care

Respiratory Care mainly includes resuscitators and masks for artificial ventilation. The target groups for these products are primarily hospitals and secondarily ambulance services.

Ambu is an important player within Respiratory Care with a broad product portfolio and a favourable market position, especially within disposable resuscitators for artificial ventilation and laryngeal masks. Ambu believes there is considerable scope for attaining significant growth in the coming years, especially within the hospital segment. The business area does, however, consist of a number of different product groups with different profiles with regard to maturity, growth potential, technology etc. The highest growth is expected within single patient use resuscitators for manual ventilation (SPUR II), laryngeal masks and face masks.

Ambu has in recent years sought to strengthen its position within the anaesthesiology segment, and focus on this segment will intensify further. In the coming years, growth within Respiratory Care must be increased by offering new product lines which are perceived as value-adding by anaesthetists. This is to pave the way for selling more products to existing customers and forging new customer relations. Ambu's aim is to become the market leader within 2-4 product areas.

Sales of Ambu's laryngeal mask, which was introduced in spring 2004, saw a marked increase in the financial year, and Ambu has further strengthened its position in the market for laryngeal masks. Ambu is seeking to exploit the potential of a fast-growing market driven by the conversion from reusable to disposable masks. So as to gain a larger share of the lucrative market for reusable laryngeal masks, Ambu has also launched a reusable laryngeal mask – Aura40. The feedback from the market has been positive as regards this product, and Ambu's laryngeal masks are perceived as being innovative with good product features. Competition within the laryngeal mask product area is intensifying in step with the emergence of new suppliers on the market. However, there are considerable regional differences, with the UK market being the most intensely competitive.

The products launched towards the end of 2004/05 have been well received by the market and contributed to the growth in 2005/06. These include a new generation of single patient use resuscitators (SPUR II) and reusable resuscitators for adults and children (Mark IV).

Cardiology

Cardiology includes disposable electrodes for measuring the cardiac rhythm – ECGs. The target groups for these products are primarily hospitals and secondarily ambulance services and private clinics.

In the past year, revenue within Cardiology has grown only modestly. The challenges within Cardiology can, among other things, be attributed to intensifying competition, increasing pressure on prices and high production costs in comparison with several competitors. However, Ambu enjoys a strong position in the market for high-quality electrodes. A satisfactory increase has thus been seen in sales of electrodes for diagnostic measurements, e.g. measurements of resting-ECG and advanced diagnostic tests. On the other hand, the growth in revenue has not been satisfactory within electrodes used for short-term monitoring, e.g. in operating theatres.

Two new Cardiology products were launched in Europe in 2005/06 – the Ambu White Sensor electrode and the Ambu Blue Sensor NEO electrode. The Ambu White Sensor electrode is expected to be launched in the USA in Q1 2006/07.

A number of activities have been launched to boost growth within Cardiology. The production of electrodes at the plant in Ølstykke, Denmark, is streamlined with a view to reducing unit costs, and Cardiology is being given more sales time to strengthen Ambu's position with buyers.

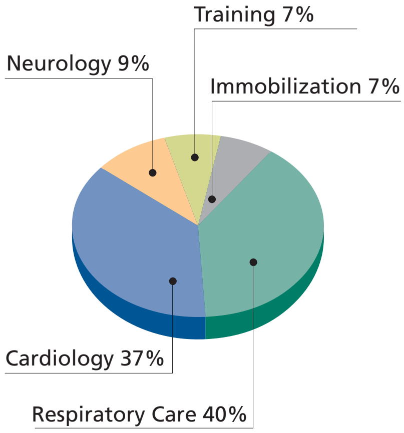
Neurology

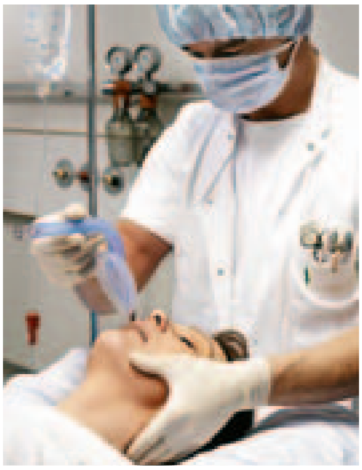
Neurology includes disposable electrodes for measuring electric signals in muscles other than the heart muscle and for measuring brain activity. The measurements are used for diagnostic purposes in relation to diseases of the motor apparatus, such as sclerosis and diagnosing sleeping disorders. The product programme includes both surface electrodes and needle electrodes. The target group for these products is neurological wards at hospitals and sleep labs.

The neurology market is divided into a market for surface electrodes and a market for needle electrodes. The market for surface electrodes is very much a niche market, whereas the needle market is more competitive but with widely differing prices from one market to the next.

Neurology is an important area for Ambu's future growth. The market is attractive, with regard to both size and potential. In a number of markets – including Germany and the USA – neurophysiological examinations are on the increase. It is believed that Ambu has won market shares in the past year thanks to its position as a specialist within disposable elec-

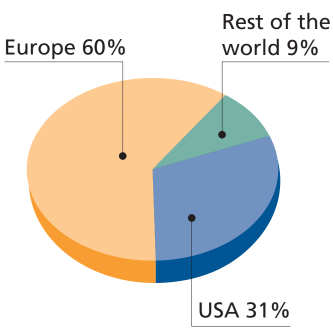
Revenue by business area





Since the launch of Ambu's laryngeal mask in spring 2004, this product has contributed significantly to growth in revenue, and Ambu has strengthened its position within the field of anaesthesiology.

Revenue by geographical region



trodes. This position must be developed further by strengthening relations with the neurophysiologists which are very influential when it comes to purchases of their own products, and by strengthening the product portfolio.

Ambu is thus expecting to see continued high growth in the coming period – both on the basis of the efforts made so far to strengthen Ambu's market position and on the basis of a strengthening of the product portfolio and the launch of new products.

Training
Training covers manikins for basic and advanced first-aid training. The target groups for these products are hospitals, ambulance services, relief organisations and the armed forces.

Ambu enjoys an attractive market position within manikins for first aid and is currently the second-largest player in the market, which is dominated by one large and a few smaller suppliers. This business area saw growth in revenue of 8% in 2005/06.

Immobilization and other products
Immobilization includes collars to support neck and head to prevent injuries or to protect a patient already having sustained injuries. The target group for these products is almost exclusively ambulance services. Other products are goods for resale.

The product programme is sold primarily in the US market where Ambu is successfully retaining a very large market share.

Developments in individual markets
Europe and the USA are Ambu's focus markets, and these markets are deemed to have considerable growth potential. By far the greatest growth potential is in the USA, and considerable resources are consequently going into creating growth in this market.

Considerable efficiency increases of sales processes are currently being achieved in both the USA and Europe through a focused programme. The increase in efficiency will strengthen Ambu's scope for generating growth both in the US market and in the European markets. Efforts are going into forging closer relations with Ambu's key customers in these markets to strengthen Ambu's future position in a market characterised by the continued consolidation of customers. The most important customer groups are anaesthetists, staff in cardiology wards and neurophysiologists. Moreover, Ambu has successfully increased its focus on the buyers and the purchasing organisations. In a number of countries, especially the USA, Germany, France, Spain and Sweden, the purchasing organisations are becoming ever-more powerful. Ambu has therefore in recent years broadened its competences concerning the preparation and negotiation of large public and private tenders, and the company has succeeded in establishing collaboration with several important purchasing organisations. In the past year, Ambu has been awarded several contracts with the purchasing organisations (GPOs).

In the strategy period up until 2008, Ambu will increase its sales efforts in new growth markets – for example in Asia and Eastern Europe – through more collaboration with existing contacts.

Europe
In 2005/06 Ambu continued to strengthen its position in Europe. Growth is broadly based, but at country level the highest organic growth has been in Spain and Danish Sales, which looks after the Nordic countries and markets where Ambu does not have its own sales companies. The growth reflects increases in sales of products within all business areas with the exception of Immobilization and other products. The highest growth is seen in Respiratory Care.

The largest markets in Europe are Germany, France and the UK.

In *Germany*, which is Ambu's largest European market, sales increased by 3.5% in 2005/06. The greatest increase was seen in the hospital segment, despite a generally stagnating market for products for the German health care sector due to the new health care

Revenue by geographical region

DKKm	2005/06	Share	2004/05	Growth in DKK, %	Growth in local currency, %
Europe	430.8	60.2	400.7	7.5	7.3
USA	219.4	30.7	191.7	14.4	10.5
Other	65.7	9.1	61.5	6.8	6.8
Total	**715.9**	**100.0**	**653.9**	**9.5**	**8.2**

reform. The laryngeal mask has, in particular, contributed to the positive development in revenue. The launch of a new version of the laryngeal mask in the German market after the pronouncement of the judgement concerning Ambu's violation of an LMA patent in August 2006 has not negatively affected sales of the laryngeal masks. At the same time, organisational changes have been implemented in the management and the sales organisation, which have boosted the efficiency of sales processes.

In *France* sales were up 2.9% in 2005/06 when reported in local currency. The greatest increase in revenue has been seen within Neurology and Training, while revenue within the other product areas has only increased very slightly.

In the *UK* sales were up 2.2% when reported in local currency. The growth in revenue is primarily attributable to increasing sales of Neurology products. Growth in revenue within the other product groups has been modest.

In *Spain* sales were up 21.1%, while sales in Italy grew by 8.9% when reported in local currencies. All business areas in Spain realised two-digit growth rates. Italy saw two-digit growth rates within Respiratory Care and Neurology.

The Danish sales organisation is in charge of marketing and sales in the Nordic countries and in the European markets where Ambu does not have its own sales companies, with sales being effected either via distributors or directly to end-customers.

In Denmark, Finland and Sweden, where sales are primarily effected directly from Denmark, sales increased by 13.0% in 2005/06 in local currencies.

Sales via distributors in Europe were up 13.0% when reported in local currency.

USA

The USA is Ambu's largest single market. Reported in local currency, revenue increased by 10.5% in 2005/06, while revenue reported in Danish kroner increased by 14.4%. The increase in revenue is primarily attributable to favourable sales trends within the focus areas Respiratory Care and Neurology, increases being 24.7% and 15.7%, respectively. Cardiology saw growth of 5.7%, which is considerably higher than the combined growth within this business area. The increase is attributable to increasing sales to the purchasing organisations as well as to other customers.

In the past couple of years, it has been deemed important to make contracts with the US GPOs as it is believed that a strengthening of this sales channel is decisive to achieving considerable growth in the US market. In 2005/06 two contracts were made with purchasing organisations: A contract with Novation comprising laryngeal masks and a contract concerning the ventilation product SPUR II with Broadlane, the sixth-largest purchasing organisation in the USA.

Furthermore, in the financial year efforts went into increasing sales under the individual contracts, and Ambu is working actively on new agreements.

All in all, sales via distributors in the USA have increased less than expected.

Other markets
In these markets sales of Ambu's products take place exclusively via distributors. In 2005/06 sales were up 7.4% when reported in local currency.

Cases concerning the laryngeal mask

Case against Ambu
In autumn 2005, legal proceedings were instituted against Ambu by the British company LMA (the original manufacturer of laryngeal masks) before a German court with a claim being set up that Ambu's laryngeal mask had infringed a German patent due to the design of the reinforcement of the tip of the laryngeal mask.

Judgement in the case was passed in August 2006, according to which Ambu's laryngeal mask does violate LMA's patent. Ambu does not agree with the judgement and has therefore lodged an appeal. Judgement in the appeal case is expected to be pronounced in spring 2008.

Ambu realised that this might be the outcome of the case, and prior to judgement being passed Ambu was therefore working on the design of a new version of the laryngeal mask involving a different tip design. The new version has undergone technical and clinical testing and has the same unique qualities as the existing mask. The transition to the changed product has been smooth, and Ambu's success in the German market is expected to continue. So far, the transition to selling the new version of the laryngeal mask has not affected sales in the German market.

Case against LMA
In summer 2005 LMA made a number of untruthful claims about Ambu's laryngeal masks, among other things in Germany. In October 2005, a German court upheld Ambu's claim that LMA's claims were unfounded, and an injunction was granted barring the distribution of material containing the untruthful claims.

However, LMA did not observe this injunction, and in October 2006 a German court ordered the company to pay a penalty for continuing to distribute illegal marketing material containing incorrect and undocumented claims concerning Ambu's laryngeal mask.

Business systems

With a view to ensuring greater insight into and effective follow-up on and control of the individual business processes, Ambu introduced a common business system for all the Danish units in 2005/06. The implementation of this system was extremely satisfactory. In 2006/07 the implementation of the business system commences in the foreign production units, and once this is complete, implementation starts in the international sales organisation.

So as to improve customer service and sales efficiency levels, a decision has been made to implement a common standard CRM system. The CRM system is expected to be implemented in the most important markets in 2006/07, and to be fully implemented by mid-2007/08.

The company's performance is measured via Ambu's management information system on the basis of defined Key Performance Indicators (KPIs). The KPIs are calculated for each function and comprise, among other things, targets for productivity, growth, sales of new products and financial indicators. Moreover, the system is also used for sales and budget follow-up.

Board resolutions and proposals to the Annual General Meeting

Appropriation of profit and dividend
The Board of Directors proposes to the Annual General Meeting that a dividend be declared of DKK 1.50 per share for FY 2005/06, amounting to 37% of the profit for the year.

The Board of Directors proposes to the Annual General Meeting that the profit for the year, DKK 48.4m, be distributed as follows:

Dividend of DKK 1.50 per share	17.7
Retained earnings	30.7
Total	48.4

Other proposals
The Board of Directors proposes that authorisation be given for the issue of employee shares.

Moreover, it is proposed that Anders Williamsson, who is a Swedish citizen, be elected as a new member of the Board of Directors of Ambu A/S. Anders Williamsson has many years of experience from within the medico industry and is a strategic adviser to the Swedish medico-technical company HemoCue. A detailed description of the candidate's competences and background will be enclosed with the notice convening the ordinary general meeting.

Finally, a proposal will be presented for the Board of Directors to be authorised to acquire, on behalf of Ambu, treasury shares amounting to up to 10% of the share capital.

Subsequent events

On 1 October 2006, Ambu acquired its former distributor in the Dutch market, Equip Medikey B.V. The company has changed its name to Ambu B.V. In future the company will contribute to strengthening Ambu's position in the Dutch market.

Outlook

Growth within the medico-technical industry is expected to continue in the coming years, and growth is expected within the areas in which Ambu is operating.

In 2006/07 Ambu will continue to implement the activities contained in Strategy 2008 and the other activities which were launched in connection with the review of the strategy in summer 2006.

Focus will be on further improving the innovation process, including the ability to select the right ideas for efficient development and launch. To strengthen the innovation process, a more flexible structure will be introduced across the individual development teams, a search function will be established and the product management function will be strengthened. The purpose is to make the development processes even more market-oriented than before and to develop and improve products within the established product areas.

