Annual report 2012/13

Ambu
Ideas that work for life

Contents

Management's review

Financial statements

About Ambu
Since 1937, breakthrough ideas have driven our work to bring efficient healthcare solutions to life within our fields of excellence: Anaesthesia, Patient Monitoring & Diagnostics and Emergency Care. Millions of patients and healthcare professionals worldwide depend and rely on the functionality and performance of our products. We are dedicated to improving patient safety and determined to advance single-use devices. The manifestations of our efforts range from early inventions like the Ambu bag and the legendary Blue Sensor® electrodes to our latest landmark solutions such as the aScope™ – the world's first single-use videoscope. Our commitment to bringing new ideas and superior service to our customers has made Ambu one of the most recognised medico-technical companies in the world. Our head office is situated in Ballerup near Copenhagen. Ambu has approximately 2,200 employees in Europe, North America, Asia and the Pacific region. For further information, visit www.ambu.com.

Financial highlights

DKKm		2008/09	2009/10	2010/11	2011/12	2012/13
Key figures	Revenue	877	940	983	1,045	1,383
	Profit before interest, tax, depreciation and amortisation (EBITDA), before special items	167	179	201	204	235
	Operating profit (EBIT) before special items	110	118	144	151	161
	Operating profit (EBIT)	76	116	111	145	100
	Net financials	-3	0	-13	-1	-30
	Profit before tax	74	116	98	144	70
	Net profit for the year	56	84	69	110	48
	Depreciation, total	37	39	38	37	43
	Amortisation, total	19	22	18	16	31
	Total assets	782	876	889	949	1,891
	Equity	480	562	580	665	667
	Net interest-bearing debt	121	110	105	57	721
	Cash flows from operating activities	113	99	102	158	122
	Cash flows from investing activities before company acquisitions	-55	-68	-38	-47	-54
	Free cash flows before company acquisitions	58	31	64	111	68
	Company acquisitions	41	-	-	31	704
	Average no. of employees	1,608	1,728	1,637	1,683	1,984
Ratios	Gross margin, %	52.5	54.3	55.5	54.5	49.1
	Rate of cost, %	40.0	41.8	40.9	40.1	37.5
	EBITDA margin before special items, %	19.0	19.0	20.4	19.5	17.0
	EBIT margin before special items, %	12.5	12.6	14.6	14.4	11.6
	Return on equity, %	12.0	16.1	12.1	17.7	7.2
	NIBD/EBITDA before special items	0.7	0.6	0.5	0.3	3.1
	Equity ratio, %	61.4	64.2	65.2	70.1	35.3
	Investments, % of revenue	6.3	7.2	3.9	4.5	3.9
	Working capital, % of revenue	24.9	30.4	32.0	33.9	30.2
	ROIC, % after tax including goodwill	13.0	12.4	13.9	13.5	11.7
Share data	Market price per share, DKK	110	136	139	148	224

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

Successful implementation of GPS Four strategy and setting of new ambitious targets

In 2009, Ambu defined a number of objectives driven by the ambition of becoming more global. We wanted to strengthen Ambu's market position, increase earnings and efficiency and invest in our global IT and business systems.

Four years later, the strategy has been implemented with good results. Ambu's competitiveness is significantly improved as is the scope for growth and further increases in earnings.

Investments in sales organisations

In the 2009-2013 period, Ambu invested massively in its sales organisations in the USA, EMEA (Europe, the Middle East and Africa) and in Asia with a view to strengthening its global position.

Tripling of US revenue
The USA is the world's largest market for hospital products, and increased sales efforts in the US market and the acquisition of King Systems have resulted in Ambu tripling its revenue in the USA, which now accounts for 42% of Ambu's total sales. Ambu has a strong market position, which is increasing the scope for realising economies of scale and thereby further growth for Ambu.

Reorganisation of EMEA
In EMEA, the sales organisation has been reorganised into larger sales territories. This means that Ambu is now more efficient and has direct sales territories in all the major European markets. EMEA currently accounts for 48% of total revenue, with Ambu being the market leader in its segments.

Strengthened position in Asia
In Asia, we have strengthened our position further and more than doubled revenue in the past four years. A sales model has been developed which involves direct representation in Australia, New Zealand, India and China. Moreover, strong partnerships have been established in the other markets in southern Asia. Sales in Asia now account for 5% of global revenue and are seeing consistent strong growth. Sales in the rest of the world, including Asia, account for 10% of total revenue.

Efficient production

For the purpose of guaranteeing the company's future competitiveness, back in 2009 we identified a need for an efficient and cost-saving factory and production structure and decided, among other things, to move our Danish electrode production to Malaysia. This decision has strengthened our electrode business and geared Ambu to the competition in the global market. Today, Ambu has two factories in Asia – one in China and one in Malaysia – with more than 1,300 employees.

Increased focus on innovation

To consolidate and develop Ambu's market-leading position within single-use products, it is crucial that we continue to develop and launch new products.

Today, Ambu has a global development function with departments in China, Malaysia, the UK, the USA and Denmark. In recent years, we have developed a number of new and innovative products such as the first laryngeal mask for intubation, Aura-i, the world's first single-use videoscope, aScope, and a unique electrode for premature neonatal care, Neo X, as well as new phthalate-free products. These are just a few examples of new products which have contributed more than 15% to our total revenue during this period.

Global systems

We have made important investments in new IT systems to better support our global organisation and our customers. We have implemented new corporate finance systems, ERP and CRM systems to better support sales and implemented a global HR system for Ambu's 2,300 employees. In addition, we have automated a number of internal systems and invested in a new PLM system, which improves our quality systems, and which is fundamental to the global development function.

Ready for acquisitions

In step with the strengthening of Ambu's market position and business systems, we have created the necessary basis for making acquisitions. With a strongly improved financial position and an efficient infrastructure, we have made three acquisitions in the past 18 months.

Unomedical's electrode business

The acquisition of Unomedical's electrode business in 2012 created the basis for further strengthening our position in the electrode market. It has meant that today Ambu is the global market leader within electrodes.

Gel manufacturer First Water Heathcote

First Water Heathcote was an important subsupplier of one of the most central raw materials in the production of electrodes, namely gel. Following this acquisition, Ambu is in charge of the entire electrode life cycle – from development, through production to sales.

King Systems in the USA

The largest acquisition Ambu has made is King Systems, which became part of Ambu in February 2013. With the acquisition, a number of complementary products were added to Ambu's portfolio, which all in all represents a strengthening of Ambu. The acquisition of King Systems marks an important step towards strengthening our position as a globally leading supplier of single-use anaesthesia products for the hospital segment.

Ambu has taken over the US factory with a total of approx. 500 employees, which is now fully integrated into Ambu's global structures. With the acquisition of King Systems, Ambu has not only doubled revenue in the USA, but has also strengthened its position as a leading supplier of anaesthesia products for hospitals.

Implemented GPS Four strategy

With strongly improved revenue, earnings, infrastructure, a promising product portfolio as well as a strong sales position in the USA, Europe and Asia, Ambu has achieved the ambitious objectives outlined in 2009 and thus successfully implemented the GPS Four strategy. A solid platform has been established for further development and growth, and with our new strategy, even greater ambitions have been defined for a stronger Ambu in the years up until 2017.

Climbing New Heights

Ambu's new strategy, Climbing New Heights, will further transform Ambu. We will continue to build the strong business platform created in recent years and which will strengthen Ambu further. The objective is for Ambu to continue to develop and strengthen its position as a leading player within single-use anaesthesia and patient monitoring products.

Strengthened position

In contrast to the beginning of the last strategy period in 2009, Ambu is now stronger within a number of important areas. Firstly, we now have the global systems needed to support the most important aspects of the business. Secondly, our product portfolio offers more innovative and comprehensive solutions for hospitals and rescue services. With aScope and King Vision, unique opportunities have been created, and Ambu is the leading player in the market for visualisation; a market with very considerable potential. Finally, the acquisition of Unomedical's electrode business and King Systems is paving the way for attractive economies of scale – not just from the point of view of factory operations, but also in terms of infrastructure and within sales.

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

In the past four years, we have created significant value for our customers and for our shareholders, and we are ready to continue the positive development of Ambu. The course is set for new heights.

Jens Bager Chairman of the Board	Lars Marcher President & CEO

Product areas

Ambu's business areas

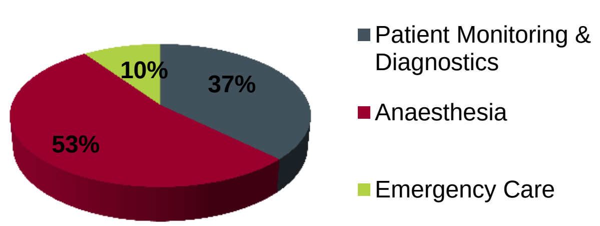
Anaesthesia
Primary products: Laryngeal masks, ventilation bags, face masks for artificial ventilation, scopes for visualisation, anaesthesia tubes and pumps for palliative care.
Users: Hospitals, clinics and rescue services.
The market has a value of approx. DKK 12bn. The general market growth is deemed to be approx. 3% in the USA, 1% in Europe and 6% in the rest of the world, but the potential is significantly greater within videoscopes and pumps for palliation.

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

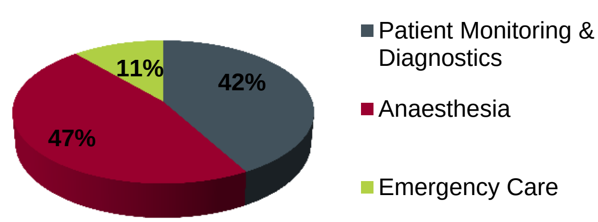
Emergency Care
Primary products: Neck collars, manikins and other equipment for first-aid training.
Users: Hospitals, rescue services, aid organisations and the armed forces.
The market has a value of approx. DKK 1bn. Annual growth is deemed to be 2-4%.

In 2012/13, all Ambu's business areas realised satisfactory growth in revenue as well as increased organic growth relative to the year before. Ambu has grown more than the market, and we have generally increased our market share.

Revenue – Q4



Revenue – FY



Patient Monitoring & Diagnostics (PMD)

Within PMD, sales increased 7% in Q4 in DKK and 10% in local currencies. All this growth is organic. For the year as a whole, growth of 13% was reported, with organic growth in local currencies of 6%. With the acquisition of Unomedical's electrode business in May 2012 came two new product lines – WhiteSensor ECG electrodes and grounding plates – and in 2012/13, Ambu has benefited in all markets from now being able to offer a full range of single-use electrodes for diagnostics, monitoring and out-patient treatment. With its position as a supplier of complete solutions, Ambu has both been able to increase sales of the acquired electrodes and boost sales of existing products.

In the Cardiology segment, Ambu has increased sales in excess of market growth, and within Neurology double-digit growth rates have been achieved.

In the USA, valuable experience has been gained with telesales of Cardiology and Neurology products to clinics and treatment centres. Telesales have proved to be an effective way of approaching these customers. In addition, sales in the USA have generally been strengthened by the creation in Q2 of an approx. 30-strong dedicated sales team for PMD and Emergency Care.

In May 2013, Ambu acquired First Water Heathcote, a UK manufacturer of adhesive gels, which constitute a critical component in Ambu's own electrodes as well as in other manufacturers' biomedical skin-contact electrodes. Ambu was First Water Heathcote's largest customer, and the acquisition has already had the expected positive effect on revenue and EBIT. After the acquisition of First Water Heathcote, Ambu has restructured production in the UK. Preparations are under way to close down the existing factory in Gloucestershire, and the production of WhiteSensor electrodes will be transferred partly to First Water Heathcote's plant in Warwick and partly to an Indian contract manufacturer of many years' standing.

Anaesthesia

Within Anaesthesia, Q4 sales increased 105% in Danish kroner and 111% in local currencies, while organic growth in local currencies stood at 8%. For the year as a whole, growth of 66% was reported, with organic growth in local currencies of 5%.

On 15 February 2013, Ambu took over the US company King Systems. The acquisition was a decisive step towards realising Ambu's ambition of becoming a leading global supplier of single-use anaesthesia products. With the acquisition, Ambu gained a large sales force, a well-established brand, a modern manufacturing facility as well as a number of products that complement Ambu's portfolio.

Q2 saw the merger of King Systems' and Ambu's sales organisations in the USA and Canada and the establishment of an approx. 50-strong dedicated sales force for Anaesthesia. In future, King Systems' sales and distribution outside North America will primarily be handled directly by Ambu's sales organisation rather than by external distributors. The transition will be fully implemented in Q1 2013/14 and is expected to increase the profitability of Ambu's international sales. As expected, the considerable efforts which have gone into fully integrating the US sales organisation and the introduction of new customer service and sales systems have resulted in lower sales for the period. We expect that the growth in the segment in future will benefit significantly from a much larger and more focused sales force in the US market.

Ambu and King Systems concluded Ambu's largest agreement in North America – a three-year exclusive contract with Healthtrust Purchasing Group (HPG), one of the largest US purchasing organisations in charge of procurement for more than 1,000 hospitals and 4,000 general members. Over its term, the contract represents potential revenue of more than USD 63m, including additional revenue of USD 15-20m compared with the old contract with HPG. During the period, considerable operational and sales resources have been invested in training these new customers and setting up IT systems.

In Q3, Ambu launched a new version of the sterile single-use videoscope, aScope 3, as well as a newly developed monitor, aView, in Scandinavia, Germany, the UK and Australia. aScope 3 will be introduced later in the remaining European countries, in selected countries in Asia and in the USA. The product has been positively received by doctors. In a new report from July 2013, the independent British National Institute for Health and Care Excellence (NICE) concluded that a former version of the product – aScope 2 – can alleviate life-threatening situations in the case of unexpectedly difficult airways. NICE also stated that aScope 2 can probably improve patient treatment and safety, and that the product is probably also cost-saving. The recommendation can strengthen sales of aScope, which so far has been sold to more than 1,000 hospitals worldwide. aScope 3 is already qualified for sale in the European market, and on 5 November 2013, after the end of the financial year, we obtained FDA approval for sales of aScope 3 in the US market.

Ambu has decided to also offer aScope in a veterinary version and sell this through partnerships. The veterinary market has similar needs to hospitals, and the market is therefore interesting for Ambu. The endeavours to develop the single-use videoscopes for new customer groups, for distribution through partnerships, constitute an important element in the future strategy.

Ambu's portfolio of single-use videoscopes was significantly strengthened with King Systems' recently launched video laryngoscope King Vision. The King Vision product is already a success with sales of several thousand products.

Emergency Care

Sales within Emergency Care fell 18% in Q4. Growth was negative at -3% in Danish kroner, and -1% in local currencies. For the year as a whole, growth of 9% was realised in Danish kroner after a good demand in particular for neck collars and manikins spurred, among other things, by the amended guidelines for the functionality of training manikins.

Revenue – business areas

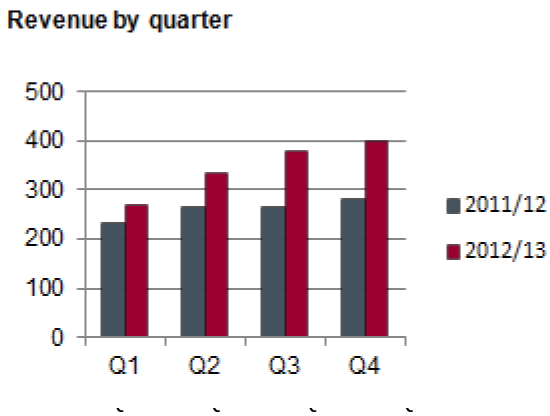
DKKm	Q4 2011/12	Q4 2012/13	Q4 Growth*	Q4 Organic Growth*	FY 2011/12	FY 2012/13	FY Growth*	FY Organic Growth*
Patient Monitoring & Diagnostics	139	149	7%	10%	513	579	13%	6%
Anaesthesia	104	213	105%	8%	389	648	66%	5%
Emergency Care	40	39	-3%	-1%	143	156	9%	9%
Total	**283**	**401**	**42%**	**8%**	**1,045**	**1,383**	**32%**	**6%**

* Growth is calculated in DKK, while organic growth is calculated in local currencies.

Financial results

Income statement

Comparative figures are stated in brackets.



Q4
As expected, Q4 was the busiest quarter in the year with revenue at DKK 401m after growth of 42% in Danish kroner and 45% in local currencies. Organic growth was 8% after positive developments in both the USA and Europe.

In the USA, Ambu started to see a stronger effect from the economies of scale following from the acquisition of King Systems with a larger product portfolio, broader market coverage and new dedicated sales teams for Anaesthesia, PMD and Emergency Care. Organic growth in the USA stood at 9%, and sales were broadly founded within both the Anaesthesia and the PMD segment.

Also, Q4 earnings were this year's best. Calculated before special items of DKK 14m for the restructuring of, among other things, the UK production, an EBITDA of DKK 81m (DKK 57m) was realised, while EBIT before special items totalled DKK 59m (DKK 45m).

Revenue for the year
Revenue of DKK 1,383m was posted, up 32% when measured in DKK and 33% when measured in local currencies. King Systems was the largest contributor to growth, posting revenue of DKK 242m for the first 7.5 months of being owned by Ambu. In addition, Ambu recorded robust organic growth of 6% across all product areas and geographical locations. The falling USD/DKK exchange rate reduced revenue by DKK 7m, corresponding to just under 1 percentage point of growth.

As desired, the acquisition of King Systems has strengthened Ambu's exposure in the USA, where the underlying market growth is higher than in Europe. The USA accounted for 42% of the group's revenue against 33% the year before, with growth standing at 69% when calculated in DKK. Organic growth of 3% was realised in the USA, as the sales force naturally lost a bit of momentum in Q2 and Q3 in connection with the merger of Ambu Inc. and King Systems, which involved the introduction of a new organisation, the running-in of new systems and procedures and focus on the conversion of the HPG contract. The results in Q4 showed that King Systems has provided Ambu with a strong platform for growth despite intense competition and increasing focus on cost-effectiveness among rescue services and hospitals.