Ambu is well geared to further increase its market share, and a number of new activities within the sales area will ensure the efficient utilisation of the growth potential. Increasing focus will be directed at major central customers and the forging of closer relations with this customer segment. At the same time, there will be a higher degree of segmentation and prioritisation of customers. The aim is to increase the number of product types sold to individual customers and to ensure a better correlation between the size of the individual hospitals and Ambu's sales to them.

The sales and development activities will be supplemented by a number of other initiatives, including the strengthening of Ambu's supply chain and the implementation of IT systems to support the activities.

In 2006/07, production in Denmark will be streamlined further. In 2005/06, a considerable streamlining of the production of Cardiology products was commenced at the plant in Ølstykke, Denmark, in accordance with the Lean Management principles. This process will continue in 2006/07. Moreover, a Lean Management pilot project was implemented at the plant in China in 2005/06, and this project will also continue in 2006/07.

On the basis of the activities launched, focus on achieving a more even distribution of sales across the financial year and the aim of greater profitability, consolidated revenue in FY 2006/07 is expected to increase to approx. DKK 765m, up 7%. The highest priority is given to profitability.

Against the background of the expected increase in revenue, focus on developments in sales prices, continued streamlining of production and focus on costs, the EBIT margin is expected to increase from 11.5% in 2005/06 to approx. 13% in 2006/07, corresponding to approx. DKK 100m. As has been the case in previous years, the highest earnings are expected in the second half.

The expectations concerning revenue and earnings are based on an average USD exchange rate of 600. A change in the USD exchange rate of 50 will result in a change in revenue of approx. DKK 20m and a change in EBIT of approx. DKK 2m. In FY 2005/06 the average USD rate was 607.

In 2006/07, investments are expected to be on a par with 2005/06, when they amounted to DKK 47m. Investments will primarily be made in the development of new products, the acquisition of process equipment and the continued implementation of the ERP system.

Ambu will in 2006/07 Ambu continue to focus on improving cash flow with due consideration being given to the company's strategic development. In 2006/07 a free cash flow of approx. DKK 60m is expected, with investments expected to correspond to approx. 6% of revenue.

In 2006/07, the return on invested capital (ROIC) is expected to be approx. 11%.

Acquisitions are part of Ambu's strategy. The criteria for acquisitions are still that candidates must be capable of becoming part of a consolidation process within the existing product programme, or they must give obvious synergies between existing and acquired products.

Forward-looking statements

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

See also the section on Risk management on p. 28.

Dialogue strengthens product development and sales

Proximity to the market and to customers is a central element in Ambu's business philosophy. There is a close link between, on the one hand, our dialogue with customers and, on the other, development and sales.

Ambu has in recent years developed its relations to the most important customer groups such as anaesthetists, cardiology nurses and neurophysiologists. In line with Ambu's mission and vision, these relations allow Ambu to identify and turn unmet requirements into new solutions and to establish an attractive market position. The ability to enter into dialogue with end-users is deemed to be an important competition parameter.

Quality and trust are decisive – a high priority is given to user training

Ambu feels a strong sense of responsibility towards the users of the company's products. Ambu products are often used in critical situations and therefore have to meet high quality standards. Also, users must know exactly how to use the products correctly.

Ambu has achieved a position as an acknowledged supplier of high-quality products, and the company is seeking to maintain and further develop this position via its close customer relations – in the sales situation, via close collaboration on the development of new products and via the training of users in the correct use of the products. Ambu Academy plays an important role in training customers how to use Ambu's products. It also means that Ambu is a leading knowledge centre within the individual business areas.

Close collaboration with users is part of the development process – the laryngeal mask is a good example

The launch of Ambu's laryngeal mask has contributed to strengthening Ambu's position within anaesthesiology, an area falling under Respiratory Care. Sales of the laryngeal mask, which is used to maintain breathing in fully anaesthetised patients, have seen strong growth since the launch in 2004.

The laryngeal mask is the result of close collaboration between Ambu and a user group of anaesthetists. Such collaboration is an important element in the innovation process, and in future even more emphasis will be put on this working method. In the near future, Ambu expects to launch new important products both within anaesthesiology and the other focus areas.

Forging close customer relations and an ongoing dialogue about customer requirements create good results

Annamaria Natale, Head of Purchasing at the *San Raffaele Scientific Hospital* in Milan, Italy:

"Our collaboration with Ambu started in 1994 when Ambu's general manager in Italy, Robert Lundgren, presented the company and its products to me. I must admit that I was positively surprised by the company's professional approach and by the precision and quality represented by its products.

Up until 1994 we worked with a number of electrodes suppliers, but thanks to an excellent and close collaboration with Ambu and the users in the various departments, we were able to single out just one supplier, Ambu. We have been satisfied with the quality of the products, and every time a new need arises, the best and most expedient solutions are found to meet the relevant requirements.

Before long we will be increasing the range of Ambu products which we use as we have entered into an agreement with Ambu for the delivery of the new disposable resuscitators for artificial ventilation at our A&E Department."

The San Raffaele hospital in Milan currently has approx. 1,200 beds and is a leading, modern hospital which is seeing dramatic growth, especially within the clinical activities and research.

Knowledge and competences

Being a niche operator competing in a global market, Ambu needs to develop and retain unique competences to safeguard its long-term competitiveness. Competences within product development, production and sales are continuously being improved.

With a view to meeting the objectives contained in Strategy 2008, Ambu has decided to focus on the development of competences in selected areas.

Knowledge of customer needs and the market

Ambu's products are often used in critical situations. It is therefore important for Ambu to develop products which meet customer requirements in individual situations. At the same time, Ambu must possess very detailed knowledge about the use of its products and must also be able to train users in how to use them.

Ambu engages in very close contact and dialogue with users, and the Group places great emphasis on forging closer relations with doctors, nurses and other health care professionals. Ambu regards its ability to enter into dialogue with end-users as an important competition parameter as dialogue plays an important role in connection with product improvements and in the process of developing new products.

Ambu Academy plays an important role in connection with the training of employees and customers in the use of Ambu's products. Ambu Academy is also responsible for fostering closer ties between Ambu and its customers, enabling Ambu to be a leading knowledge centre within the individual business areas.

Ambu also engages in in-hospital training. This type of training is arranged to instruct hospital staff in the use of Ambu products on the job and enables participants and trainers to exchange opinions and ideas.

Knowledge of product development

Ambu depends on its ability to develop innovative products, and the ability to innovate is closely linked to the ability to identify customer needs and translate these needs into new solutions and products.

The purpose of this process is to develop differentiated products capable of bringing value to Ambu's customers while also strengthening the Group's position as a supplier of quality products. The proximity to Ambu's market and customers is, and must continue to be, an integral part of the Group's product development and marketing activities.

The innovation process is continuously being developed and strengthened, and focus is on optimising the entire process, from the generation of ideas to efficient launching. The aim is to ensure the shortest possible time to market for new products – and to ensure that the new products have sufficiently attractive potential.

In step with the stronger emphasis on product development, Ambu has intensified its efforts to involve customers and users in key projects. This has been done primarily through the participation of doctors, nurses and rescue staff in the product development phase and through the establishment of specific user groups for major development projects.

Ambu has also increased the number of clinical trials comparing the performance of Ambu products with rival products. The findings of these trials provide regular input for marketing activities and for new product development projects.

Knowledge of technology and processes

Ambu's production and production processes have undergone marked changes in recent years. Ambu currently has high-tech production facilities in both Denmark, China and Malaysia and has acquired considerable expertise and experience from production in Asia.

Technological advances are constantly being made within Ambu's product areas both with regard to design, materials and production processes. Ambu regards its know-how within these areas as being a decisive competition parameter.

Employee development

To retain and enhance its competitiveness in the world market, it is vital that Ambu develops the competences and knowledge of its employees in a targeted and structured way, while at the same time making sure that the knowledge and competences thus accumulated are shared across the organisation. Knowledge-sharing is thus a daily obligation for all Ambu employees and also part of Ambu's values. To ensure maximum utilisation of Ambu's knowledge and competences, a corporate communication platform is used consisting of an intranet environment and several knowledge portals.

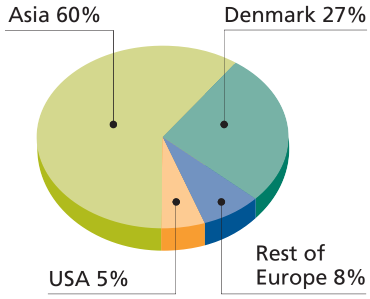
Building up competences at the production facilities in China and Malaysia has been a particular challenge in recent years. Ambu has established attractive working conditions for its employees at the plants outside Denmark and special training programmes – especially when starting up the production of new products. Thanks to this policy, it has been possible to attract the most highly qualified employees, to retain them and to achieve a high level of efficiency.

There is considerable scope for professional and personal development for employees in all the countries in the form of training, challenging jobs, increased responsibility and project work.

All training and competence development is planned in line with the company's present and future requirements. There is an overall clarification of the individual employee's need to improve his or her competences at least once a year in connection with the annual appraisal interview.

Individual management development programmes and individual coaching have been established for the management group. The development programmes are planned following an analysis of the individual manager's personal profile and development needs, and the programmes are carefully targeted at strengthening the individual manager's competences within the areas which are necessary to realise the strategic targets laid down.

Geographical breakdown of employees



Shareholder information

The Ambu share

At the end of the financial year, Ambu's share capital consisted of a total of 11,786,382 shares of DKK 10, corresponding to a nominal share capital of DKK 117,863,820. The share capital is divided into 1,716,000 Class A shares and 10,070,382 Class B shares.

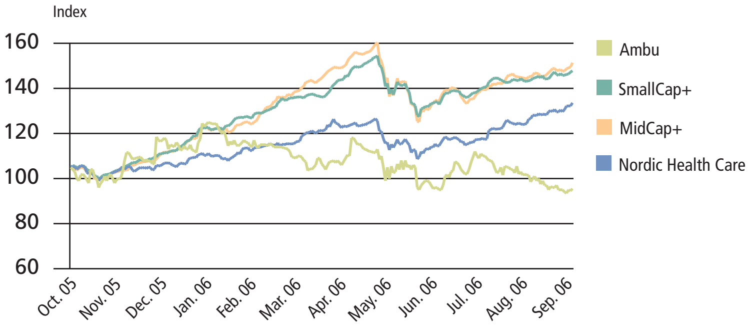
Ambu's Class B shares are listed on the Copenhagen Stock Exchange under ISIN code *DK0010303619* and shortname *AMBU B*. Ambu was transferred from the MidCap+ index to the SmallCap+ index on 1 June 2006, as the company's market value was no longer sufficient to be included in the MidCap+ index.

The opening price quoted for the Ambu share was 106, falling to a closing level at the end of the financial year of 96, a fall of 10%. In comparison, the Nordic Health Care index, the MidCap+ index and the SmallCap+ index at the OMX Copenhagen Stock Exchange increased by 28%, 45% and 41%, respectively, in the same period. Last year, the Ambu share increased by 96%.

As a result of the fall in the share price in FY 2005/06, Ambu's market capitalization (defined as the value of both Class A and Class B shares recognised at the price quoted for the Class B shares) in late September 2006 totalled DKK 1,131m against DKK 1,249m a year earlier.

In the course of the financial year, a total of 3,834,279 Class B shares were traded, corresponding to 38% of the total number of Class B shares at the end of the year, against 46% last year.

Share price development



The Ambu share is covered by:

- ABG Sundal Collier
- Enskilda Securities
- HSH Gudme

Shareholders

At the end of October 2006, the total number of shareholders in Ambu having arranged name registration of their holding was approx. 2,400, or 81% of the total share capital.

To ensure the best possible communication between shareholders and the company, all shareholders are encouraged to register their holding by contacting their bank.

The following shareholders have filed ownership of 5% or more of the share capital or voting rights:

	Share of share capital %	Share of votes %
Tove Hesse, Holte	7.6	22.2
Inga Kovstrup, Fredericia	9.3	22.9
Dorrit Ragle, Lyngby	9.1	22.9
N.P. Louis Hansen Aps, Nivå	10.3	4.5

As at 30 September 2006, members of Ambu's Board of Directors and Executive Board owned a total of 1.9% of the share capital.

As at 30 September 2006, Ambu held a total of 47,320 treasury shares, corresponding to 0.4% of the share capital.

Dividend

It follows from Ambu's dividend policy that 30-40% of the profit is generally paid out as dividend.

In view of the company's profit performance in the financial year and the outlook for the coming year, the Board of Directors has decided to propose to the Annual General Meeting that a dividend be declared of DKK 1.50 per share, representing 37% of the profit for the year.

Payment of the dividend for FY 2005/06 will be effected automatically via the Danish Securities Centre immediately after the Annual General Meeting.

Incentive schemes

Part of Ambu's strategy is to establish incentive schemes which support the creation of value for the company's shareholders.

Ambu's incentive schemes currently comprise:

- Employee shares
- Performance-related pay

Ambu has issued several portions of employee shares, most recently in April 2004 when 259,202 new shares were sold. The shares currently held on trust correspond to a total of 3.2% of the share capital.

Moreover, performance-related pay has been introduced for the Executive Board and senior employees. The performance-related share of the pay is agreed for one year at a time.

Investor relations

Ambu strives to maintain a high and uniform level of information to shareholders and other stakeholders. The company wishes to engage in an active dialogue with shareholders, analysts, the media and the general public. Communication with stakeholders takes the form of regular stock exchange releases, investor presentations and individual meetings, the purpose being to ensure that the price quoted for the Ambu share is fair and reflects the company's underlying values. The company's website, *www.ambu.com*, is the primary source of information to stakeholders. It is updated on an ongoing basis and contains up-to-the-minute, relevant information about Ambu's performance, activities and strategy. Enquiries concerning Ambu from shareholders, analysts, investors, stockbrokers and others should be addressed to:

Ambu A/S
Baltorpbakken 13
2750 Ballerup
Contact: Executive Vice President – Finance
Anders Arvai
Telephone: +45 72 25 25 20 00
Email: aa@ambu.com

Annual General Meeting

The Annual General Meeting will be held on 19 December 2006 at 4.30pm at Dansk Design Center, H.C. Andersens Boulevard 27, 1553 Copenhagen K., Denmark.