Europe accounted for 48% of revenue against 56% last year. In markets which are still characterised by economic crisis and tight public-sector budgets, Ambu's sales increased by 13% in Danish kroner and in local currencies. Organic growth was 8%, which means that Ambu grows more than the underlying markets, winning market share from its competitors.

The rest of the world accounted for 10% of revenue against 11% the year before. Ambu has in recent years strengthened its platform in the growth markets in Asia with its own sales teams, supporters, distributors and logistics, for example in China, India, Malaysia and Australia/New Zealand, and these efforts have resulted in consistent double-digit growth in sales. All in all, revenue from the rest of the world was up 16% in

Revenue – geographical areas

	Q4				FY			
	Realised			Organic	Realised			Organic
	2011/12	2012/13	Growth*	Growth*	2011/12	2012/13	Growth*	Growth*
USA	92	188	104%	9%	347	587	69%	3%
Europe	148	168	13%	9%	585	664	13%	8%
Rest of the world	43	45	5%	0%	113	132	16%	11%
Total	**283**	**401**	**42%**	**8%**	**1,045**	**1,383**	**32%**	**6%**

* Growth is calculated in DKK, while organic growth is calculated in local currencies.

Danish kroner and 17% in local currencies, while organic growth of 11% was realised.

Gross profit

Gross profit was up 19% at DKK 679m (DKK 570m), but the gross margin fell from 55% to 49% due to a number of factors:

- Generally lower gross margins on the acquired activities, Unomedical's electrode business and First Water Heathcote. Generally lower gross margins in King Systems.
- Effect of purchase price allocation in King Systems, where the gross margin is reduced by the margins on the products which were produced before Ambu took over the company. The inventories of these finished products had been exhausted by the end of the financial year. In 2012/13, the total cost was DKK 5m.
- The running-in of the HPG contract, which involves lower gross margins on the products offered. Total earnings from the contract, calculated at EBIT level, will improve in step with the economies of scale realised in both production and sales due to the increasing volumes and exclusivity at the many hospitals entailed by the contract.

Margins are also challenged by the continued pressure on prices, especially in the USA and Europe. Ambu has, however, been able to counter the pressure on prices through further optimisation at the factories in China and Malaysia. The ongoing restructuring of the distribution with the new distribution centre in Germany has also increased efficiency.

Costs

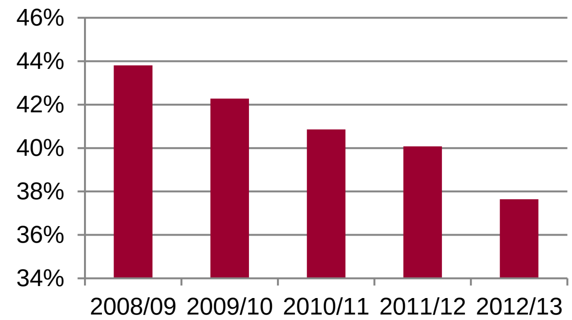
Throughout the financial year, Ambu has continued its efforts to increase productivity and achieve economies of scale through growth and acquisitions. Even though total costs increased by 24% to DKK 518m after recognition of the acquired companies, the effective rate of cost was reduced to 37% from 40% the year before.

Sales and marketing costs were up 23% at DKK 292m, due among other things to the expansion of the sales network in Asia and the introduction in the USA of a medical device tax of 2.3% of revenue, which in 2012/13 affected Ambu's costs by DKK 12m. The tax is recognised under selling costs.

Changes in exchange rates are estimated to have had a positive effect of DKK 2m on total capacity costs and indirect production costs.

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

Rate of cost – 5-year summary

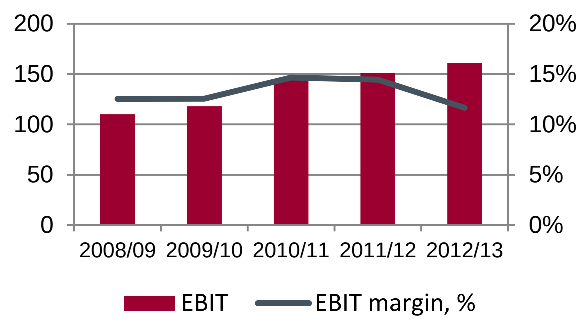


Operating income before special items

Profit before interest, tax, depreciation and amortisation (EBITDA) before special items increased to DKK 235m (DKK 204m). Due to the lower gross profit, the EBITDA margin before special items fell from 19.5% to 17.0%.

Amortisation was up at DKK 31m (DKK 16m) due to the acquisition of King Systems, and the operating profit (EBIT) before special items was then DKK 161m (DKK 151m), corresponding to an EBIT margin of 11.6% (14.4%). Changes in exchange rates reduced EBIT by an estimated DKK 5m due to a fall in the average USD/DKK exchange rate from 573 in 2011/12 to 568 in 2012/13.

EBIT and EBIT margin – before special items



Special items

Special items totalled DKK 61m and consist of transaction and integration costs for King Systems as well as the costs of restructuring the UK production in connection with the acquisition of Unomedical's electrode business and First Water Heathcote. The amount can be specified as follows (DKKm):

- Advisors etc. in connection with acquisition of King Systems 13
- Termination of employees in Ambu group 22
- Integration of King systems, including ERP system 17
- Restructuring of UK production 9

Total 61

Net financials
Net financials constituted expenses of DKK -30m against expenses of DKK -1m the year before. The increase is due primarily to the arrangement of bank financing and ultimate financing in the form of corporate bonds in connection with the acquisition of King Systems. In March 2013, Ambu issued corporate bonds with a nominal value of DKK 750,000 and an interest rate of 3.375%, and interest totalling DKK 14m has accrued on these bonds.

Financial expenses for banks totalled DKK 6m, while foreign currency translation adjustments of working capital resulted in a negative translation adjustment of DKK 5m. Finally, the interest pertaining to the provisions made for the earn-out payment for King Systems was expensed at DKK 5m.

Net profit
A tax provision of 32% has been made of the profit before tax adjusted for non-deductible costs associated with the acquisition of King Systems and adjusted for the effect on deferred tax of the reduction of the Danish income tax rate to 22%. This results in a net profit of DKK 48m (DKK 110m).

Balance sheet

The balance sheet total increased by DKK 942m to DKK 1,891m, primarily due to the acquisition of King Systems. The acquired companies are included with recognised and additional identified assets of DKK 285m and remaining goodwill of DKK 584m. These not previously recognised assets are technology, trademarks and customer relations, which will be amortised over the expected useful lives of the assets.

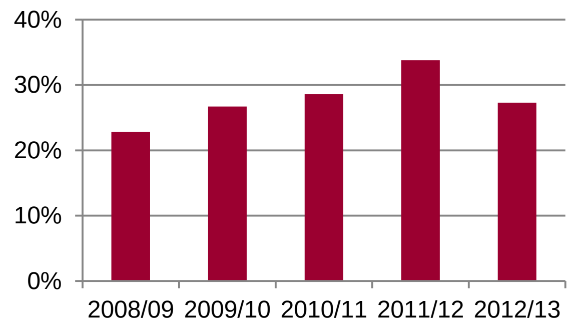
In allocating the purchase price for King Systems, an expected milestone payment of USD 10m has been included from the commercialisation of new blades for King Vision as well as possible earn-out payments of up to USD 20m in relation to King Vision. The total purchase price has then been recognised at USD 150m, of which a sum of USD 120m was paid in cash on 15 February 2013.

The purchase price for First Water Heathcote is GBP 1.2m plus a possible earn-out payment of up to GBP 0.6m over 3.5 years.

Total inventories were DKK 233m, which is unchanged compared with last year despite the fact that the acquired companies contained inventories of DKK 57m at the time of acquisition. The strong focus on reducing inventories has thus had the desired effect and resulted in a significantly lower working capital than previously. Reference is also made to note 28 which, as indicated in the interim report for Q2, describes the errors detected in the calculation of inventories in previous years.

At year-end, Ambu's working capital amounted to DKK 417m, corresponding to 27% of revenue on a 12-month basis against 34% last year. We are thus close to attaining the long-term goal of a working capital ratio below 25%. As part of the integration of King Systems, focused and continued efforts are being made to optimise the working capital.

Working capital relative to revenue – 5-year summary



Trade receivables amounted to DKK 356m, corresponding to 23% of revenue on a 12-month basis against 24% last year. Receivables remain high in southern Europe, but as the vast majority of customers are from the public sector, Ambu still regards the associated risk of bad debts as being limited. Ambu has not had significant bad debts this year.

Cash grew to DKK 54m (DKK 35m), in addition to which Ambu had unutilised credit facilities of DKK 210m (DKK 149m). The financial resources are thus deemed to be sufficient for Ambu's growth plans.