Share-related key figures

	2001/02*)	2002/03*)	2003/04*)	2004/05	2005/06
Profit per DKK 10 share, DKK[1)]	1.30	2.26	2.86	3.87	4.12
Cash flow per DKK 10 share, DKK[2)]	2.26	5.47	4.65	3.39	8.37
Equity value per share, DKK[3)]	25	26	27	30	33
Share price at year-end	18	30	54	106	96
Listed price/equity value	0.7	1.2	2.0	3.5	2.9
Dividend per share, DKK[4)]	0.50	0.70	1.00	1.00	1.50
Pay-out ratio, %[5)]	38	31	35	26	37
P/E ratio[6)]	14	13	19	27	23

**) The comparative figures for these years have not been restated in accordance with IFRS.*

1) Profit per DKK 10 share: The proportion of profit after tax to average no. of shares
2) Cash flow per DKK 10 share: The proportion of cash flows from ordinary operating activities to no. of shares at year-end
3) Equity value of shares: The proportion of total equity to no. of shares at year-end
4) Dividend per share: The proportion of dividend to no. of shares at year-end
5) Pay-out ratio: Dividend declared as a percentage of profit for the year
6) P/E ratio: Listed price/earnings per share

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

Releases to the OMX Copenhagen Stock Exchange in 2005/06

14 October 2005	An injunction was granted against LMA's incorrect assertions about Ambu's laryngeal mask
14 October 2005	Change in corporate management
1 December 2005	Annual Report 2004/05
2 January 2006	Election of worker directors in Ambu
10 January 2006	Annual General Meeting in Ambu A/S
28 February 2006	Report for Q1 2005/06
18 May 2006	Report for Q2 2005/06
22 August 2006	Ambu launches new laryngeal mask following lost patent case in Germany
31 August 2006	Report for Q3 2005/06
18 September 2006	Ambu appeals against judgment concerning the violation of a patent

Financial calendar 2006/07

19 December 2006	Annual General Meeting
27 December 2006	Payment of dividend
7 February 2007	Report for Q1 2006/07
11 May 2007	Report for Q2 2006/07
30 August 2007	Report for Q3 2006/07
28 November 2007	Annual Report 2006/07

Corporate governance

The Ambu management attaches importance to the exercise of high corporate governance standards and to the expediency of the principles governing the overall management of the Group's activities. The objective is to ensure the best possible compliance with Ambu's commitments to its shareholders, customers, employees, public authorities and other stakeholders, and to support the long-term creation of value.

In October 2005 the Copenhagen Stock Exchange revised its corporate governance recommendations, and the corporate governance review in this Annual Report complies with the new recommendations, including the comply-or-explain principle.

Ambu generally complies with the Copenhagen Stock Exchange's corporate governance recommendations with the exception of the term for which directors are elected by the general meeting. This is explained in the section below.

Shareholders and other stakeholders

The Ambu management desires and works actively to maintain a good flow of information to and dialogue with shareholders and other stakeholders. The company believes that a high degree of openness in the communication of information about the company's development supports the company's work and a fair valuation of the company's shares.

The dialogue with shareholders and stakeholders and the information for these groups takes the form of quarterly reports and other releases from the company and via meetings with investors, analysts and the press. Quarterly reports and other announcements are made available on the Ambu website immediately after publication. The website also contains information used in connection with investor presentations. The website is in English.

The general meeting is the supreme governing body of Ambu, and the Board of Directors attaches importance to ensuring that shareholders are thoroughly informed about the issues considered and decided by the general meeting. The notice convening the general meeting is published and sent out to all registered shareholders at least 14 days prior to the date of the meeting. All shareholders are entitled to attend and vote at the general meeting in accordance with the provisions of the Articles of Association. Next year, shareholders may also issue a power of attorney to the Board of Directors or to others in respect of each item on the agenda. The general meetings offer an opportunity for shareholders to ask questions of the Board of Directors and the Executive Board. Shareholders can also, subject to compliance with a certain deadline, submit resolutions for consideration by the ordinary general meeting.

The Board of Directors considers on an ongoing basis whether the capital and share capital structure are in line with the interests of the company and its shareholders. The capital structure is such that the company can implement its acquisition strategy on a sound capital base.

Share classes and voting rights

Ambu's share capital is divided into Class A and Class B shares. Holders of Class A shares are all descendants of the founder of the company and have ten votes per DKK 10 share, while holders of Class B shares have one vote per DKK 10 share.

Class A shares are non-negotiable securities and as such are not quoted on the Copenhagen Stock Exchange. According to the Group'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 Group's Class B share by the CSE at the time of transfer can take place only if the buyer offers all holders of Class A and Class B shares in the company to buy their shares at the same price. The holders of Class A shares have informed Ambu that a Shareholders' Agreement was signed on 26 May 1987. The contents of this agreement are outlined in Ambu's Prospectus from 1992.

The Board of Directors has discussed the existing ownership structure with the holders of Class A shares. Both the holders of Class A shares and the Board of Directors have so far found that the current ownership structure has been expedient for all the company's stakeholders as it helps create a sound framework for implementing the company's ambitious strategy and thereby safeguards the interests of all shareholders.

Duties of the Board of Directors

The duties of the Board of Directors are generally laid down by law. They include the handling of 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 also has a duty to perform overall supervision of the company's activities and to check that it is managed in a responsible manner and with due regard to Danish legislation and the Articles of Association. The general guidelines for the work of the Board of Directors have been laid down in an Order of Business which is reviewed and updated as required at least once a year. The most recent update took place in 2005/06. The Order of Business sets out procedures for the reporting by the Executive Board and the working method of the Board of Directors as well as a description of the duties and areas of responsibility of the Chairman of the Board of Directors.

The Board of Directors is briefed regularly about the company's affairs. The briefing is systematic in the form of both meetings and regular written and oral reports. The Board of Directors receives a regular monthly report, including among other things information about financial developments and the most important activities and transactions.

In 2005/06, a total of seven ordinary board meetings were held. The agendas for these meetings follow a fixed plan. In addition, the Board of Directors held one extraordinary meeting. One of the ordinary board meetings was held at the premises of Ambu's subsidiary in Germany to present and discuss the strategy for the German market. In connection with the board meetings held in 2005/06, there were five instances of members being unable to attend meetings. The Board of Management attends the meetings of the Board of Directors and has the right to speak, which ensures that the Board of Directors is kept generally informed of the company's operations.

There has been no need for committees to be established under the Board of Directors.

Composition of the Board of Directors
According to Ambu's Articles of Association, the Board of Directors shall have four to eight members elected by the Annual General Meeting. To this will be added board members elected in pursuance of the provisions of Danish legislation on employee directors. The Board currently has eight members of whom five were elected by the Annual General Meeting and three by the Group's employees. Board members elected by the Annual General Meeting sit for a term of two years and may be re-elected, the age limits for new appointments and re-elections being 65 and 70, respectively. The two-year term combined with the agreed rotation has been agreed with a view to ensuring continuity in the work of the Board of Directors.

Employee directors sit for a term defined in pursuance of the provisions of the Danish Companies Act.

The Board appoints a Chairman and a Vice-chairman from among its members. Information about the individual members of the Board of Directors is listed on page 27 in the present report.

In connection with the recommendation of board members, a careful assessment is made of the knowledge and professional experience which is required with a view to ensuring the presence on the board of the necessary competences.

In connection with nominations of new members at the general meeting, the Board of Directors will in future send out a description of the background of individual candidates, their relevant competences and any managerial positions held. Moreover, the Board of Directors will state the reasons for their nomination on the basis of the recruitment criteria stipulated.

The members of the Board of Directors elected by the general meeting are deemed to be independent. The Chairman of the Board of Directors is a partner of the Danish law firm Bech-Bruun, a legal adviser to Ambu. Ambu also uses other legal advisers, and the business relationship between Bech-Bruun and Ambu is not of material importance to either party. The Vice-Chairman of the Board of Directors, Bjørn Ragle, is the spouse of Dorrit Ragle who holds 9.1% of the shares and 22.9% of the voting rights in Ambu.

Executive Board
The Executive Board is employed by the Board of Directors which also lays down the relevant terms of employment. The Executive Board is responsible for the day-to-day management of Ambu, including the development of its activities, operations, earnings and its internal affairs. The Board of Directors assigns powers and responsibilities to the Executive Board in pursuance of the Board of Directors' Order of Business and the provisions of the Danish Companies Act.

In addition to the Executive Board, which currently consists of one person, Ambu has a Board of Management which is responsible for Sales, Marketing, Development, Production, Finance, IT and Administration. The members of the Board of Management all operate under the title of Executive Vice President.

Remuneration, Board of Directors and Executive Board
Ambu seeks to ensure that the remuneration paid to the Board of Directors and the Executive Board is at a competitive and reasonable level and that it is sufficient to ensure that Ambu can attract and retain competent members on its boards.

Each member of the Board of Directors receives fixed annual remuneration and the combined annual remuneration for the Board of Directors is approved by the Annual General Meeting in connection with the adoption of the Annual Report. In FY 2005/06, remuneration to the Board of Directors totalled DKK 975,000 of which the Chairman received DKK 225,000. The members of the Board of Directors are not covered by any incentive schemes or other bonus schemes.

Emoluments for the Executive Board, the only member of which is the President & CEO, are determined by the Board of Directors. The emoluments are fixed so as to reflect market levels and the results achieved. In 2005/06 the emoluments for the President & CEO consisted of a basic pay, including ordinary benefits such as free car and telephone as well as a bonus payable on the achievement of a number of targets stipulated in advance for the year. The terms of employment of the Executive Board, including remuneration and severance programme, are deemed to be in accordance with the normal standard for positions of this nature and do not entail any special commitments on the part of the company.

Evaluation of Board of Directors and Executive Board

In autumn 2006 the Board of Directors and the Executive Board have carried out a self-evaluation, and the results of the evaluation will be considered at a board meeting to be held in Q1 2006/07. The evaluation process is headed by the Chairman of the Board of Directors. The previous evaluation process has resulted in greater focus on business development and risk management.

Risk management

The Board of Directors' supervisory responsibilities include the duty to ensure effective risk management, including the identification of material risks, the establishment of risk management systems and the formulation of a risk policy and exposure limits. The policies of operational and financial risk management are decided by the Board of Directors, and the regular reports to the Board of Directors include updates on significant risks.

The Board of Management is responsible for the ongoing risk management, including the mapping and assessment of the individual risks involved in Ambu's business activities.

For a detailed description of Ambu's risk management, please see p. 28 in the Annual Report.

As part of the company's risk management, internal control systems have been set up, and at least once a year the Board of Directors considers these systems with a view to ensuring that they are expedient and adequate and in accordance with best practice within the area.

Audits

Ambu's external auditors are appointed for one year at a time. Prior to the auditors being nominated for election at the general meeting, the Board of Directors carries out a critical assessment of the auditors' independence and competence etc.

The framework within which the auditors perform their work – including their remuneration, audit-related tasks and tasks which are not audit-related – is described in an agreement.

The members of the Board of Directors receive the external auditors' audit report entry concerning the auditors' audit of the Annual Report, the ongoing auditing and other material issues. The Board of Directors reviews the Annual Report and the auditors' audit report entry at a meeting with the external auditors, and the auditors' observations and material issues which have been identified in connection with the audit are discussed. Furthermore, the most important accounting principles and the assessments made by the auditors are reviewed.

Shareholdings of the Board of Directors and the Executive Board

	No. of shares on 30 September 2006	Sold in 2005/06	Acquired in 2005/06
Board of Directors			
N. E. Nielsen	3,240	0	200
Bjørn Ragle	106,410	0	0
Jørgen Hartzberg	32,620	0	2,200
Anne-Marie Jensen	648	0	0
Torben Ladegaard	700	0	0
Hanne-Merete Lassen	1,120	0	0
Kirsten Søndersted-Olsen	1,854	0	0
John Stær	700	0	0
Executive Board			
Kurt Erling Birk	10,600	0	0

Board of Directors, Executive Board and Board of Management

Board of Directors

N.E. Nielsen, born 1948
Attorney-at-law
Chairman of the Board
Member of the Board since 1999
Chairman of the board of:
Amagerbanken Aktieselskab
Law firm Bech-Bruun International A/S
Charles Christensen A/S
Cimber Air Holding A/S
Dampskibsselskabet Torm A/S
Gammelrand Skærvefabrik A/S
GPV Industri A/S
Mezzanin Kapital A/S
InterMail A/S
Pele Holding A/S
Preben Olsen Automobiler A/S
Satair A/S
SCF Technologies A/S
Board member of:
Danica-Elektronik A/S
Weibel Scientific A/S
including related companies
Special competences:
General management, among other things as chairman of listed companies with an international outlook and corporate law issues.

Bjørn Ragle, born 1945
Vice-Chairman of the Board
Member of the Board since 1987
Chairman of the board of:
K.B. Holding af 1.8.1988 A/S
Board member of:
Snøgg Industries A/S, Norway
Special competences:
Sales and business development and HR.

Jørgen Hartzberg, born 1950
Head of Department, VKR Holding A/S
Member of the Board since 1999
Board member of:
WindowMaster A/S
Special competences:
General management with focus on business development and sale of companies.

Anne-Marie Jensen, born 1955
Operations Assistant
Member of the Board since 2002
Elected by the employees

Torben Ladegaard, born 1953
Managing Director of FOSS A/S
Member of the Board since 1999
Board member of:
Several FOSS companies
Special competences:
General management in international and high-tech companies with special focus on business and product development and business-to-business marketing and sales.

Hanne Merete Lassen, born 1962
Business Consultant
Member of the Board since 2006
Elected by the employees

John Stær, born 1951
President and CEO of Satair A/S
Member of the Board since 1998
Board member of:
K.B. Holding af 1.8.1988 A/S
Several companies in the Satair group
Special competences:
General management, including management of international activities, the acquisition and divestment of companies and financial management.

Kirsten Søndersted-Olsen, born 1965
Corporate Promotions Manager
Member of the Board since 2006
Elected by the employees

Executive Board

K.E. Birk, born 1948
President & CEO
Joined Ambu in 1999
Board member of:
GPV Industri A/S
Zacco A/S
Chairman of the board of:
Several subsidiaries in the Ambu Group

Board of Management

K.E. Birk
President & CEO

Anders Arvai
Executive Vice President
Finance, IT and Business Systems

Lars Rønn
Executive Vice President
Sales and Marketing

Henrik Wendler
Executive Vice President
R&D, Process Development, Production and Logistics

Risk management

Ambu's business activities involve an array of commercial and financial risks. The Group strives to counteract and reduce these risks to the widest possible extent insofar as they are risks that can be impacted by the Group's own actions. Some of the company's risk factors are described below. The description may, however, not be exhaustive, and the order of appearance of risk factors that may adversely affect the company's future growth, activities, financial position and results is not prioritised.

Commercial risks

Product development

For Ambu to fulfil its objective of achieving a dominant position within the selected business areas and in the selected markets, the company must develop products sufficiently quickly that are unique and of a high quality. Ambu works in a targeted way to improve existing products and develop new ones. Thus, considerable investments are made in product development and the marketing of new products on an ongoing basis, which will be of limited value if such products are not successful in the market.

Trademarks, branding and patents

The company logo and name create coherence between the company and its products and render the company easily recognisable to its customers and stakeholders. The Ambu name is included in all product names, and the active branding of products is intended to help prevent plagiarisation of the company's products. A branding strategy and a branding manual have been prepared to ensure uniform branding by all group companies.

It is company policy to patent products with a high market value, which are essential to the future growth of Ambu. Within the medico-technical sector, different opinions often exist as to 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.