The total financial net debt was DKK 721m (DKK 57m), of which an amount of DKK 701m, as previously mentioned, is financed through the issue of corporate bonds. Net interest-bearing debt totalled 3.1 x EBITDA before special items. A pro-forma calculation including King Systems' EBITDA for the full 12-month period, but before special items, showed an NIBD/EBITDA ratio of 2.9.

Equity was increased by the net profit for the year and value adjustments of unsettled financial instruments, and equity thus amounted to DKK 667m (DKK 665m) at the end of the financial year. The equity ratio was 35% against 70% the year before.

Cash flows

Cash flows from operating activities totalled DKK 122m (DKK 158m) and were negatively impacted by a change in working capital of DKK 28m.

Cash flows for investing activities, before acquisitions of companies, totalled DKK 54m (DKK 47), corresponding to 3.9% of revenue (4.5%). Investments in non-current assets totalled DKK 60m, and the divestment of a property in France contributed DKK 6m.

The free cash flows before acquisitions, but including payment of special items, were therefore DKK 68m (DKK 111m). Special items totalled DKK 46m for the year, with DKK 15m outstanding for payment in 2013/14. Free cash flows before company acquisitions and before special items thus totalled DKK 114m for 2012/13.

Cash flows from acquisitions amounted to DKK 704m (DKK 31m). The acquisition of King Systems is recognised at the purchase price of DKK 702m paid less the subsequent purchase price adjustments.

Cash flows from financing activities totalled DKK 705m (DKK -46m). Net proceeds of DKK 697m from the issue of corporate bonds are recognised.

Follow-up on announced outlook

In the course of the financial year, Ambu revised its outlook as a result of the acquisition of King Systems. The actual results were on a par with the outlook most recently announced by Ambu in the interim report for Q3:

	Most recent outlook	**Actual results**
Revenue	~ DKK 1,400m	DKK 1,383m
EBITDA margin before special items	~ 17.5%	17.0%
EBIT margin before special items	~ 12%	11.6%
Special items	~ DKK 50m	DKK 61m
Investments before company acquisitions	Approx. 4%	3.9%
Free cash flow before company acquisitions and special items	Approx. DKK 100m	DKK 114m
Gearing (NIBD/EBITDA before special items)	~ 3	3.1

Climbing New Heights 2017 – Ambu's new four-year strategy

Ambu has successfully implemented its most recent four-year strategy plan, GPS Four, and launched the next four-year plan, Climbing New Heights.

Having completed a number of strategic activities in the past period, not least three strategic acquisitions, Ambu has attained a position as a preferred supplier of critical single-use products for hospitals.

Ambu operates in the healthcare sector, which is undergoing significant changes and is exposed to intensifying competition, leading to a pressure on prices. However, the healthcare sector is also a sector which, due to population growth, more lifestyle diseases and a general increase in life expectancy, offers organic growth rates of 1-3%. With global factories, competent sales teams and an attractive product portfolio, and following the strengthening of the company in recent years, we believe that Ambu has the potential for realising continued growth in the global healthcare market in excess of market growth, thereby achieving scaling in continuation of the acquisitions made in recent years.

The starting point for the Climbing New Heights strategy is a stronger Ambu and a more marked competitive position than in previous years. Our ambitions are still high, and we aim for growth significantly above market growth over the next four years. With our effective and global factory structures in China, Malaysia, the USA and the UK – where Ambu has full control of procurement as well as production and logistics – we will be able to further optimise our operations and supply chain.

With our primary direct sales force in Europe, the USA and Asia, we will be able to offer an extremely competitive product portfolio to hospitals and contribute to reducing costs, streamlining procedures and improving patient safety. Having even more sales resources than previously, more efficient factories and a considerable potential within visualisation, which is one of our future growth areas, we see promising prospects for growth during the new strategy period.

Our investment in the development of innovative solutions, such as the world's first single-use videoscope, aScope, is expected to contribute to significant growth in the coming years. King Vision has significant growth potential as one of the most attractive and competitive products in the market within the group of video laryngoscopes. In addition, the acquisition of King Systems will create opportunities for increased cross-selling to the same target group. Finally, Ambu will continue the development of new emerging markets with a view to selling its solutions to hospitals in, for example, South America, Russia and more Asian markets.

The Climbing New Heights strategy is born from an ambition of being a dominant player in the market for single-use products for anaesthesia departments at hospitals and of making the most of Ambu's strong position within patient monitoring.

Ambu will continue to invest in groundbreaking new innovation, while at the same time strengthening our existing product portfolio. Partnerships with companies in or outside Ambu's primary sectors will be given a higher priority with a view to utilising distribution systems which are able to faster penetrate new markets, in particular given our new market-leading position within single-use visualisation products.

With a consistently strong focus on profitable growth and free cash flows, the foundation has been laid for further acquisitions of companies and product areas. Synergies and economies of scale from this will contribute to strengthening Ambu's position as a leading supplier and partner for the hospitals.

Our financial targets for the period up until 2017 are:

- Revenue in the region of DKK 2bn
- An EBIT margin in the region of 17-18%
- Working capital to revenue ratio of approx. 20-25%.

Industry and market

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

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

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

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

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

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

Outlook for 2013/14

In 2013/14, Ambu expects to see continued growth in revenue, and growth in excess of both market growth and the growth realised by its competitors, as well as a further increase in operating income.

The increase in earnings will be driven, in particular, by synergies from the acquisition of King Systems, which in itself is expected to increase primary earnings (EBIT) by approx. DKK 40m.

Market conditions
The general market growth in Europe and the USA is expected to be relatively low as a result of modest economic growth as well as pressure on public healthcare budgets. Fierce competition will also contribute to putting prices in Europe and the USA under pressure, although there will be differences from one market to the next. Market growth in the USA is expected to be marginally higher than in Europe, while the markets in Asia and South America are still expected to show higher market growth than Europe and the USA.

Following the acquisition of King Systems, Ambu has a larger and broader product portfolio in the USA, and Ambu is thus a more attractive partner for the large purchasing organisations whose strategic focus is on reducing the number of suppliers. In particular, Ambu expects to be able to increase volumes under the contract with HPG. Moreover, the restructuring of the sales organisation and the establishment of dedicated sales teams for Anaesthesia and PMD/Emergency Care are expected to underpin the growth target in the USA.

In Europe, Ambu will seize growth opportunities and win market share, among other things by streamlining sales activities, while efforts in Asia and South America will focus on further market penetration. In the past, King Systems has concentrated on the US domestic market, but Ambu also intends to market King Systems' products via its own sales channels in Europe and Asia and to create growth through cross-selling.

In all geographical areas, Ambu expects to be able to grow more than the underlying markets.

Revenue
The outlook is for revenue of approx. DKK 1.6bn. Growth will consist of organic growth in the region of 5-7%, to which should be added the full-year effect of the recognition of King Systems for the full 12-month period against 7.5 months in 2012/13.

Ambu expects an increasing contribution from new products, especially the single-use videoscope aScope 3 and King Systems' video laryngoscope King Vision as well as the new single-use product aBlade, which is expected to be launched.

Margins
Despite the anticipated pressure on prices in most markets, Ambu expects to be able to increase margins through a number of initiatives, several of which were implemented, in full or in part, at the beginning of the financial year:

- The product portfolio within visualisation has a margin which is higher than Ambu's average margin. Strong growth in this area will have a positive effect on the overall gross margin.
- Effect of purchase price allocation ceases at the end of 2012/13.
- Synergies through the merger of King Systems' and Ambu's procurement of raw materials and services.
- Increased productivity at the US factory.
- Higher margins for WhiteSensor electrodes after reorganisation of the UK production and outsourcing to India.
- Continued optimisations of production at the factories in China and Malaysia.

Costs
Ambu will continue to increase efficiency, maintain a constant cost base and have a strong focus on realising the economies of scale made possible by the acquisition of King Systems. Following the acquisition, the workforce was trimmed and double functions eliminated. Also, King Systems is being transferred to Ambu's ERP system. Total capacity costs are therefore expected to fall, measured in per cent of revenue.

Costs include the US 2.3% medical device tax levied on revenue in the USA, which was implemented as at 1 January 2013. The tax is recognised under selling costs.

Operating income
Based on the higher margins, economies of scale from the acquisition of King Systems and effective cost control, Ambu expects to increase its operating income. The expected price pressure will, however, absorb some of this increase, while the King Systems gross margin contribution is lower than Ambu's average margin.

The primary operating income (EBIT) will also be challenged by increasing amortisation in respect of aScope 3 as well as King Vision.

Against this background, an EBIT margin in the region of 12-14% is expected.

No additional expenses are expected under special items.

Cash flows
Cash flows from planned investments (CAPEX) are expected to amount to 5-6% of revenue and are earmarked for investments in product development, automation and process equipment.

There will be a consistent and strong focus on managing the working capital.

A free cash flow of approx. DKK 100-120m is expected.

Acquisitions
Ambu is devoting targeted efforts to identifying companies and products that can supplement the current product portfolio of single-use products within the existing call points. Ambu is also keen to enter into new partnerships.