Production and quality

Ambu's production plants are situated in Denmark, China and Malaysia. The location of the company's production units was based on a risk assessment, which included, among other things, an assessment of the risk of natural disasters, of the political climate, of the possibilities of attracting employees with the required qualifications and of foreign exchange risks.

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.

Ambu's products are most often used in critical situations, and product quality is vital to the company's future commercial success. 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. Ambu lives up to the FDA and CE requirements, for which reason the company considers these standards on a regular basis.

Competition and market conditions

Hospitals and rescue services increasingly purchase medico-technical products through purchasing organisations and via public tenders. At the same time, there is a general demand for higher efficiency within the health care 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 being introduced in the market.

To meet its financial objectives, Ambu must, among other things, position its products in a manner which ensures that price is not the only determining sales parameter.

In order to minimise risks, Ambu has relocated production to China and Malaysia and optimised the automated production processes in Denmark. This reduces production costs and improves Ambu's ability to respond to future price competition.

Insurance

The company's insurance policy lays down the overall framework for the extent and management of insurance risks. The insurance policy contains guidelines for the Group's hedging and insurance matters, based on a risk management model comprising the stages of risk definition, risk analysis, risk assessment, risk limitation, risk financing and risk follow-up.

Insurance matters are assessed on an ongoing basis 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

Foreign currency risks

Approx. 85% of Ambu's revenue is invoiced in foreign currencies, but a large share of the company's purchases of materials are made in the same foreign currencies. The most important invoicing currencies are EUR, USD and GBP. Furthermore, a number of net assets are stated in these currencies.

In order to maintain competitive production prices and eliminate long-term foreign currency risks, Ambu has relocated production to countries where costs are incurred in currencies which are related to currencies in which Ambu already has a currency income. Similarly, some of the long-term financing is arranged in currencies in which Ambu has currency income.

Wide fluctuations in the exchange rates of the company's major currencies will nevertheless affect both its financial position and its competitiveness.

To hedge the short-term currency risk on its current cash flows, Ambu has laid down a currency policy which focuses on hedging open positions and the estimated net cash flow for the next six months or so. At the end of the financial year, the portfolio of forward exchange contracts for hedging future cash flows represented a total value of DKK 14.7m.

Ambu only engages in commercially justified foreign currency hedging of recognised assets and liabilities or future cash flows.

Interest risks

Ambu's net interest-bearing debt, calculated as debt to credit institutions and banks less cash and cash equivalents, was reduced during the year from DKK 196.9m to DKK 156.2m. Based on the company's net debt as at 30 September 2006, which partly carries a fixed and partly a floating rate of interest, a 1 percentage point increase in the general interest rate level will cause an increase of approx. DKK 0.6m in the Group's annual interest expenses before tax.

Debtor risks

Sales of Ambu products to customers worldwide are settled partly by letter of credit or prepayment from distributors, partly on open-account terms. Debtor insurance has been taken out in countries where it is deemed necessary.

Sales through the sales companies are normally settled on open-account terms. The development in the sales companies' debtors is closely monitored.

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

Environment

In the performance of its activities, Ambu endeavours to assess and reduce the impact on the environment and to contribute both directly and indirectly to a sustainable environment. Ambu has incorporated environmental considerations across the entire life cycle of its products, covering all stages from development via production, distribution and use to the disposal of waste products. The company strives to reduce the environmental impact of its production processes by minimising the consumption of raw materials and power as well as emission levels.

Ambu's direct impact on the environment is modest. The most important environmental effects in relation to production relate to the consumption of energy and raw materials and the waste resulting therefrom. PVC is used in some Ambu products, but waste products are disposed of through licensed waste processing operators.

The Group emphasises the choice of environmentally sensible solutions in connection with the heating and cooling of its buildings, and its power and water consumption.

The plants in Denmark fall under the provisions of Danish environmental legislation, and in principle the plants in China and Malaysia follow the same environmental guidelines as the plants in Denmark.

Ambu is not party to any cases or disputes involving environmental issues. Ambu is not covered by the rules on environmental approval, nor does it fall under the Danish act on the presentation of "green accounts".

Financial review

The 2005/06 annual report of Ambu A/S is presented in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for the annual reports of listed companies, cf. the disclosure requirements of the OMX Copenhagen Stock Exchange for the annual reports of listed companies and the Danish executive order on IFRS adoption *(IFRS-bekendtgørelsen)* issued in accordance with the Danish Financial Statements Act *(Årsregnskabsloven)*.

Transition to IFRS

Ambu has applied the international accounting standards, IFRS, as the basis for its financial reporting as of FY 2005/06. The accounting policies applied by the company in recent years have only in very few areas deviated from the accounting policies which will be applied after the transition to IFRS. The most important change concerns the accounting treatment of consolidated goodwill, which is no longer amortised. The effect of the transition to IFRS is described in note 26.

Income statement

Revenue

Consolidated revenue was up 9.5% in 2005/06 from DKK 653.9m to DKK 715.9m. Measured at unchanged exchange rates, revenue rose by 8.2% relative to 2004/05.

Changes in exchange rates had a positive effect on revenue of DKK 8.6m.

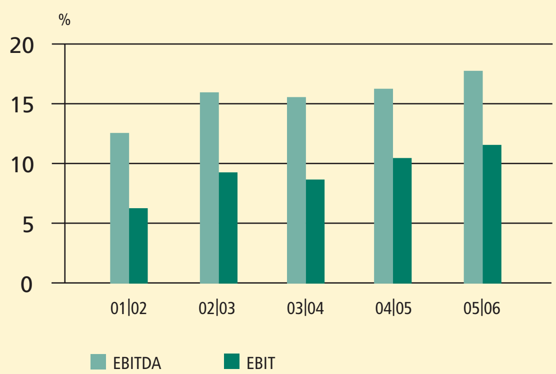
When corrected for exchange rate fluctuations, growth was highest in the US market, where revenue rose by 10.5%. Growth in Europe was 7.3%.

Adjusted for changes in exchange rates, revenue within Respiratory Care, Cardiology and Neurology increased by 21.6%, 1.0% and 20.3%, respectively. Revenue within Training increased by 8.0%, while revenue within Immobilization and other products was down 22.3%, in line with expectations.

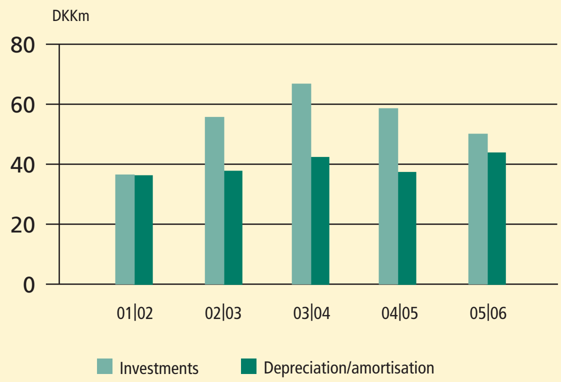
The distribution of the 2005/06 revenue is as follows: Respiratory Care, 39.5%, Cardiology, 36.9%, Neurology, 9.5%, Training, 7.4%, Immobilization and other products, 6.7%. In keeping with previous years, revenue posted by sales companies is recognised at average exchange rates for the year.

Exports accounted for 98% of the total revenue. Sales companies handled 77% of sales, the remaining 23% being handled by distributors. Europe, which constitutes the most important market, accounted for 60% of the total revenue, with the USA and other markets accounting for 31% and 9%, respectively.

EBITDA and EBIT margin



Investments and depreciation/amortisation (excluding goodwill)



Gross profit
Gross profit increased by 7.8% from DKK 340.9m to DKK 367.4m, measured at current exchange rates. Thus, the gross profit ratio fell from 52.1% to 51.3%. The production overheads' share of revenue was unchanged relative to 2004/05, whereas the contribution ratio fell 1.1 percentage points due to price competition, among other things. The focused strategy is expected to improve the contribution ratio.

Costs
The Group's costs in respect of sales, development, management and administration were DKK 12.7m above the 2004/05 level, corresponding to an increase of 4.7%. Costs in respect of sales and marketing as well as management and administration totalled DKK 256.0m against DKK 249.4m last year, an increase of DKK 6.6m, corresponding to 2.7%.

The most important reason for the increase in costs is growing product development costs, which were up DKK 6.1m at DKK 27.2m. Product development costs accounted for 3.8% of revenue against 3.2% last year. The increase in costs includes higher depreciation and amortisation due to growing development project investments in recent years.

Measured at the same exchange rates as last year, total costs before deduction of other income/expenses totalled DKK 279.8m in 2005/06 against DKK 273.0m the year before, representing an increase of DKK 6.8m, of which DKK 1.8m is attributable to increased resources in the sales companies, DKK 0.3m to increased costs in the foreign production companies and DKK 4.7m to increased costs in the parent.

EBITDA and EBIT
The EBITDA margin, defined as the operating profit or loss before depreciation of non-current assets in relation to revenue, was 17.7% in 2005/06 against 16.2% in 2004/05.

The EBIT margin, defined as the operating profit or loss in relation to revenue, was 11.5% in 2005/06, which is 1.1 percentage point higher than the year before.

EBIT rose to DKK 82.7m in 2005/06 from DKK 68.3m in 2004/05, corresponding to an increase of DKK 14.4m or 21.1%.

Financial expenses
Net financial expenses of the Group totalled DKK 12.4m in 2005/06 against DKK 7.6m the year before. The increase of DKK 4.8m includes an increase in translation adjustments of DKK 3.3m.

Profit before tax
Profit before tax totalled DKK 70.3m in 2005/06 against DKK 60.7m in 2004/05, up 15.8%.

Tax
Tax on profit for the year totalled DKK 21.9m or 31.1% of the profit before tax compared with DKK 15.3m or 25.3% of the profit before tax last year. The reason why the tax rate is more than 28% is that a larger share of the profit stemmed from subsidiaries with a higher tax rate than 28%.

Net profit for the year
Net profit for the year came to DKK 48.4m against DKK 45.4m last year, up 7%.

Balance sheet
At the end of the financial year, the balance sheet total amounted to DKK 677.7m, corresponding to an increase of DKK 8.0m compared with the previous financial year. The most important changes pertain to an increase in intangible assets of DKK 7.1m, a reduction in inventories of DKK 10.1m and an increase in trade receivables of DKK 22.4m.

Non-current assets
Investments in intangible assets, in the form of investments in development projects, amounted to DKK 16.2m. Projects amounting to DKK 20.6m were completed in 2005/06.

Amortisation and impairment of intangible assets came to DKK 9.1m against DKK 6.9m the year before.

Investments in property, plant and equipment for the year totalled DKK 33.6m, of which DKK 12.3m reflects investments made by the parent, mainly in production capacity, production equipment for newly developed products, production and office equipment and a new ERP system. The remaining DKK 21.3m was invested by companies outside Denmark, mainly by the Asian production companies in production equipment.

Depreciation of property, plant and equipment totalled DKK 33.2m against DKK 29.4m last year.

Inventories
Inventories were reduced from DKK 134.5m to DKK 124.4m. Measured at unchanged exchange rates, inventories were reduced by DKK 7.7m. The primary reason for the reduction is reduced inventories in the US subsidiary. In 2004/05, inventories were higher due to the relocation of production facilities in Malaysia as well as larger inventories of resuscitators with a view to ensuring controlled transition to a new version. The reduction is attributable to the fact that these activities were completed.

Trade receivables
Consolidated trade receivables totalled DKK 179.9m at year-end, corresponding to an increase of DKK 22.4m compared with year-end 2004/05. Adjusted for the effect of exchange rates, trade receivables increased by DKK 19.6m. The growth in trade receivables is higher than the organic growth in revenue, which is mainly due to high revenue in the last months of the financial year.

Liquidity
The Group's total liquidity at year-end came to DKK 15.1m, corresponding to an increase of DKK 5.3m relative to last year. To this should be added unutilised bank credit-drawing facilities of DKK 97.9m at year-end.

Equity
The 2005/06 increase in equity is attributable solely to the profit for the year and the value adjustment of non-settled forward exchange contracts and options. To the equity are added translation adjustments concerning investments in subsidiaries and adjustments concerning the dividend paid out for 2004/05. Equity at the beginning of the year as at 1 October 2004/05 has been adjusted for the effect of changes in accounting policies upon transition to IFRS, which has increased the value at the beginning of the year by DKK 0.2m.

Long-term liabilities
Total long-term debt at year-end came to DKK 115.9m, of which DKK 30.0m falls due for payment in the coming financial year, and DKK 12.2m is deferred tax. New long-term financing of DKK 27.1m was arranged in FY 2005/06, of which DKK 7.1m is a finance lease commitment regarding a new ERP system and DKK 20m concerns the rescheduling of short-term debt.

Short-term liabilities
Total liabilities less long-term liabilities totalled DKK 170.8m at year-end, corresponding to a reduction of DKK 31.7m, which is primarily due to the reduced use of bank credit-drawing facilities.

Other commitments
Ambu A/S has signed a 15-year operating lease for the Group head office and adjacent production premises in Ballerup, Denmark, the term to maturity being 11 years.

Cash flow statement

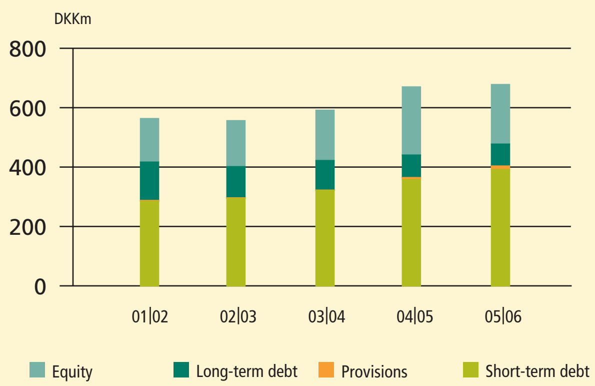
Cash flows from operating activities totalled DKK 98.7m in 2005/06 against DKK 40.1m last year. The increase is primarily attributable to reduced binding of liquidity in inventories and improved results. The reduced binding of liquidity in inventories is due primarily to inventory reduction by the US subsidiary.

In 2005/06, net investments in property, plant and equipment and intangible assets of DKK 46.7m were made, of which DKK 8.8m was additions in the form of finance leases, which are not included in the cash flow statement. Net cash flows from investing activities thus totalled DKK -37.9m in 2005/06 against DKK -54.7m the year before.

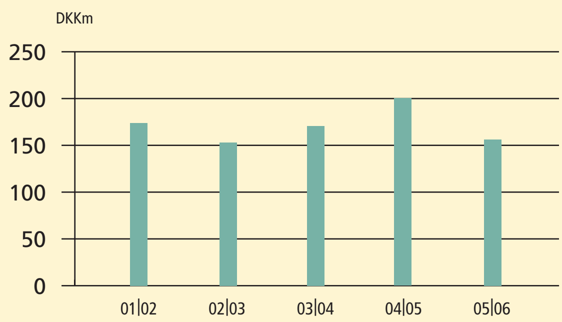
The free cash flow was improved considerably in 2005/06. The free cash flow totalled DKK 60.8m in 2005/06 against DKK -14.5m in 2004/05, an improvement of DKK 75.3m.

The total change in cash and cash equivalents totalled DKK 5.4m, which can be attributed to the free cash flow of DKK 60.8m reduced through a reduction of the short-term debt by DKK 39.6m and of the long-term debt by DKK 4.1m and payment of dividend of DKK 11.7m.

Capital structure



Interest-bearing net debt



Management's statement and auditors' report

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 2005 to 30 September 2006.

The annual report is presented in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for the annual reports of listed companies. In our opinion, the accounting policies applied are expedient, thus ensuring that the annual report gives a true and fair view of the Group's and parent's assets and liabilities and financial position as at 30 September 2006, the results of their operations and the consolidated cash flows for the financial year 1 October 2005 to 30 September 2006.

The annual report is submitted for adoption by the Annual General Meeting.

Ballerup, 30 November 2006

Executive Board	**Board of Directors**		
K.E. Birk President & CEO	N.E. Nielsen Chairman	Bjørn Ragle	Jørgen Hartzberg
	Anne-Marie Jensen	Torben Ladegaard	Hanne-Merete Lassen
	Kirsten Søndersted-Olsen	John Stær	

Auditors' report prepared by the company's independent auditors

To the shareholders of Ambu A/S

We have audited the annual report of Ambu A/S for the financial year 1 October 2005 to 30 September 2006, which is presented in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for the annual reports of listed companies. The annual report is the responsibility of the company's management. Our responsibility is to express an opinion on the annual report based on our audit.

Basis of opinion

We conducted our audit in accordance with Danish accounting standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual report. An audit also includes assessing the accounting policies applied and significant estimates made by the management, as well as evaluating the overall presentation of the annual report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any qualifications.

Opinion

In our opinion, the annual report gives a true and fair view of the Group's and parent's assets and liabilities and financial position as at 30 September 2006, the results of their operations and the cash flows for the financial year 1 October 2005 to 30 September 2006 in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for the annual reports of listed companies.

Copenhagen, 30 November 2006

KPMG C. Jespersen Statsautoriseret Revisionsinteressentskab	Grant Thornton Statsautoriseret Revisionsaktieselskab
J. Skovbæk Johansen State-Authorised Public Accountant	Sv. Ørjan Jensen State-Authorised Public Accountant

Accounting policies

Ambu A/S is a public limited company domiciled in Denmark. The annual report for the period 1 October 2005 to 30 September 2006 comprises the consolidated financial statements of Ambu A/S and its subsidiaries (the Group) as well as separate financial statements of the parent.

The 2005/06 annual report of Ambu A/S is presented in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for the annual reports of listed companies, cf. the disclosure requirements of the Copenhagen Stock Exchange for the annual reports of listed companies and the Danish executive order on IFRS adoption *(IFRS-bekendtgørelsen)* issued in accordance with the Danish Financial Statements Act *(Årsregnskabsloven).*

This annual report is the first annual report to be prepared in accordance with IFRS. Upon transition, IFRS 1 concerning first-time adoption of IFRS has been applied.

Basis of preparation

The annual report is presented in DKK rounded off to the nearest DKK 1,000.

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 sales costs.

The accounting policies described below have been applied consistently in the financial year and for the comparative figures.

Changes in accounting policies

Due to the transition to IFRS, the accounting policies applied by the Group and the parent have been changed in a small number of areas.

The accounting effect of the transition to IFRS is described in note 26.

Description of accounting policies

Consolidated financial statements

The consolidated financial statements comprise the parent, 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 a return or other advantages from the activities of such enterprises. A controlling influence is usually obtained by owning or controlling, directly or indirectly, more than 50% of the voting rights or otherwise controlling the enterprise in question.

Enterprises in which the Group has a considerable, but not controlling, influence are considered to be associates. A considerable influence is obtained by owning or controlling, directly or indirectly, more than 20% and less than 50% of the voting rights.

Jointly managed enterprises are considered to be joint ventures.

The consolidated financial statements consolidate the financial statements of the parent and its subsidiaries, prepared in accordance with the accounting policies of the Group and eliminating intra-group income and expenditure, shareholdings, balances and dividends as well as realised and unrealised proceeds from intra-group transactions. Unrealised proceeds from transactions with associates are eliminated in proportion to the Group's ownership interest in the enterprises. Unrealised losses are eliminated in the same way as unrealised proceeds to the extent that no impairment exists.

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

Jointly managed companies are recognised according to similar principles upon pro rata consolidation and pro rata elimination.

Not all financial statements of subsidiaries are audited by the parent's auditors or their international associates. Group reporting and the audit thereof are performed in accordance with guidelines laid down by the parent and its auditors.

Business combinations
Newly acquired or newly established enterprises are included in the consolidated financial statements as from the date of acquisition. Divested or closed-down enterprises are recognised in the consolidated income statement up until the date of divestment. Comparative figures are not restated for newly acquired enterprises. Discontinued activities are presented separately, cf. below.

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 acquisition date. 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 that occurred on or after 1 October 2004, 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 a functional currency other 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. Negative balances (negative goodwill) are recognised in the income statement at the date of acquisition.

For business combinations that occurred before 1 October 2004, the accounting classification of the business combination has been maintained in accordance with the previous accounting policies. The accounting treatment of business combinations that occurred before 1 January 2004 has not been restated in the opening balance sheet as at 1 October 2004. Consequently, goodwill as at 1 January 2004 has been recognised on the basis of the cost recognised in accordance with the previous accounting policies (The Danish Financial Statements Act *(Årsregnskabsloven)* and Danish accounting standards) less amortisation and impairment losses up until 30 September 2004. After 1 October 2004, goodwill is not amortised. Goodwill recognised in the opening balance sheet has been tested for impairment as at 1 October 2004.

The cost of an enterprise consists of the fair value of the agreed consideration plus costs directly attributable to the acquisition. If parts of the consideration are subject to future events, such parts are recognised in the cost to the extent that the events are likely to occur and the consideration can be measured reliably.

Proceeds or losses from the divestment or closing-down of subsidiaries and associates are calculated as the difference between the selling price or the closing-down amount and the carrying amount of net assets, including goodwill, at the time of divestment as well as costs related to the divestment or closedown. In so far as goodwill from enterprises acquired before 1 January 2002 has been amortised immediately and directly in equity, the carrying amount of goodwill is DKK 0 at the time of divestment.

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.

Transactions in foreign currencies are translated to DKK using the exchange rate applicable at the transaction date.

Receivables, liabilities 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 liability occurred or the exchange rate stated in the most recent annual report is recognised in the income statement under financial items.

On recognition of foreign subsidiaries, 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 ex-

change 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 directly in equity under a separate reserve for translation adjustments.

Translation adjustment of balances which are considered to be part of the total net investment in foreign enterprises are recognised directly in equity under a separate reserve for translation adjustments in the consolidated financial statements and under financial items in the income statement of the parent.

Derivative financial instruments are recognised as from the transaction date and are measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and other payables, respectively. 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, hedges changes in the value of the hedged item, are recognised in the income statement under a separate reserve for hedging transactions 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 equity 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 under financial items in the income statement.

Income statement

Revenue from the sale of goods is recognised in the income statement, provided that delivery and passing of risk to the buyer has taken place before year-end, 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 comprise costs incurred in generating the revenue for the year. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries, rent and leases as well as depreciation and impairment of production plant.

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

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 administrative staff, office premises and office expenses, as well as depreciation and impairment losses.

Other operating income and expenses comprise items of a secondary nature as regards the activities of the enterprises, including proceeds and losses from the ongoing disposal of intangible assets and property, plant and equipment as well as public grants. Proceeds and losses from the disposal of intangible assets and property, plant and equipment are calculated as the selling price less sales costs and the carrying amount at the time of disposal.

Financial income and expenses comprise interest, gains and losses on securities, write-downs of payables and transactions in foreign currencies, amortisation of financial assets and liabilities, including finance lease commitments, as well as supplementary payments and allowances under the on-account tax scheme etc. Realised and unrealised gains and losses on derivative financial instruments which cannot be classified as hedging agreements are also included. Dividend from investments in subsidiaries and jointly managed enterprises is recognised as income in the income statement of the parent in the financial year in which the dividend is declared.

Tax on profit or loss 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 directly in equity with the portion attributable to amounts recognised directly in equity.

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 as cost in the balance sheet as described under "Business combinations". Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised.

The carrying amount of goodwill is allocated to the cash-generating units of the Group at the date of acquisition. The determination of cash-generating units is carried out in accordance with the management structure and internal financial management. Due to the integration of acquired enterprises in the existing Group, the management assesses that the lowest level for cash-generating units to which the carrying amount of goodwill can be allocated is the Group as a whole.

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.

Recognised development costs are measured at cost less accumulated amortisation and impairment losses. The cost comprises salaries and other costs 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 agreement period and the useful life 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.

Intangible assets with an indefinable useful life are, however, not amortised, but are subject to an annual impairment test.

Property, plant and equipment

Land and buildings, investment properties, technical plant and machinery and other plants, fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The cost comprises the acquisition price and any costs directly related 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	25 years
Building installations	10 years
Technical plant and machinery	2-10 years
Other plants, 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 losses, 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 thereafter as a change in the accounting estimation.

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.

Investments in subsidiaries and jointly managed enterprises are measured at cost in the financial statements of the parent. 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.

The cost is reduced by the amount of dividend received which exceeds the accumulated earnings after the date of acquisition.

Impairment loss in respect of non-current assets

Goodwill and intangible assets with indefinable useful lives are 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 provided that 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.

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 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, sales 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 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 are measured at the lower of cost calculated according to the FIFO principle and net realisable value.

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

The cost of manufactured goods and work in progress comprise the cost of raw materials, consumables, direct labour costs and production overheads. The net realisable value is calculated as the sales amount less costs of completion and costs necessary to make the sale.

Receivables are measured at amortised cost less individual write-downs.

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.

On-account dividend is recognised as a liability at the time of decision-making.

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 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 translation adjustments
Reserve for 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 translation adjustments was zeroed on 1 October 2004 in accordance with IFRS 1.

Employee contributions

Pension obligations and similar long-term 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 companies are recognised in the income statement in the period during which such contributions are earned, and payments due are recognised in the balance sheet under other payables.

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

Employee shares
When Ambu Group employees are given the opportunity to subscribe for shares at a price below the market price, the favourable element is recognised as an expense under staff expenses. The counter item is recognised directly in equity. The favourable element is calculated at the time of subscription as the difference between the fair value and the subscription price of the shares subscribed for.

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 tax paid on account.

Deferred tax is measured using the balance sheet liability method on the basis of all temporary differences between the carrying amount and tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes. 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 intra-group profits and losses.

Deferred tax is measured on the basis of the taxation rules and tax rates which, pursuant to the legislation in force on the balance sheet date, will apply in the individual countries at the time 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 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 such liability.

Warranty obligations 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

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.

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 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.

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

Assets held for sale comprise non-current assets held for sale. Assets held for sale are measured at the lower of carrying amount at the time of classifying the asset as "held for sale" and fair value less sales costs. Assets are not depreciated and amortised as from the time when they are classified as "held for sale".

Impairment losses arising in connection with the first classification as "held for sale" and gains and losses from the subsequent measurement to the lower of carrying amount and fair value less sales costs are recognised in the income statement under other operating income and expenses. Gains and losses are specified in the notes.

Assets and liabilities related thereto are recognised as separate items in the balance sheet, and the main items are specified in the notes.

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 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 and corporate income tax paid.

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 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 comprise changes to the size and 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 comprise cash. 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.

Segment information

Information is provided about business segments, which is the Group's primary segmentation format, and about geographical markets – the secondary format. The segments follow the risks of the Group as well as the management structure and internal financial management. The segment information has been prepared in accordance with the accounting policies of the Group.

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.

Ratios

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

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

Income statement

1 October - 30 September

DKK '000	Note	Group 2005/06	Group 2004/05	Parent 2005/06	Parent 2004/05
Revenue	1	715,861	653,908	504,827	494,380
Production costs	2	(348,510)	(312,971)	(347,373)	(336,186)
Gross profit		**367,351**	**340,937**	**157,454**	**158,194**
Sales costs	2	(147,394)	(143,941)	(36,569)	(37,680)
Development costs	2	(27,168)	(21,066)	(27,168)	(20,957)
Management and administration	2, 3	(108,654)	(105,473)	(57,607)	(56,224)
Other operating income		0	321	0	321
Other operating expenses	20	(1,469)	(2,500)	(1,455)	(3,061)
Operating profit (EBIT)		**82,666**	**68,278**	**34,655**	**40,593**
Financial income	4	282	1,074	887	606
Financial expenses	5	(12,642)	(8,700)	(12,183)	(7,836)
Profit before tax (PBT)		**70,306**	**60,652**	**23,359**	**33,363**
Tax	6	(21,891)	(15,277)	(6,130)	(6,319)
NET PROFIT FOR THE YEAR		**48,415**	**45,375**	**17,229**	**27,044**
Distribution of profit					
Proposed dividend for the year		17,680	11,786		
Retained earnings		30,735	33,589		
		48,415	**45,375**		
Profit per share in DKK	10				
Earnings per share (EPS)		4	4		
Diluted earnings per share (EPS-D)		4	4		

Balance sheet

30 September

Assets		Group		Parent	
DKK '000	Note	30.09.06	30.09.05	30.09.06	30.09.05
Non-current assets					
Intangible assets	8				
Completed development projects		40,310	28,507	40,310	28,507
Rights		0	0	0	0
Goodwill		121,134	121,134	121,134	121,134
Development projects in progress		5,766	10,463	5,766	10,463
		167,210	**160,104**	**167,210**	**160,104**
Property, plant and equipment	9				
Investment property		3,535	3,819	0	0
Land and buildings		74,453	61,519	39,490	42,706
Plant and machinery		66,940	69,733	44,512	49,921
Other plants, fixtures and fittings, tools and equipment		21,682	14,598	15,455	8,220
Prepayments and plants under construction		10,970	32,126	8,912	16,204
		177,580	**181,795**	**108,369**	**117,051**
Other non-current assets					
Investments in subsidiaries	7	-	-	61,886	61,886
Receivables from subsidiaries		-	-	5,022	5,022
Investments in jointly managed enterprise	7	-	-	4,561	6,016
Deferred tax asset	13	2,634	2,321	0	0
		2,634	**2,321**	**71,469**	**72,924**
Total non-current assets		**347,424**	**344,220**	**347,048**	**350,079**
Current assets					
Inventories					
Inventories	11	124,435	134,510	47,331	55,819
Receivables	12				
Trade receivables		179,863	157,512	44,115	37,077
Receivables from subsidiaries		-	-	136,810	156,222
Receivables from jointly managed enterprise		-	-	0	2,211
Other receivables		10,154	5,714	1,934	1,399
Prepaid corporate income tax	14	793	703	0	806
Prepayments		0	6,740	0	1,243
		190,810	**170,669**	**182,859**	**198,958**
Cash and cash equivalents		15,066	9,760	0	0
Property held for sale	7, 20	0	10,589	0	0
Total current assets		**330,311**	**325,528**	**230,190**	**254,777**
TOTAL ASSETS		**677,735**	**669,748**	**577,237**	**604,856**