The outlook for the year may be affected by acquisitions and new partnerships.

Foreign exchange sensitivity
The outlook for 2013/14 is based on assumptions concerning exchange rates at the beginning of the financial year, which for the most important currencies are slightly below the level in 2012/13. For 2013/14, the exchange rate assumptions are USD/DKK 550 (563) and DKK/GBP 875 (887); these are the main currencies entailing an exchange rate risk associated with sales.

As Ambu's production takes place in the Far East and the USA, a compensatory effect on net EBIT may be seen, depending on cross-rate developments, for instance when MYR/DKK or CNY/DKK are weakened compared to USD/DKK as the value of sales in the EUR region is unaffected by this, while the value of production costs are reduced when measured in DKK.

When assessing the exchange rate risk in relation to Ambu's EBIT, it is therefore important to take account of developments in these cross rates.

The estimated effect of an isolated fall of 5% relative to Danish kroner will in 2013/14 be as follows:

DKKm	**USD**	**GBP**	**CNY**	**MYR**
Revenue	-38	-6	-4	0
EBIT	-16	-1	6	12

Outlook

	Outlook	**Assumptions**
Revenue	~ DKK 1.6bn	Relatively low market growth in the USA and Europe. Further streamlining of sales in Europe. Increased market penetration in Asia and South America. Cross-selling of King Systems and Ambu products. Increasing contributions from products with higher margins.
Organic growth	~ 5-7%	
EBIT margin	~ 12-14%	Increased margins. Economies of scale. Cost control. Lower gross margins in King Systems, which is now included with 12 months.
Free cash flows	~ DKK 100-120m	
Gearing (NIBD/EBITDA before special items)	~ 2.5	

Forward-looking statements
Forward-looking statements, especially such as relate to future sales, operating income and other financial key figures, are subject to risks and uncertainties. Various factors, many of which are outside Ambu's control, may cause the actual development of the company to differ materially from the expectations contained in this report. Such factors include, among other things, changes in market conditions and the competitive situation, changes in demand and purchasing patterns, changes in foreign exchange rates and general economic, political and commercial conditions.

See also the section on risk management on pages 17-18.

Risk management

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

Risk policy and risk-taking

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

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

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

Commercial risks

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

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

- As an integrated part of product development, the question of how new products can contribute to streamlining hospital routines is considered. This is, among other things, a principal element in the development of single-use products. Through clinical and health economics studies, Ambu is also increasingly working to document the savings and benefits of using the company's products, and these data are used actively in connection with sales activities.
- Ambu is constantly seeking to position its products in a manner which ensures that price is not the determining sales parameter.
- Over the past few years, Ambu has upgraded its competences within sales to purchasing organisations. In the USA, competences have been established within this area over many years, as a very large proportion of purchases by hospitals are made via purchasing organisations. In Europe, the proportion of purchases made via purchasing organisations is growing, and Ambu is tailoring and targeting its sales activities at this customer group.
- At the end of 2012/13, Ambu had only limited production left in Europe, and no production in Denmark. The production in China, Malaysia and the USA results in reduced production costs and ensures proximity to the most important markets, which will maintain Ambu's competitiveness. There is ongoing focus on optimising production and on identifying the most expedient locations and structures for producing Ambu's products, including partnerships.

Product development
Ambu's ability to realise its strategic targets depends on its ability to develop unique, high-quality products sufficiently fast, while at the same time obtaining differentiated prices. As part of Ambu's strategy, the innovation organisation has been strengthened and streamlined, and in recent years innovation departments have been established in China, Malaysia and the USA. This ensures faster and cheaper development than previously.

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

Ability to attract and retain employees
In order to develop innovative products and ensure satisfactory financial results, it is necessary to attract and develop the right employees globally. In order to attract and retain employees with the right competences in future, Ambu focuses on developing individual employees, on continuous career development and on

delegating a considerable degree of responsibility to its employees.

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

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

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

The location of the 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 issues related to foreign exchange and of the possibilities of attracting employees with the required qualifications.

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, and Ambu's QA organisation is strengthened on a continuing basis. Ambu lives up to the requirements of the US Food and Drug Administration (FDA) and the European CE requirements.

In FY 2012/13, Ambu was subjected to a total of three FDA inspections, both at the head office in Ballerup near Copenhagen and at subsidiaries. Two of the inspections resulted in few or no adjustments in relation to Ambu's processes. The third inspection was performed at King Systems, which subsequently received a warning letter from the FDA dated 30 September 2013. The primary issue in the warning letter concerns King System's schedule for validating manufacturing processes in respect of certain products which have been in the market for a number of years.

Ambu is taking the warning from the FDA very seriously, and sent a response to the FDA on 21 October 2013. Ambu does not expect the warning to have any consequences for the products in the US market.

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

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

Financial risks

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

Corporate governance

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

Shareholders

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

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

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

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

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

Board of Directors

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

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

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

A gradual succession has taken place in recent years among the members elected by the shareholders, and five out of six members have thus been on the Board of Directors for three years or less. The succession has brought new competences to the Board of Directors, and a good mix of different experience, backgrounds and ages has been created. As part of the succession plan, CEO Christian Sagild was newly elected to the Board of Directors at the annual general meeting in December 2012, replacing Ambu's long-standing Chairman, the lawyer N.E. Nielsen. At the following board meeting, Jens Bager was elected new Chairman, and Mikael Worning was elected new Vice-Chairman.

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

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

Duties of the Board of Directors
The Board of Directors held a total of eight meetings during the financial year, of which five were physical meetings and three were conference calls. The previous year, nine meetings were held. Attendance was 98% for the members elected by the general meeting, and 100% for the employee representatives.

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

Moreover, the Audit Committee held seven meetings. The Audit Committee consists of three members of the Board of Directors, the CEO and the CFO. The auditors appointed by the general meeting also participate in the meetings. The purpose of the committee is to assist the Board of Directors in ensuring the quality and integrity of the presentation of the company's financial statements, reporting and auditing. At the same time, the committee monitors all accounting and reporting processes, the auditing process and the work and independence of external auditors. The Charter of the Audit Committee and the review of the control and risk management systems in connection with the financial reporting can be found at www.ambu.com/auditcom.

The Board of Directors has appointed a Nomination and Remuneration Committee with three members of the Board of Directors and Ambu's CEO, and this committee has held four meetings. Ambu has decided to set up a joint committee and not two separate committees as this model is deemed to be more appropriate for Ambu. The committee's duties are to evaluate the Board of Directors and the Executive Management Team, to propose new board members to the annual general meeting and generally to ensure that Ambu's remuneration policy supports the company's objectives and needs. The instructions and rules of procedure of the committee can be seen at www.ambu.com/nominationcom.

The Board of Directors is authorised to acquire treasury shares amounting to up to 10% of Ambu's share capital and to increase the share capital by up to 9.9%. Both authorisations are valid for one year and are granted by the general meeting.

Executive Board and Executive Management Team

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

Since the appointment in January 2013 of CFO Michael Højgaard, the Executive Board has had two members. Ambu's CEO is Lars Marcher. Together with two Executive Vice Presidents, the Executive Board constitutes Ambu's Executive Management Team.

Corporate governance

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

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

Diversity

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

As a global group, Ambu wants to encourage diversity and create equal opportunities for all, regardless of gender, age, ethnicity and political and religious convictions. This ambition is described in Ambu's Code of Conduct, and a policy has been prepared to ensure an increased proportion of women on the Board of Directors.

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

Moreover, in the recruitment of managers for the group, Ambu will ensure that the proportion of female candidates short-listed equals the proportion of female applicants. In connection with promotions to managerial positions, Ambu will ensure that at least one female candidate is considered. Finally, Ambu wants to ensure that female managers are offered membership of relevant networks. At present, Ambu's Global Management Team consists of 83% men and 17% women.

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

Board of Directors, Executive Board and Executive Management Team

Board of Directors

Jens Bager, born 1959
Chairman, member of the Board since 2010, re-elected in 2012; Chairman of the Nomination and Remuneration Committee.
Position: President and CEO of ALK-Abelló A/S.
Honorary offices: Odin Equity Partners (MB).
Special competences: General management of international, listed companies within the ingredients and pharmaceutical industries.
No. of shares: 20,000 (unchanged).

Mikael Worning, born 1962
Vice-Chairman, member of the Board since 2010, re-elected in 2012; member of the Audit Committee.
Position: Executive Vice President of Oticon A/S.
Honorary offices: Various companies in the William Demant group (MB).
Special competences: General management experience with focus on international sales and marketing of medico-technical products and management of international sales organisations.
No. of shares: 2,070 (unchanged).

Jesper Funding Andersen, born 1966
Member of the Board since 2011, re-elected in 2012; member of the Nomination and Remuneration Committee.
Position: CEO of Origio A/S.
Honorary offices: Elipse A/S (C), DDH Holding A/S (MB), various companies in the Origio group (MB).
Special competences: General management with extensive experience within international medico-technical companies as well as within the acquisition and divestment of companies.
No. of shares: 10,000 (+4,500).