Balance sheet

30 September

Liabilities		Group		Parent	
DKK '000	Note	30.09.06	30.09.05	30.09.06	30.09.05
Equity					
Share capital		117,864	117,864	117,864	117,864
Reserve for hedging transactions		(37)	(1,221)	(37)	(1,221)
Reserve for translation adjustments		548	4,840	-	-
Proposed dividend		17,680	11,786	17,680	11,786
Retained earnings		255,013	224,231	163,394	163,798
Total equity	10	**391,068**	**357,500**	**298,901**	**292,227**
Liabilities					
Long-term liabilities					
Credit institutions	15	73,703	75,900	72,048	74,050
Provisions for deferred tax	13	12,207	6,845	17,659	14,993
Short-term liabilities					
Current portion of long-term liabilities	15	29,994	26,974	29,994	26,129
Bank debt		67,613	107,199	55,984	87,293
Accounts payable		33,654	29,471	24,576	23,991
Amounts owed to subsidiaries		-	-	46,155	47,819
Amounts owed to jointly managed enterprise		-	-	3,908	0
Corporate income tax	14	9,604	0	1,994	0
Other payables		59,892	65,859	26,019	38,354
Total liabilities		**286,667**	**312,248**	**278,337**	**312,629**
TOTAL LIABILITIES		**677,735**	**669,748**	**577,231**	**604,856**
Charges	16				
Operating leases	17				
Related parties	18				
Forward exchange contracts and options	19				
Other operating expenses	20				
Contingent liabilities	21				
Non-cash transactions	22				
Estimates made by the management	23				
Subsequent events	24				
New accounting regulation	25				
Effect of transition to IFRS	26				

Cash flow statement

1 October - 30 September

		Group		Parent	
DKK '000	Note	2005/06	2004/05	2005/06	2004/05
Net profit for the year		48,415	45,376	17,229	27,044
Adjustments	A	77,939	60,062	48,765	43,316
Changes in working capital	B	(7,515)	(44,680)	15,919	(38,692)
Cash flows from operating activities before financial items		**118,839**	**60,758**	**81,913**	**31,668**
Interest income and similar items		282	1,073	887	606
Interest expenses and similar items		(12,642)	(8,700)	(12,183)	(7,836)
Cash flows from ordinary operating activities		**106,478**	**53,131**	**70,617**	**24,438**
Corporate income tax paid		(7,755)	(13,005)	(1,124)	(1,272)
Cash flows from operating activities		**98,723**	**40,126**	**69,493**	**23,166**
Purchase of non-current assets	22	(40,990)	(58,329)	(28,485)	(30,245)
Sale of non-current assets		3,108	3,661	177	1,036
Cash flows from investing activities		**(37,882)**	**(54,668)**	**(28,308)**	**(29,209)**
Free cash flow		**60,841**	**(14,542)**	**41,185**	**(6,043)**
Repayment of long-term debt		(4,154)	0	(2,002)	(23,028)
Arrangement of mortgage debt	22	0	(25,838)	0	0
Changes in short-term bank debt		(39,586)	54,132	(27,444)	40,810
Dividend paid		(11,739)	(11,740)	(11,739)	(11,739)
Cash flows from financing activities		**(55,479)**	**16,554**	**(41,185)**	**6,043**
Changes in cash and cash equivalents		**5,362**	**2,012**	**0**	**0**
Cash and cash equivalents, beginning of year		**9,760**	**7,748**	**0**	**0**
Translation adjustments, cash and cash equivalents		(56)	0	0	0
Cash and cash equivalents, end of year		**15,066**	**9,760**	**0**	**0**
Note A: Adjustments					
Depreciation and amortisation		42,219	34,658	29,884	27,267
Write-down in jointly managed enterprise		1,469	2,500	1,455	2,500
Interest and similar items, net		12,360	7,627	11,296	7,230
Tax on profit for the year		21,891	15,277	6,130	6,319
		77,939	**60,062**	**48,765**	**43,316**
Note B: Changes in working capital					
Changes in inventories		6,606	(28,897)	8,488	(17,128)
Changes in receivables		(13,276)	(21,011)	21,623	3,136
Changes in balances with group companies		-	-	(2,631)	(27,281)
Changes in accounts payable etc.		(845)	5,228	(11,561)	2,581
		(7,515)	**(44,680)**	**15,919**	**(38,692)**

Statement of changes in equity

Group

DKK '000	Share capital	Share premium	Reserve for hedging transactions	Reserve for translation adjustments	Retained earnings	Proposed dividend	Total
Equity as at 1 October 2004	**58,932**	**108,841**	**-**	**-**	**140,580**	**11,786**	**320,139**
Effect of change in accounting policies upon transition to IFRS	-	-	94	-	106	-	200
Equity as at 1 October 2004	**58,932**	**108,841**	**94**	**-**	**140,686**	**11,786**	**320,339**
Net profit for the year					45,375		45,375
Value adjustment, Non-settled forw. exch. contracts			(1,790)				(1,790)
Translation adjustment, Foreign subsidiaries				4,840			4,840
Tax on hedging transactions			475				475
Total income	**-**	**-**	**(1,315)**	**4,840**	**45,375**	**-**	**48,900**
Capital increase	58,932	(58,932)					-
Transferred		(49,909)			49,909		-
Distributed dividend						(11,786)	(11,786)
Dividend, treasury shares					47		47
Sale of treasury shares							-
Proposed dividend					(11,786)	11,786	-
Equity as at 30 September 2005	**117,864**	**-**	**(1,221)**	**4,840**	**224,231**	**11,786**	**357,500**
Net profit for the year					48,415		48,415
Value adjustment, Non-settled forw. exch. contracts			1,644				1,644
Translation adjustment, Foreign subsidiaries				(4,292)			(4,292)
Tax on hedging transactions			(460)				(460)
Total income	**-**	**-**	**1,184**	**(4,292)**	**48,415**	**-**	**45,307**
Distributed dividend						(11,786)	(11,786)
Dividend, treasury shares					47		47
Sale of treasury shares							-
Proposed dividend					(17,680)	17,680	-
Equity as at 30 September 2006	**117,864**	**-**	**(37)**	**548**	**255,013**	**17,680**	**391,068**

Statement of changes in equity

Parent

DKK '000	Share capital	Share premium	Reserve for hedging transactions	Net revaluation according to the equity method	Retained earnings	Proposed dividend	Total
Equity as at 1 October 2004	**58,932**	**108,841**	**-**	**34,211**	**106,369**	**11,786**	**320,139**
Effect of change in accounting policies upon transition to IFRS	-	-	94	(34,211)	(12,728)	-	(46,845)
Equity as at 1 October 2004	**58,932**	**108,841**	**94**	**-**	**93,641**	**11,786**	**273,294**
Net profit for the year					27,044		27,044
Value adjustment, Non-settled forw. exch. contracts			(1,790)				(1,790)
Translation adjustment, Foreign subsidiaries					4,943		4,943
Tax on hedging transactions			475				475
Total income	**-**	**-**	**(1,315)**	**-**	**31,987**	**-**	**30,672**
Capital increase	58,932	(58,932)					-
Transferred		(49,909)			49,909		
Distributed dividend						(11,786)	(11,786)
Dividend, treasury shares					47		47
Sale of treasury shares							-
Proposed dividend					(11,786)	11,786	-
Equity as at 30 September 2005	**117,864**	**-**	**(1,221)**	**-**	**163,795**	**11,786**	**292,227**
Net profit for the year				-	17,229		17,229
Value adjustment, Non-settled forw. exch. contracts			1,644				1,644
Tax on hedging transactions			(460)				(460)
Total income	**-**	**-**	**1,184**	**-**	**17,229**	**-**	**18,413**
Capital increase							-
Distributed dividend						(11,786)	(11,786)
Dividend, treasury shares					47		47
Sale of treasury shares							-
Proposed dividend					(17,680)	17,680	-
Equity as at 30 September 2006	**117,864**	**-**	**(37)**	**-**	**163,394**	**17,680**	**298,901**

Notes

	Group		
DKK '000	2005/06	2004/05	
Note 1. Revenue			
Geographical segments			
Europe	430,792	400,677	
North America	219,414	191,737	
Other markets	65,655	61,494	
Total revenue	**715,861**	**653,908**	

	Group 2005/06		Group 2004/05	
DKK '000	Segment assets	Investm. in non-current assets	Segment assets	Investm. in non-current assets
Europe	435,160	17,592	429,405	14,381
North America	92,130	179	106,712	1,454
Other markets	150,445	15,838	133,631	27,010
	677,735	**33,609**	**669,748**	**42,844**

Transactions between segments are conducted at arm's length.

	Group		Parent	
DKK '000	2005/06	2004/05	2005/06	2004/05
Note 2. Staff expenses and depreciation/amortisation				
Staff expenses are included in function costs as follows:				
Production costs	99,394	108,409	79,452	92,576
Sales costs	87,753	86,261	18,403	19,690
Development costs	15,585	12,436	14,550	11,522
Management and administration	65,473	56,257	38,668	32,525
Total staff expenses	**268,205**	**263,363**	**151,072**	**156,313**
Staff expenses comprise:				
Wages and salaries	238,202	232,391	137,072	140,184
Remuneration of the Executive Board	4,280	3,337	4,280	3,337
Remuneration of the Board of Directors	975	1,075	975	1,075
Pension	8,220	10,028	6,534	8,647
Social security costs	16,527	16,531	2,211	3,070
Total staff expenses	**268,205**	**263,363**	**151,072**	**156,313**
Average number of employees	1,221	1,280	331	358

The Ambu Group only has defined contribution plans, under which Ambu must pay a specific contribution. In connection with the defined contribution plans, the Group does not carry the risk pertaining to future developments in interest rates, inflation, mortality and disablement rates.

	Group		Parent	
DKK '000	2005/06	2004/05	2005/06	2004/05
Note 2. Staff expenses and depreciation/amortisation, continued				
The amortisation, depreciation (and impairment) of intangible assets and property, plant and equipment are included in function costs as follows:				
Production costs	25,889	22,319	17,633	16,751
Sales costs	835	863	107	77
Development costs (intangible assets)	9,050	6,922	9,050	6,922
Development costs (property, plant and equipment)	432	1,208	432	1,208
Management and administration	4,919	3,668	2,919	1,630
Total depreciation, amortisation and impairment	**41,125**	**34,979**	**30,140**	**26,587**
Note 3. Fee to auditors appointed by the Annual General Meeting				
Total fee, KPMG	1,532	1,272	710	616
Total fee, Grant Thornton	100	97	100	97
Total fee, others	642	798	0	0
Total fees	**2,274**	**2,167**	**810**	**713**
Share of fee for non-audit services, KPMG	494	267	285	201
Share of fee for non-audit services, others	291	461	0	0
Note 4. Financial income				
Interest income from loans to subsidiaries	0	0	887	0
Interest income	282	835	0	368
Foreign exchange gain, net	0	239	0	238
	282	**1,074**	**887**	**606**
Note 5. Financial expenses				
Interest expenses	9,206	8,398	8,507	7,836
Foreign exchange loss, net	3,436	302	3,676	0
	12,642	**8,700**	**12,183**	**7,836**

Notes

DKK '000	Group 2005/06	Group 2004/05	Parent 2005/06	Parent 2004/05
Note 6. Tax on profit for the year				
Current tax	17,829	12,601	4,399	3,894
Adjustment, previous years	(819)	(979)	(935)	(1,242)
Deferred tax	4,881	3,866	2,666	3,878
Lowering of the Danish income tax rate from 30% to 28%	0	(211)	0	(211)
Total tax on profit for the year	**21,891**	**15,277**	**6,130**	**6,319**
Tax on profit for the year comprises:				
Tax liability of 28% on profit for the year	19,686	16,754	6,541	9,342
Adjustment, previous years	(819)	(979)	(935)	(979)
Adjustment of calculated tax in foreign group enterprises in relation to 28%	2,500	(1,007)	0	0
Lowering of the Danish income tax rate	0	(211)	0	(211)
Tax effect of:				
Other non-deductible costs	524	720	524	0
Other non-taxable income	0	0	0	(1,833)
	21,891	**15,277**	**6,130**	**6,319**

Notes

Note 7. Investments in the parent

	Shares, subsidiaries	Jointly managed enterprise
Acquisition price, beginning of year	61,886	9,077
Disposals	0	0
Acquisition price, end of year	**61,886**	**9,077**
Value adjustment, beginning of year	0	(3,061)
Revaluation for the year	0	0
Impairment losses for the year	0	(1,455)
Translation adjustment	0	0
Value adjustment, end of year	**0**	**(4,516)**
Carrying amount as at 30 September	**61,886**	**4,561**

Investments in subsidiaries

Subsidiaries Wholly-owned	Reg. office	Estab.	Share capital, nominal
Ambu Inc.	USA	1983	USD 250,000
Ambu S.A.R.L	France	1989	EUR 170,245
Ambu Ltd.	UK	1991	GBP 1,000
Ambu (Deutschland) GmbH	Germany	1992	EUR 51,129
Ambu S.r.l	Italy	1992	EUR 68,200
Ambu S.L	Spain	1993	EUR 67,313
Ambu Sdn. Bhd.	Malaysia	1995	MYR 2,400,000
Ambu (China) Ltd.	China	1998	RMB 6,623,760
Ambu Japan KK	Japan	2000	JPY 20,000,000
Ambu of 2003 Sdn. Bhd.	Malaysia	2003	MYR 1,300,000
Ejendomsselskabet Sdr. Ringvej 49, equity interest of 50%	Denmark	2001	DKK 18,000,000

Jointly managed enterprise

DKK '000	2005/06	2004/05
Revenue	0	0
Net loss for the year	(1,455)	(3,061)
Current assets	4,570	8,282
Short-term liabilities	9	2,266

The property was sold in 2005/06, and Ejendomsselskabet Sdr. Ringvej 49 will be wound up in 2006/07. Prior to the sale, impairment was made in 2005/06 of Ejendomsselskabet Sdr. Ringvej 49 following an impairment test. The joint management is based on a shareholder's agreement.

Notes

Note 8. Intangible assets

Group 2005/06

DKK '000	Completed development projects	Rights	Goodwill	Development projects in progress	Total
Acquisition price, beginning of year	39,764	0	121,134	12,529	173,427
Additions in the year	0	0	0	16,156	16,156
Disposals in the year	0	0	0	0	0
Transferred in the year	20,631	0	0	(20,631)	0
Acquisition price, end of year	**60,395**	**0**	**121,134**	**8,054**	**189,583**
Amortisation and impairment losses, beginning of year	11,257	0	0	2,066	13,323
Translation adjustment	0	0	0	0	0
Reversal upon sale	0	0	0	0	0
Impairment losses in the year	0	0	0	222	222
Amortisation in the year	8,828	0	0	0	8,828
Amortisation and impairment losses, end of year	**20,085**	**0**	**0**	**2,288**	**22,373**
Carrying amount, end of year	**40,310**	**0**	**121,134**	**5,766**	**167,210**
Depreciation period	5 years	10 years	-	-	-

Parent 2005/06

Acquisition price, beginning of year	39,764	0	121,134	12,529	173,427
Additions in the year	0	0	0	16,156	16,156
Disposals in the year	0	0	0	0	0
Transferred in the year	20,631	0	0	(20,631)	0
Acquisition price, end of year	**60,395**	**0**	**121,134**	**8,054**	**189,583**
Amortisation and impairment losses, beginning of year	11,257	0	0	2,066	13,323
Reversal upon sale	0	0	0	0	0
Impairment losses in the year	0	0	0	222	222
Amortisation in the year	8,828	0	0	0	8,828
Amortisation and impairment losses, end of year	**20,085**	**0**	**0**	**2,288**	**22,373**
Carrying amount, end of year	**40,310**	**0**	**121,134**	**5,766**	**167,210**
Depreciation period	5 years	10 years	-	-	-

As at 30 September 2006, the management has 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 budgets and the strategy plan for 2006/07 and 2007/08 and on an estimated growth for the period up until and including 2010/2011 as well as on an expected growth of at least 4 per cent in the terminal period. In connection with the discounting, the weighted cost of capital, corresponding to 8 per cent after tax, has been applied.

Impairment tests have been carried out for all development projects. The impairment test gave rise to impairment of development projects in progress of DKK 2.066m in 2004/05 and DKK 0.222m in 2005/06. The impairment can be attributed to the fact that these development projects in progress were closed down during the year.

Notes

Note 8. Intangible assets, continued

Group 2004/05

DKK '000	Completed development projects	Rights	Goodwill	Development projects in progress	Total
Acquisition price, beginning of year	21,091	1,179	127,996	16,034	166,300
Translation adjustment	0	29	0	0	29
Additions in the year	171	0	0	15,314	15,485
Disposals in the year	0	(1,208)	(6,862)	(317)	(8,387)
Transferred in the year	18,502	0	0	(18,502)	0
Acquisition price, end of year	**39,764**	**0**	**121,134**	**12,529**	**173,427**
Amortisation and impairment losses, beginning of year	6,401	959	0	0	7,360
Translation adjustment	0	28	0	0	28
Reversal upon sale	0	(987)	0	0	(987)
Impairment losses in the year	0	0	0	2,066	2,066
Amortisation in the year	4,856	0	0	0	4,856
Amortisation and impairment losses, end of year	**11,257**	**0**	**0**	**2,066**	**13,323**
Carrying amount, end of year	**28,507**	**0**	**121,134**	**10,463**	**160,104**
Depreciation period	5 years	10 years	-	-	-

Parent 2004/05

Acquisition price, beginning of year	21,091	0	121,134	16,034	158,259
Additions in the year	171	0	0	15,314	15,485
Disposals in the year	0	0	0	(317)	(317)
Transferred in the year	18,502	0	0	(18,502)	0
Acquisition price, end of year	**39,764**	**0**	**121,134**	**12,529**	**173,427**
Amortisation and impairment losses, beginning of year	6,401	0	0	0	6,401
Reversal upon sale	0	0	0	0	0
Impairment losses in the year	0	0	0	2,066	2,066
Amortisation in the year	4,856	0	0	0	4,856
Amortisation and impairment losses, end of year	**11,257**	**0**	**0**	**2,066**	**13,323**
Carrying amount, end of year	**28,507**	**0**	**121,134**	**10,463**	**160,104**
Depreciation period	5 years	10 years	-	-	-

Notes

Note 9. Property, plant and equipment

Group 2005/06

DKK '000	Investment property	Land and buildings	Plant and machinery	Other plants, fixtures and fittings, tools and equipment	Prepaym. and plants under construction	Total
Acquisition price, beginning of year	5,843	103,387	187,624	41,611	32,125	370,590
Translation adjustment	(4)	(980)	(794)	(318)	(14)	(2,111)
Additions in the year	0	4,093	10,389	5,247	13,880	33,609
Disposals in the year	0	0	(222)	(4,931)	0	(5,153)
Transferred in the year	0	15,521	8,871	10,631	(35,022)	0
Acquisition price, end of year	**5,839**	**122,020**	**205,867**	**52,239**	**10,970**	**396,935**
Depreciation, beginning of year	2,024	41,868	117,890	27,013	0	188,794
Translation adjustment	(1)	(101)	(250)	(211)	0	(563)
Reversal upon sale	0	0	(33)	(2,012)	0	(2,045)
Depreciation in the year	281	5,801	21,321	5,766	0	33,169
Depreciation, end of year	**2,304**	**47,567**	**138,927**	**30,557**	**0**	**219,355**
Carrying amount, end of year	**3,535**	**74,453**	**66,940**	**21,682**	**10,970**	**177,580**
Of which assets held under finance leases	0	2,236	0	9,091	0	11,327
Depreciation period	10-25 years	10-25 years	2-10 years	3-5 years	-	-

Parent 2005/06

Acquisition price, beginning of year	0	79,150	159,098	26,510	16,204	280,962
Additions in the year	0	0	0	0	12,328	12,328
Disposals in the year	0	0	(10)	(1,180)	0	(1,190)
Transferred in the year	0	119	8,871	10,631	(19,620)	0
Acquisition price, end of year	**0**	**79,269**	**167,959**	**35,961**	**8,912**	**292,100**
Depreciation, beginning of year	0	36,444	109,177	18,290	0	163,911
Reversal upon sale	0	0	(7)	(1,006)	0	(1,013)
Depreciation in the year	0	3,336	14,277	3,221	0	20,834
Depreciation, end of year	**0**	**39,780**	**123,447**	**20,505**	**0**	**183,732**
Carrying amount, end of year	**0**	**39,490**	**44,512**	**15,455**	**8,912**	**108,369**
Of which assets held under finance leases	0	0	0	9,091	0	9,091
Depreciation period	10-25 years	10-25 years	2-10 years	3-5 years	-	-

No contractual obligations concerning the purchase of property, plant and equipment exist.

The investment property in Germany has been recognised at the carrying amount, which is assessed by the company in accordance with the fair value. Ambu must maintain and take out insurance on the property. Both in 2004/05 and 2005/06, rental income of DKK 0.403m was recognised. In 2005/06, direct costs of DKK 0.345m were recognised against DKK 0.331m in 2004/05.

Note 9. Property, plant and equipment, continued

Group 2004/05

DKK '000	Investment property	Land and buildings	Plant and machinery	Other plants, fixtures and fittings, tools and equipment	Prepaym. and plants under construction	Total
Acquisition price, beginning of year	5,827	100,857	171,514	38,187	16,137	332,522
Translation adjustment	16	1,054	1,007	368	65	2,510
Additions in the year	0	332	6,510	2,857	33,145	42,844
Disposals in the year	0	0	(3,619)	(3,667)	0	(7,286)
Transferred in the year	0	1,144	12,212	3,866	(17,221)	0
Acquisition price, end of year	**5,843**	**103,387**	**187,624**	**41,611**	**32,126**	**370,591**
Depreciation, beginning of year	1,733	36,528	100,577	24,150	0	162,988
Translation adjustment	5	112	270	232	0	619
Reversal upon sale	0	0	(1,479)	(2,684)	0	(4,163)
Depreciation in the year	287	5,227	18,523	5,315	0	29,352
Depreciation, end of year	**2,024**	**41,868**	**117,891**	**27,013**	**0**	**188,796**
Carrying amount, end of year	**3,819**	**61,519**	**69,733**	**14,598**	**32,126**	**181,795**
Of which assets held under finance leases	0	2,420	0	1,163	0	3,583
Depreciation period	10-25 years	10-25 years	2-10 years	3-5 years	-	-

Parent 2004/05

Acquisition price, beginning of year	0	78,274	152,361	24,141	15,024	269,800
Additions in the year	0	0	0	0	13,598	13,599
Disposals in the year	0	0	(1,025)	(1,411)	0	(2,436)
Disposals to subsidiaries	0	0	0	0	0	0
Transferred in the year	0	875	7,763	3,780	(12,418)	0
Acquisition price, end of year	**0**	**79,149**	**159,099**	**26,510**	**16,204**	**280,963**
Depreciation, beginning of year	0	33,076	95,348	16,859	0	145,283
Reversal upon sale	0	0	(518)	(1,199)	0	(1,717)
Depreciation in the year	0	3,367	14,348	2,630	0	20,345
Depreciation, end of year	**0**	**36,444**	**109,178**	**18,290**	**0**	**163,911**
Carrying amount, end of year	**0**	**42,705**	**49,921**	**8,220**	**16,204**	**117,051**
Of which assets held under finance leases	0	0	0	1,163	0	1,163
Depreciation period	10-25 years	10-25 years	2-10 years	3-5 years	-	-

Notes

Note 10. Share capital and treasury shares

The share capital as at 30 September 2005 comprises:
Class A shares, ten votes per share, 1,716,000 shares of DKK 10 each.
Class B shares, one vote per share, 10,070,382 shares of DKK 10 each.

	Number of shares		Nominal value (DKK '000)		In % of share capital	
DKK '000	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05
Treasury shares						
1 October	47,320	23,660	237	237	0.40	0.40
Additions, bonus shares	0	23,660				
Disposals	0	0	0	0	0.00	0.00
Treasury shares as at 30 September which are class B shares only	**47,320**	**47,320**	**237**	**237**	**0.40**	**0.40**

	Group	
	2005/06	2004/05
Earnings per share		
Profit for the year (DKK '000)	48,415	45,375
Earnings per DKK 10 share (EPS) in DKK	4	4
Diluted earnings per DKK 10 share (EPS-D) in DKK	4	4

Note 11. Inventories

	Group		Parent	
DKK '000	30.09.06	30.09.05	30.09.06	30.09.05
Raw materials and consumables	39,946	37,848	20,566	16,536
Work in progress	2,823	7,054	319	5,247
Finished goods	81,666	89,608	26,446	34,036
	124,435	**134,510**	**47,331**	**55,819**
Cost of sales for the year	237,557	210,181	255,782	250,759
Inventory write-down				
Write-down as at 1 October	4,470	5,166	1,579	2,295
Translation adjustment	(88)	0	0	0
Additions	2,521	298	0	0
Disposals	(265)	(994)	(265)	(716)
Write-down as at 30 September	**6,638**	**4,470**	**1,314**	**1,579**

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

Notes

Note 12. Receivables

	Group		Parent	
DKK '000	30.09.06	30.09.05	30.09.06	30.09.05
Trade receivables	179,863	157,512	44,115	37,077
Receivables from group enterprises	-	-	136,810	156,222
Other receivables	10,947	13,157	1,934	5,659
Total receivables	**190,810**	**170,669**	**182,859**	**198,958**
Write-down included in the receivables mentioned above	3,961	2,545	2,334	878

Credit risks

Sales of the Group's products to customers worldwide are settled partly by letter of credit or prepayment from distributors, partly on open-account terms. The parent has taken out debtor insurance on all non-public customers who are not covered by letters of credit.

Trade receivables	179,863	157,512	44,115	37,077
Other receivables	10,947	13,157	1,934	5,659
Total maximum credit risks	**190,810**	**170,669**	**46,049**	**42,736**

No concentration of credit risks exists.

Note 13. Provisions for deferred tax

Deferred tax as at 1 October	4,524	(2,022)	14,993	9,274
Translation adjustment	116	(73)	0	0
Deferred tax for the year	4,881	3,866	2,666	3,878
Lowering of the Danish income tax rate from 30 to 28%	0	(211)	0	(211)
Change in respect of previous years	52	2,964	0	2,052
Deferred tax as at 30 September	**9,573**	**4,524**	**17,659**	**14,993**
Deferred tax relates to:				
Intangible assets	7,821	2,752	13,506	10,900
Property, plant and equipment	2,291	2,694	2,238	2,554
Current assets	434	(11)	1,915	1,539
Provisions	0	0	0	0
Liabilities	(196)	(326)	0	0
Tax losses to be carried forward	(777)	(585)	0	0
	9,573	**4,524**	**17,659**	**14,993**
Deferred tax comprises:				
Deferred tax asset	(2,634)	(2,321)	0	0
Deferred tax	12,207	6,845	17,659	14,993

Notes

Note 14. Corporate income tax

DKK '000	Group 30.09.06	Group 30.09.05	Parent 30.09.06	Parent 30.09.05
Corporate income tax payable as at 1 October	(703)	2,980	(806)	341
Translation adjustment	(147)	225	0	0
Paid ( )/received during the year	(7,756)	(13,005)	(1,124)	(1,271)
Adjustment in respect of previous years	(872)	(3,029)	(935)	(3,295)
Tax on equity hedging transactions	460	(475)	460	(475)
Tax on profit for the year	17,829	12,601	4,399	3,894
Net payable ( )/receivable	**8,811**	**(703)**	**1,994**	**(806)**

Note 15. Credit institutions

DKK '000				Group		Parent	
Loan	Maturity	Fixed/floating	Interest	30.09.06	30.09.05	30.09.06	30.09.05
DKK	2014	Fixed	7.1%	2,565	2,908	2,565	2,908
DKK	2014	Fixed	7.1%	1,776	2,013	1,776	2,013
DKK	2014	Fixed	7.1%	3,158	3,579	3,158	3,579
DKK	2014	Floating	3.8%	17,494	19,527	17,494	19,527
DKK	2015	Fixed	6.7%	1,001	1,112	1,001	1,112
DKK	2015	Floating	3.8%	20,000	0	20,000	0
DKK	2018	Floating	4.2%	9,678	10,306	9,678	10,306
EUR	2008	Floating	3.6%	30,000	50,000	30,000	50,000
EUR	2009	Fixed	6.6%	7,533	9,571	7,533	9,571
EUR	2010	Fixed	4.7%	0	475	0	0
DKK	Finance leases	Fixed	4.4%	10,493	3,383	8,838	1,163
Total credit institutions as at 30 September, carrying amount				**103,697**	**102,874**	**102,042**	**100,179**
Effective rate of interest			**4.5%**				
Carrying amount of debt as at 30 September				**104,413**	**103,584**	**102,758**	**100,882**
Of the total debt, DKK 30.297m falls due within 1 year, and DKK 25.259m falls due after 5 years.							
Liabilities relating to finance leases are thus included in debt to credit institutions:							
		0-1 year		2,711	797	2,408	427
		1-5 years		7,782	2,586	6,430	736
		> 5 years		0	0	0	0
Liabilities relating to finance leases as at 30 September				**10,493**	**3,383**	**8,838**	**1,163**

Notes

Note 15. Credit institutions, continued

DKK '000	Group: Minimum lease payments	Group: Interest	Group: Carrying amount	Parent: Minimum lease payments	Parent: Interest	Parent: Carrying amount
Reconciliation						
Financial leases as at 30 September 2006	11,575	1,082	10,493	9,726	888	8,838

The property leased in France carries a preemptive right of purchase. The preemptive right of purchase may be exercised in 2011 at an acquisition price of EUR 1.