Anne-Marie Jensen, born 1955
Member of the Board since 2002, most recently re-elected in 2009.
Position: Documentation Assistant. Elected by the employees.
No. of shares: 992 (unchanged).

Allan Søgaard Larsen, born 1956
Member of the Board since 2011, re-elected in 2012; member of the Nomination and Remuneration Committee.
Position: CEO of Falck A/S.
Honorary offices: Various companies in the Falck group (C), PensionDanmark Holding A/S (MB), Welfare Tech, Confederation of Danish Industry (MB).
Special competences: General management and special experience within the development and operation of international business activities in the cross-field between the public and the private sectors.
No. of shares: 10,000 (unchanged).

Ingeborg Højer Riis, born 1965
Member of the Board since 2012.
Position: Supply Chain Planner. Elected by the employees.
No. of shares: 1,349 (unchanged).

Christian Sagild, born 1959
Member of the Board since 2012; member of the Audit Committee.
Position: CEO of Topdanmark A/S and Topdanmark Forsikring A/S.
Honorary offices: Bruhn Holding (MB), Forsikring & Pension (MB).
Special competences: General management of a listed company, special insights into financial matters and risk management.
No. of shares: 5,000 (+5,000).

John Stær, born 1951
Member of the Board since 1998, re-elected in 2012; Chairman of the Audit Committee.
Position: President and CEO of Satair A/S.
Honorary offices: DLH (MB), various entities in the Satair group (MB).
Special competences: General management, including management of international activities, the acquisition and divestment of companies and risk management.
No. of shares: 5,200 (+4,500).

Executive Board

Lars Marcher, born 1962
CEO since 2008.
Honorary offices: Subsidiaries in the Ambu group (C), Danish American Business Forum (VC), Confederation of Danish Industry – Committee on International Market Policy, Confederation of Danish Industry – Committee on Health Policy.
No. of shares: 7,924 (+1,406).

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

Rest of the Executive Management Team

Jesper Jul, born 1957
Executive Vice President, Sales, since November 2012.
No. of shares: 500.

Bjarne Nørgaard Sørensen, born 1958
Executive Vice President, Operations, since 2009.
No. of shares: 4,824.

Honorary offices and shareholdings as per 1 October 2013. C = Chairman of the Board of Directors, VC = Vice-Chairman of the Board of Directors, MB = Member of the Board of Directors.

Remuneration

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

After the general meeting and based on the results for FY 2012/13, 57,326 options will be granted to the two members of Ambu's Executive Board, and 29,220 options to the two other members of the Executive Management Team.

Calculated according to the Black-Scholes model, the total value of the programme is DKK 6.7m, and the costs associated with the programme will be expensed on a continuous basis; in 2012/13, DKK 0.5m has been expensed in respect of the first allocation.

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

Executive Board
The remuneration for the Executive Board is determined by the Board of Directors based on market levels, Ambu's financial position and the competences, efforts and results of the individual members of the Executive Board. Members of the Executive Board receive a fixed basic remuneration, pension and usual benefits such as company car and telephone as well as share options and cash bonuses. In the past financial year, the remuneration totalled DKK 9.2m (DKK 6.1m). The increase is due, in particular, to the appointment of one more member to the Executive Board.

Ambu establishes bonus programmes for the Executive Board, managers and specialists for one year at a time. The Executive Management Team receives a cash bonus if the company as a whole meets the targets defined. Bonuses for other managers and specialists are conditional upon overall targets for the company as well as area-specific targets. The bonuses are dependent on the extent to which pre-defined targets are attained, and can be a maximum of 70% of the basic pay.

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

Board of Directors
Members of the Board of Directors do not receive variable remuneration, but a fixed annual remuneration, which is approved by the general meeting. The remuneration paid to members of the Board of Directors in 2012/13 was an unchanged DKK 500,000 to the Chairman, DKK 350,000 to the Vice-Chairman and DKK 200,000 to the other members. Furthermore, the chairmen of the board committees receive a remuneration of DKK 75,000, while committee members receive a fee of DKK 50,000. In addition, the members of the Audit Committee received an additional DKK 70,000 as a consequence of an extraordinarily high level of meeting activity. All in all, the remuneration for the committee work has been raised by DKK 0.3m due to an increased workload. The total remuneration paid to the Board of Directors for 2012/13 was DKK 2.5m.

Following the growth realised and acquisitions made in recent years, Ambu has become a somewhat larger and more complex company, which has naturally increased the workload, both for the Board of Directors as a whole and for the members of the board committees. Given the increasing workload and a desire to increase the remuneration to market level, the Board of Directors suggests that the total remuneration for 2013/14 be raised to DKK 3,025k.

Share option and warrant programmes

Year of allocation	Persons	No. of options and warrants	Options (O) / warrants (W)	Executive Board's share (%)	Exercise period	Outstanding
2013	4	86,546	O	66%	2016-19	All
2012	69	126,900	W	0%	2015-17	119,800
2011	49	110,000	W	0%	2014-16	94,000
2011	1	63,000	O	100%	2015-17	All
2010	1	63,000	O	100%	2014-16	All
2009	1	63,000	O	100%	2013-15	All
2009	20	160,738	O	0%	2012-14	101,749
2008	20	374,500	O	0%	2011-13	8,992

Shareholders and investor relations

Return
The opening price quoted for Ambu's Class B share at the beginning of the financial year was 149, rising to a closing level at the end of the financial year of 224, thereby securing a 50% return for the shareholders. Including the dividend distributed in December 2012, the owners' return was 52%. By comparison, the MidCap index on NASDAQ OMX Copenhagen rose by 30% in the same period, while the Health Care index increased by just over 8%.

The change in the share price increased Ambu's market capitalisation from DKK 1,762m to DKK 2,667m, with the value of both Class A and Class B shares being recognised at the price quoted for the Class B share.

Liquidity
The share price increases went hand in hand with a significantly growing interest in the share – particularly after the announcement of the acquisition of King Systems. Approx. 2.7 million shares were traded in the course of the financial year, corresponding to an average of 10,710 shares per business day, and 26% of the total number of Class B shares were thus traded, up from 11% the year before. At the beginning of October 2013, the Ambu share was the 39th most traded share on NASDAQ OMX Copenhagen based on transactions in the four preceding months.

Shareholders
The share capital is unchanged at DKK 119,080,800 divided into 1,716,000 Class A shares and 10,192,080 Class B shares of DKK 10 each. There have been no changes in the rights attached to the shares or in the negotiability of the shares.

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

In addition to the Class A shares, the family also holds 953,435 Class B shares and thus controls a total of 22.4% of the capital and 66.2% of the votes. During the financial year, the family sold approx. 0.5 million Class B shares, and Ambu reduced its portfolio of treasury shares in connection with the exercise of share options by managers. Both of these factors contributed to increasing the liquidity and free flow of the share.

The international ownership interest has increased, and it is estimated that just over 10% of the capital is now owned by institutional investors from Sweden, the UK and the USA etc.

At the beginning of October 2013, the total number of shareholders in Ambu having arranged name registration of their holding was approx. 2,751, who held a combined 91% of the total share capital.

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

	Share of votes %	Share of capital %
Inga Kovstrup, Fredericia	18.7	6.4
Tove Hesse, Lyngby-Taarbæk	11.5	4.8
N.P. Louis Hansen Aps, Nivå	6.9	15.8
Hannah Hesse, Frederiksberg	5.3	1.3
Simon Hesse, Virum	5.3	1.3
Chr. Augustinus Fabrikker A/S, Copenhagen	4.5	10.3

Corporate bonds

Ambu issued corporate bonds in the financial year, generating proceeds of DKK 701m. The bonds were purchased by a circle of Danish and international institutional investors, and interest in the offering was extremely positive. The bonds will be listed on NASDAQ OMX Copenhagen, and Ambu is planning to publish a prospectus for admitting the bonds for listing in December 2013.

Investor relations

During the financial year, Ambu has been working to strengthen contacts with investors, share analysts and credit analysts. After the acquisition of King Systems, Ambu therefore held an investor day in February 2013, which attracted many stakeholders. An invitation to a new investor day on Thursday, 14 November 2013 has been issued, where the main themes will be this annual report as well as the new strategy Climbing New Heights, which covers the next four years up to 2017.

In addition, a conference call has been held each quarter with focus on the quarterly reports, and Ambu has participated in a growing number of meetings and conferences in Denmark and abroad. Ambu also arranged a well-attended company presentation in connection with the issuance of the corporate bonds.
Ambu strives to ensure a high and uniform level of information for its stakeholders, and seeks an active dialogue with investors, share analysts, journalists and the general public.

Communication takes the form of the regular issue of company announcements, investor presentations, conference calls and meetings. The aim is to ensure a fair share price reflecting both the actual and the expected creation of value in the company.