Interest rate risks

It is Group policy to hedge material interest rate risks in respect of the Group's loans. Hedging normally takes the form of the conclusion of interest rate swaps, in which connection floating-rate loans are converted into fixed-rate loans.

	Reassessment time/due date				
DKK '000	0-1 year	1-5 years	> 5 years	Total	Effective rate of interest %
2005/06					
Credit institutions, fixed rate	0	25,525	1,001	26,526	5.9
Credit institutions, floating rate	77,172	0	0	77,172	3.6
Interest rate swaps (principal amount), floating-rate part	(67,494)	0	0	(67,494)	4.0
Interest rate swaps (principal amount), fixed-rate part	0	30,000	37,494	67,494	4.1
	9,678	**55,525**	**38,495**	**103,698**	**4.6**
2004/05	**10,306**	**71,929**	**20,639**	**102,874**	**4.6**

Note 16. Charges

Security has been provided for debt to credit institutions in the form of mortgages registered to the mortgagor secured upon property and representing a nominal value of DKK 25.383m and a carrying amount of DKK 39.490m in Denmark.

Note 17. Operating leases

	Group		Parent	
DKK '000	2005/06	2004/05	2005/06	2004/05
Operating leases				
Amounts due within 0-1 year	11,207	9,805	5,469	4,570
Amounts due within 1-5 years	40,524	39,145	19,381	17,281
Amounts due after 5 years	78,914	48,492	59,304	23,902
Total operating leases	**130,644**	**97,442**	**84,155**	**45,753**
Operating leases recognised as expenses in the income statement	12,300	10,074	5,611	5,114

Operating leases have been entered into with Danish and foreign lease companies and with a lease period of up to 15 years, originally being non-terminable on the part of both parties. The leases are normally extendable 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 exercising such option.

Note 18. Related parties

Ambu's related parties include subsidiaries and a jointly managed enterprise, as described in note 7, as well as members of the company's Board of Directors, Executive Board, senior employees and members of their families. Related parties furthermore include enterprises in which the above-mentioned persons have a significant interest.

The Ambu Group has engaged in the following transactions with related parties:

DKK '000	2005/06	2004/05
Sales to subsidiaries	338,863	345,301
Purchases from subsidiaries	110,036	104,378
Legal assistance from Bech-Bruun	831	549

During the year, no transactions, except for intra-group transactions eliminated in the consolidated financial statements and management's remuneration, 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. Such transactions are carried out on the same terms as apply to the other customers and suppliers of the Group.

Long-term loans have been granted by the parent to cover building investments in China and Malaysia. The loans carry market interest.

Surety has been provided to banks in respect of the subsidiaries.

	Group		Parent	
DKK '000	2005/06	2004/05	2005/06	2004/05
Guarantees and security provided in respect of subsidiaries	21,788	26,365	15,680	19,935

Notes

Note 19. Forward exchange contracts and options

For the purpose of hedging the short-term currency risk on its current cash flows, Ambu has laid down a currency policy which focuses on hedging open positions and the estimated net cash flow for the next six months or so.

Reference is made to the section on risk management on page 28.

Hedging of recognised assets and liabilities

Hedging of recognised transactions primarily comprises receivables and liabilities other than provisions denominated in foreign currencies.

2005/06	Payment/ maturity	Receivables	Liabilities	Hedged	Net position
Foreign currency					
USD translated into DKK '000	< 1 year	82,830	(49,627)	(26,419)	6,784
EUR translated into DKK '000	< 1 year	58,181	(2,789)	(7,462)	47,930
GBP translated into DKK '000	< 1 year	2,307	(560)	(1,747)	0
		143,318	**(52,976)**	**(35,628)**	**54,714**

2004/05					
Foreign currency					
USD translated into DKK '000	< 1 year	92,219	(36,896)	(55,323)	0
GBP translated into DKK '000	< 1 year	5,847	(494)	(5,353)	0
		98,066	**(37,390)**	**(60,676)**	**0**

Apart from currency risks in relation to investments in subsidiaries, no material currency risks are incumbent on the balance sheet of the parent. Such currency risks are not hedged.

Hedging of expected future transactions

For the purpose of hedging future cash flows denominated in foreign currencies, primarily comprising the sale of goods, the following contracts have been entered into.

		Gross value		**Contract value**		**Fair value**	
	Payment/ maturity	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05
Forward exchange contracts							
Sale of USD	< 1 year	0	6,796	0	5,129	0	(1,667)
Sale of EUR	< 1 year	0	0	0	0	0	0
Sale of GBP	< 1 year	14,760	3,208	14,708	3,179	(52)	(29)
		14,760	**10,004**	**14,708**	**8,308**	**(52)**	**(1,696)**

Notes

Note 20. Other operating expenses

In both years, other operating expenses comprise an impairment loss on the property situated at Sdr. Ringvej 49 to the net selling price. The property was sold in 2005/06, and the property company will be wound up in 2006/07.

Note 21. Contingent liabilities

Ambu is a party to a small number of cases in Denmark and abroad. The cases are not expected to materially affect the company's financial position.

Note 22. Non-cash transactions

	Group		Parent	
DKK '000	2005/06	2004/05	2005/06	2004/05
Purchase of property, plant and equipment, cf. note 9	33,609	42,844	12,328	13,599
of which assets held under finance leases	8,774	0	8,774	0
Amounts paid concerning the purchase of property, plant and equipment	**24,835**	**42,844**	**3,554**	**13,599**
Proceeds from the arrangement of financial liabilities	9,037	25,838	9,037	0
of which lease debt	9,037	0	9,037	0
Proceeds from the arrangement of financial liabilities	**0**	**25,838**	**0**	**0**

Note 23. Estimates made by the management

The computation of the carrying amount of certain assets and liabilities requires estimates of how future events will affect the value of such assets and liabilities at the balance sheet date. Estimates material to the preparation of financial statements are, among other things, based on the computation of the impairment, useful lives and residual values of non-current assets.

The estimates made are based on assumptions deemed to be reasonable by the management, but which, in the nature of the case, are 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.

The following estimates and related assumptions are deemed by Ambu to be material to the annual report:

- Goodwill
- Development projects

Both areas are described in note 8.

Note 24. Subsequent events

On 1 October 2006, Ambu acquired its former distributor in the Dutch market, Equip Medikey B.V. The name of the company has been changed to Ambu B.V, and the company is wholly owned by Ambu A/S.

The cost is expected, in all materiality, to be attributable to customer relations and goodwill. The cost is expected to be in the region of EUR 0.8m.

Note 25. New accounting regulation

The IASB and the EU have adopted the following new IFRS and IFRIC standards and interpretations, which have not yet become effective for the presentation of the 2005/06 financial statements of Ambu A/S. The standards and interpretations in question are not expected to have any financial effect on the statement of Ambu's results, assets and liabilities or equity in connection with the presentation of the financial statements for 2006/07 and 2007/08, at which time such standards and interpretations will become effective:

IAS 19 revised, IAS 21 revised, IAS 39 revised, IFRS 1 revised, IFRS 4 revised, IFRS 6, IFRS 7 and IFRIC 4-11. IFRIC 8-11 has not yet been adopted by the EU.

Notes

Note 26. Effect of transition to IFRS

As mentioned in the financial report and in the section on accounting policies, as of 2005/06 Ambu A/S and the Ambu Group will prepare their annual reports 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. Consequently, the accounting policies applied by the Group and by the parent have been changed in a number of areas.

In pursuance of IFRS 1, the opening balance sheet as at 1 October 2004 and the comparative figures for 2004/05 have been prepared in accordance with the IFRS/IAS and IFRIC/SIC standards which are mandatory as of 30 September 2006. The opening balance sheet as at 1 October 2004 has been prepared as if these standards and interpretations had always been applied, except for the special transitional and commencement provisions described below.

The accounting effect of the transition to IFRS is as follows:

Group 2004/05

DKK '000	Note	DK GAAP	IFRS effect	IFRS
Group				
Revenue		653,908	0	653,908
Production costs		(312,971)	0	(312,971)
Gross profit		**340,937**	**0**	**340,937**
Sales costs		(143,941)	0	(143,941)
Development costs		(21,066)	0	(21,066)
Management and administration		(105,473)	0	(105,473)
Other operating income	1	0	321	321
Other operating expenses		(2,500)	0	(2,500)
Operating profit before amortisation of goodwill (EBITA)		**67,957**	**321**	**68,278**
Amortisation of goodwill	1	(7,362)	7,362	0
Operating profit (EBIT)		**60,595**	**7,683**	**68,278**
Profit/loss in subsidiaries (before tax)		0	0	0
Profit/loss in associates		0	0	0
Financial income		1,074	0	1,074
Financial expenses		(8,700)	0	(8,700)
Profit before tax (PBT)		**52,969**	**7,683**	**60,652**
Tax		(15,277)	0	(15,277)
NET PROFIT FOR THE YEAR		**37,692**	**7,683**	**45,375**
Intangible assets	1	152,421	7,683	160,104
Property, plant and equipment	2	178,212	3,583	181,795
Other non-current assets		2,321	0	2,321
Inventories		134,510	0	134,510
Receivables		180,783	(10,114)	170,669
Cash and cash equivalents		9,760	0	9,760
Assets held for sale		0	10,589	10,589
Total assets		**658,007**	**11,741**	**669,748**
Equity	1, 2, 3	349,142	8,358	357,500
Long-term liabilities	2, 3	80,159	2,586	82,745
Short-term liabilities	2	228,706	797	229,503
Total liabilities		**658,007**	**11,741**	**669,748**

Notes

Note 26. Effect of transition to IFRS, continued

Parent 2004/05

DKK '000	Note	DK GAAP	IFRS effect	IFRS
Parent				
Revenue		494,380	0	494,380
Production costs		(336,186)	0	(336,186)
Gross profit		**158,194**	**0**	**158,194**
Sales costs		(37,680)	0	(37,680)
Development costs		(20,957)	0	(20,957)
Management and administration		(56,224)	0	(56,224)
Other operating income	1	0	321	321
Other operating expenses	3	0	(3,061)	(3,061)
Operating profit before amortisation of goodwill (EBITA)		**43,333**	**(2,740)**	**40,593**
Amortisation of goodwill	1	(7,362)	7,362	0
Operating profit (EBIT)		**35,971**	**4,622**	**40,593**
Profit in subsidiaries (before tax)	3	27,289	(27,289)	0
Loss in associates	3	(3,061)	3,061	0
Financial income		606	0	606
Financial expenses		(7,836)	0	(7,836)
Profit before tax (PBT)		**52,969**	**(19,606)**	**33,363**
Tax	3	(15,277)	8,958	(6,319)
NET PROFIT FOR THE YEAR		**37,692**	**(10,648)**	**27,044**
Intangible assets	1	152,421	7,683	160,104
Property, plant and equipment	2	115,889	1,163	117,051
Other non-current assets	3	129,849	(56,925)	72,924
Inventories		55,819	0	55,819
Receivables		198,482	475	198,957
Cash and cash equivalents		0	0	0
Total assets		**652,460**	**(47,605)**	**604,856**
Equity	1, 3	349,142	(56,915)	292,227
Long-term liabilities	2, 3	80,159	8,884	89,043
Short-term liabilities	2	223,159	427	223,586
Total liabilities		**652,460**	**(47,605)**	**610,610**

Notes

Note 26. Effect of transition to IFRS, continued

1) Ambu has applied IFRS 3 as of 1 October 2004. Consequently, goodwill is not amortised after 1 October 2004. Previously, goodwill was amortised over the useful life of the asset. For business combinations that occurred before 1 October 2004, the carrying amount of goodwill calculated in accordance with the previous accounting policies of the Group is used as the cost of goodwill in the opening balance sheet prepared in accordance with IFRS. Upon the transition to IFRS on 1 October 2004, the recoverable amount exceeds the carrying amount of goodwill. Moreover, reclassification has been made of other operating income relating to the divestment of products.

2) According to IFRS, finance leases concluded by the parent on office equipment and, in France, on a building, are considered to be non-current assets and long-term liabilities.

3) Investments in subsidiaries and the jointly managed enterprise are measured at cost in the balance sheet of the parent. Up until now, investments have been measured in accordance with the equity method. In the balance sheets as at 1 October 2004 and 30 September 2004, respectively, value adjustments are reversed from cost to equity value, including the carrying amount of goodwill. In the profit for 2004/05, part of the profit for the year distributed on the results of subsidiaries and tax thereon is reversed.

4) Translation adjustments in connection with the translation of income statements and balance sheets of foreign entities are, as previously, recognised directly in equity under a separate reserve for translation adjustments. As of 1 October 2004, the Group has, in accordance with IFRS 1, chosen to zero this reserve, meaning that only translation adjustments made after 1 October 2004 will be recognised under a separate reserve.

5) Dividend received from subsidiaries and jointly managed enterprises will, as of 2004/05, be included in the income statement of the parent under financial income.

6) The effect of deferred tax due to the changed accounting policies has been recognised.

7) In connection with the transition to IFRS, the Group has specified the functional currency for all reporting entities. As a result of the Group having previously applied the exemption clause in RV 9 concerning foreign currency translation for integrated entities, this change in accounting policies does not in itself result in any financial effect.

8) The provisions of IAS 32 and IAS 39 concerning the accounting treatment of financial instruments have not been applied until 1 October 2005 in accordance with the transitional provisions of these standards in IFRS 1.

Reclassifications:

In addition to the changed accounting policies, the following reclassifications and changes to the format, including a restatement of the comparative figures for 2004/05, have been made:

- Assets are presented as non-current or current assets, where previously, assets were presented as fixed or current assets.
- Deferred tax assets are classified as non-current assets. Previously, deferred tax assets were classified as current assets.
- Deferred tax liabilities and provisions are no longer presented as a separate main group (provisions) in the balance sheet, but are included under long-term and short-term liabilities.
- Assets held for sale are recognised separately.

The reclassifications did not affect the results for the year or equity.

Financial highlights and key figures

The comparative figures stated in the overview of financial highlights for 2001/02-2003/04 have not been restated according to the changed accounting policies and thus correspond to the financial highlights stated in the 2004/05 annual report. The corrections required if the comparative figures stated in the overview of financial highlights for 2001/02-2003/04 were to be restated in accordance with IFRS, correspond to the corrections made to the opening balance sheet as at 1 October 2004, cf. the description above.

Cash flow statement

According to IFRS, finance leases concerning non-current assets are regarded as non-cash investments, where, according to the previous accounting policies, such leases were included in cash flows from investing and financing activities. Non-cash transactions concerning finance leases are shown in note 22.

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