The share is still covered by analysts from ABG Sundal Collier, Danske Market Equities and Enskilda Securities. The company's website www.ambu.com is updated on an ongoing basis with information about Ambu's results, activities and strategy, and all company announcements and financial statements can be viewed and downloaded there.

During the financial year, Ambu issued 33 company announcements, nine of which were announcements concerning insiders' trading in the share. On the website, shareholders can also sign up to attend the annual general meeting, and download all relevant material in relation to the general meeting.

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

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

Financial calendar 2013/14

14 Nov. 2013	Annual report 2012/13
12 Dec. 2013	Annual general meeting
4 Feb. 2014	Report for Q1 2013/14
2 May 2014	Report for Q2 2013/14
20 August 2014	Report for Q3 2013/14
30 September 2014	End of FY 2013/14

Proposals to the annual general meeting

The annual general meeting will be held on 12 December 2013 at IDA Mødecenter, Kalvebod Brygge 31-33, 1780 Copenhagen V, Denmark.

According to Ambu's dividend policy, about 30% of the group's profit is generally distributed as dividend. The Board of Directors proposes to the annual general meeting that a dividend be declared of DKK 1.25 per share for 2012/13, corresponding to 31% of the profit for the year. The Board of Directors deems this level to be reasonable in light of Ambu's financial resources and the expected results in the next financial year. The Board of Directors is also basing its proposal on the fact that the results for 2012/13 were challenged by a number of extraordinary factors following the acquisition of King Systems.

The Board of Directors therefore proposes that the profit for the year of DKK 48m be appropriated as follows (DKKm):

Dividend of DKK 1.25 per share	15
Retained earnings	33
Total	**48**

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

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

- The Board of Directors be authorised to acquire treasury shares on behalf of Ambu amounting to up to 10% of the share capital.
- The remuneration paid to the Board of Directors be adjusted such that the total remuneration for 2013/14 is increased to DKK 3,025k.
- An incentive programme be introduced based on warrants issued to managers and selected specialists and covering the four-year strategy period, with a total additional allocation of 300,000 warrants over the four-year period.

The agenda for the annual general meeting with annexes is expected to be published on Wednesday, 20 November 2013.

Share-related ratios

	2008/09	2009/10	2010/11	2011/12	2012/13
Earnings per share	4.73	7.16	5.92	9.48	4.05
Cash flow per share	9.51	8.31	8.57	13.24	10.25
Equity value per share	40	47	49	56	56
Share price at year-end	110	136	139	148	224
Price/equity value	2.7	2.9	2.8	2.6	4.0
Dividend per share	1.50	2.5	2.0	3.0	1.25
Pay-out ratio, %	32	35	34	33	31
P/E ratio	23	19	23	16	55

The ratios have been calculated in accordance with the Danish Society of Financial Analysts' 'Recommendations and Financial Ratios 2010'. Definitions appear from page 70.

Corporate social responsibility

Corporate social responsibility
Ambu takes a targeted approach to corporate social responsibility (CSR) based on the strong belief that it creates value for the company as well as for society if Ambu takes responsibility through the way in which the company operates and through its products. Read more at www.ambu.com/CSR.

In 2012/13, Ambu's efforts have been concentrated on strengthening the collaboration with educational institutions, on working towards better and safer phthalate-free medical devices as well as on the work on business ethics.

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

Guidelines on Ambu's CSR work

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

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

Ambu's CSR work in 2012/13

Below follows a description of the initiatives mentioned in the previous annual report. Information is also provided on the results achieved by Ambu in 2012/13.

New phthalate policy
Ambu is dedicated to ensuring that our products are as safe for the environment and for the patient as at all possible. Ambu has therefore elected to draw up a phthalate policy in which Ambu undertakes to replace the phthalate DEHP and other classified phthalates in all products before 2017. Ambu is already well on the way to achieving this, and in 2013 thus launched phthalate-free versions of the products UltraSeal Pediatric, Disposable Facemask, SPUR II, ResCue Mask and Aura-i.

Business ethics
Ambu will not tolerate corruption and therefore continues to raise awareness of the company's anti-corruption policy, among other things by offering training in the policy.

Ambu has also continued its efforts to disseminate knowledge of and expand the scope of Ambu's Code of Conduct, which was launched during the previous financial year. The Code of Conduct has, among other things, been expanded to cover distributors, which means that the policy requires suppliers to uphold the same human rights and workers' rights standards as Ambu. With this update, which is currently being implemented, the entire Ambu organisation as well as distributors and suppliers are covered by the company's Code of Conduct.

Employee satisfaction survey
The work on an employee satisfaction survey, which was mentioned in last year's annual report as one of this year's focus areas, has been postponed until next year.

Collaboration with educational institutions
Focus has been directed at strengthening collaboration with educational institutions. This has meant, among other things, that Ambu has taken on more trainees, interns and students at a global level for the benefit of both the company and the students.

Initiatives in 2013/14

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

- Continuing the efforts to develop and launch phthalate-free products.
- Conducting a global employee satisfaction survey.
- Continuing the collaboration with educational institutions.

Management's statement

On this day, the Board of Directors and the Executive Board have considered and approved the annual report of Ambu A/S for the financial year 1 October 2012 - 30 September 2013.

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

In our opinion, the consolidated financial statements and the financial statements give a true and fair view of the group's and the company's assets, liabilities and financial position as at 30 September 2013 and of the results of the group's and the company's operations and cash flows for the financial year 1 October 2012 to 30 September 2013.

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

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

Copenhagen, 14 November 2013

Executive Board

Lars Marcher President & CEO	Michael Højgaard CFO

Board of Directors

Jens Bager Chairman	Mikael Worning Vice-Chairman	Jesper Funding Andersen
Anne-Marie Jensen	Allan Søgaard Larsen	Ingeborg Højer Riis
Christian Sagild	John Stær	

Independent auditor's report

To the shareholders of Ambu A/S

Report on consolidated financial statements and parent company financial statements

We have audited the consolidated financial statements and the parent company financial statements of Ambu A/S for the financial year 1 October 2012 to 30 September 2013, pp. 31-70, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including summary of significant accounting policies, for the group as well as for the parent company. The consolidated financial statements and the parent company Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

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

The management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies, and for such internal control as the Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

The audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the group's and the parent company's financial position 30 September 2013 and of the results of the group's and the parent company's operations and cash flows for the financial year 1 October 2012 to 30 September 2013 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Statement on the management's review

We have read the management's review in accordance with the Danish Financial Statements Act, pp. 3-27 and p. 71. We have not performed any procedures additional to the audit of the consolidated financial statements and the parent company financial statements. On this basis, in our opinion, the information provided in the management's review is consistent with the consolidated financial statements and the parent company financial statements.

Copenhagen, 14 November 2013
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Torben Jensen State-Authorised Public Accountant	Martin Lunden State-Authorised Public Accountant

Financial statements

Financial statements

Notes

Other information

Income statement and statement of comprehensive income

1 October - 30 September

DKKm

Income statement		**Group**		**Parent company**	
	Note	**2012/13**	**2011/12**	**2012/13**	**2011/12**
Revenue	3	1,383	1,045	810	779
Production costs	4, 13	-704	-475	-560	-529
Gross profit		**679**	**570**	**250**	**250**
Selling costs	4	-292	-238	-50	-53
Development costs	4	-33	-23	-22	-23
Management and administration	4, 5	-192	-155	-93	-83
Other operating income	22	3	0	0	0
Other operating expenses	4, 23	-4	-3	-3	-2
Operating profit (EBIT) before special items		**161**	**151**	**82**	**89**
Special items	26	-61	-6	-30	-5
Operating profit (EBIT)		**100**	**145**	**52**	**84**
Financial income	6	0	4	34	9
Financial expenses	7	-30	-5	-21	-5
Profit before tax (PBT)		**70**	**144**	**65**	**88**
Tax on profit for the year	8	-22	-34	-16	-24
Net profit for the year		**48**	**110**	**49**	**64**
Distribution of profit					
Proposed dividend for the year		15	36	15	36
Retained earnings		33	74	34	28
		48	**110**	**49**	**64**
Earnings per share in DKK	12				
Earnings per share (EPS)		4.05	9.48		
Diluted earnings per share (EPS-D)		4.03	9.22		

Statement of comprehensive income				
Net profit for the year	48	110	49	64
Items which are moved to the income statement under certain conditions:				
Translation adjustment in foreign subsidiaries	-25	16	-2	2
Tax on translation adjustments in foreign subsidiaries	1	0	0	0
Adjustment to fair value for the period				
Disposals included in net financials	1	1	1	1
Additions concerning hedging instruments	1	-4	1	-4
Tax on hedging transactions	0	1	0	1
Comprehensive income for the year	**26**	**124**	**49**	**64**

Balance sheet
30 September

DKKm

Assets		Group		Parent company	
	Note	**30.09.13**	**30.09.12**	**30.09.13**	**30.09.12**
Acquired technologies, trademarks and customer relations		116	0	0	0
Completed development projects		43	27	43	27
Rights		18	21	45	20
Goodwill		730	147	143	144
Development projects in progress		39	34	29	34
Intangible assets	10, 27	**946**	**229**	**260**	**225**
Land and buildings		102	65	22	24
Plant and machinery		113	78	1	1
Other plant, fixtures and fittings, tools and equipment		29	27	16	19
Prepayments and plant under construction		8	6	0	2
Property, plant and equipment	11, 27	**252**	**176**	**39**	**46**
Shares in subsidiaries	9	-	-	222	66
Receivables from subsidiaries		-	-	5	5
Deferred tax asset	15	15	3	1	0
Other non-current assets		**15**	**3**	**228**	**71**
Total non-current assets		**1,213**	**408**	**527**	**342**
Inventories	13	**233**	**233**	**55**	**52**
Trade receivables	14	356	252	54	49
Receivables from subsidiaries		-	-	872	307
Other receivables	14	34	18	12	3
Income tax receivable	16	1	3	0	0
Receivables		**391**	**273**	**938**	**359**
Cash		54	35	0	0
Total current assets		**678**	**541**	**993**	**411**
TOTAL ASSETS		**1,891**	**949**	**1,520**	**753**

Balance sheet
30 September

DKKm

Equity and liabilities		Group		Parent company	
	Note	**30.09.13**	**30.09.12**	**30.09.13**	**30.09.12**
Share capital		119	119	119	119
Share premium		9	9	9	9
Reserve for hedging transactions		-5	-7	-5	-7
Reserve for foreign currency translation adjustments		-7	17	-2	0
Proposed dividend		15	36	15	36
Retained earnings		536	491	295	250
Equity	12	**667**	**665**	**431**	**407**
Credit institutions	17	56	18	56	18
Provision for deferred tax	15	30	22	27	27
Corporate bonds	17	697	0	697	0
Other provisions	18	83	0	1	0
Non-current liabilities		**866**	**40**	**781**	**45**
Current portion of non-current liabilities	17	10	13	10	13
Other provisions	18	108	0	3	0
Bank debt	17	12	61	12	57
Trade payables		75	57	18	15
Payables to subsidiaries		-	-	196	152
Income tax	16	22	21	15	19
Other payables		131	92	54	45
Current liabilities		**358**	**244**	**308**	**301**
Total liabilities		**1,224**	**284**	**1,089**	**346**
TOTAL EQUITY AND LIABILITIES		**1,891**	**949**	**1,520**	**753**

Cash flow statement

1 October - 30 September

DKKm

	Note	Group 2012/13	Group 2011/12	Parent company 2012/13	Parent company 2011/12
Net profit for the year		48	110	49	64
Adjustment of items with no cash flow effect	A	138	92	35	50
Income tax paid		-29	-24	-21	-11
Interest income and similar items		0	4	34	10
Interest expenses and similar items		-7	-5	-21	-5
Changes in working capital	B	-28	-19	-660	-12
Cash flows from operating activities		**122**	**158**	**-584**	**96**
Purchase of non-current assets		-60	-47	-60	-31
Sale of non-current assets		6	0	0	1
Cash flows from investing activities before acquisitions		**-54**	**-47**	**-60**	**-30**
Free cash flows before acquisitions	C	**68**	**111**	**-644**	**66**
Acquisitions	27	-704	-31	-16	0
Free cash flows after acquisitions		**-636**	**80**	**-660**	**66**
Corporate bond issue		697	0	697	0
Changes in other non-current liabilities		36	-13	36	-13
Exercise of options		29	25	29	25
Purchase of Ambu A/S shares		-22	-35	-22	-35
Dividend paid		-35	-23	-35	-23
Cash flows from financing activities		**705**	**-46**	**705**	**-46**
Changes in cash and cash equivalents		**69**	**34**	**45**	**20**
Cash and cash equivalents, beginning of year		-26	-61	-57	-77
Translation adjustment of cash and cash equivalents		-1	1	0	0
Cash and cash equivalents at year-end		**42**	**-26**	**-12**	**-57**
Note A: Adjustment of items with no cash flow effect					
Depreciation and amortisation		74	53	28	27
Accounting gain from sale of non-current assets		-3	0	0	0
Transaction costs in connection with acquisitions		11	0	1	0
Share-based remuneration		4	4	3	3
Financial expenses etc.		30	1	-13	-4
Tax on profit for the year		22	34	16	24
		138	**92**	**35**	**50**
Note B: Changes in working capital					
Changes in inventories		48	0	-3	-5
Changes in receivables		-72	-12	-14	-12
Changes in balances with group companies		-	-	-662	14
Changes in trade payables etc.		-4	-7	19	-9
		-28	**-19**	**-660**	**-12**
Note C: Cash flows from investing activities		**-758**	**-78**	**-76**	**-30**

Statement of changes in equity

30 September

DKKm

Group	Share capital	Share premium	Reserve for hedging transactions	Reserve for foreign currency translation adjustment	Retained earnings	Proposed dividend	Total
Equity as at 30 September 2011	**119**	**9**	**-4**	**1**	**431**	**24**	**580**
Effect of error (note 28)					-12		-12
Tax effect of error					3		3
Corrected equity as at 30 September 2011	**119**	**9**	**-4**	**1**	**422**	**24**	**571**
Net profit for the year					115		115
Other comprehensive income for the year			-3	16			13
Total comprehensive income	**0**	**0**	**-3**	**16**	**115**	**0**	**128**
Transactions with the owners:							
Exercise of options					25		25
Share options					4		4
Purchase of treasury shares					-35		-35
Distributed dividend						-24	-24
Dividend, treasury shares					0		0
Proposed dividend					-36	36	0
Equity as at 30 September 2012	**119**	**9**	**-7**	**17**	**495**	**36**	**669**
Effect of error (note 28)					-5		-5
Tax effect of error					1		1
Corrected equity as at 30 September 2012	**119**	**9**	**-7**	**17**	**491**	**36**	**665**
Net profit for the year					48		48
Other comprehensive income for the year			2	-24			-22
Total comprehensive income	**0**	**0**	**2**	**-24**	**48**	**0**	**26**
Transactions with the owners:							
Exercise of options					29		29
Share options					4		4
Purchase of treasury shares					-22		-22
Distributed dividend						-36	-36
Dividend, treasury shares					1		1
Proposed dividend					-15	15	0
Equity as at 30 September 2013	**119**	**9**	**-5**	**-7**	**536**	**15**	**667**

Statement of changes in equity
30 September

DKKm

Parent company

	Share capital	Share premium	Reserve for hedging transactions	Reserve for foreign currency translation adjustment	Retained earnings	Proposed dividend	Total
Equity as at 1 October 2011	**119**	**9**	**-4**	**0**	**227**	**24**	**375**
Net profit for the year					64		64
Other comprehensive income for the year			-3		2		-1
Total comprehensive income	**0**	**0**	**-3**	**0**	**66**	**0**	**63**
Transactions with the owners:							
Exercise of options					25		25
Share options					2		2
Purchase of treasury shares					-35		-35
Distributed dividend						-24	-24
Dividend, treasury shares					1		1
Proposed dividend					-36	36	0
Equity as at 30 September 2012	**119**	**9**	**-7**	**0**	**250**	**36**	**407**
Net profit for the year					49		49
Other comprehensive income for the year			2	-2			0
Total comprehensive income	**0**	**0**	**2**	**-2**	**49**	**0**	**49**
Transactions with the owners:							
Exercise of options					29		29
Share options					3		3
Purchase of treasury shares					-22		-22
Distributed dividend						-36	-36
Dividend, treasury shares					1		1
Proposed dividend					-15	15	0
Equity as at 30 September 2013	**119**	**9**	**-5**	**-2**	**295**	**15**	**431**

Notes

NOTE 1. ACCOUNTING POLICIES

Ambu A/S is a public limited company domiciled in Denmark. The annual report for the period 1 October 2012 - 30 September 2013 comprises the consolidated financial statements of Ambu A/S and its subsidiaries (the group) as well as separate financial statements of the parent company.

The consolidated financial statements and the financial statements 2012/13 of Ambu A/S are presented in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

Basis of preparation of financial statements

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

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

The accounting policies have been applied consistently in the financial year and for the comparative figures and are consistent with those applied in 2011/12.

In connection with the interim report for Q2 2012/13, an error was detected in the valuation of inventories. For a further description of the error, please refer to note 28.

New accounting regulation

Ambu has implemented all relevant new and updated accounting standards issued by the IASB and effective as at 1 October 2012. The implementation of these new and updated accounting standards has not had a material financial effect on the statement of Ambu's results, assets and liabilities or equity in connection with the preparation of the financial statements for the financial years presented.

No accounting standards need to be implemented in FY 2013/14 which will have a material financial effect on the statement of Ambu's results, assets and liabilities or equity in connection with the preparation of the financial statements 2013/14.

DESCRIPTION OF ACCOUNTING POLICIES

Consolidated financial statements

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

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

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

Business combinations

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

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

NOTE 1. ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

Derivative financial instruments are recognised as from the transaction date and are measured at fair value in the balance sheet. 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, hedge changes in the value of the hedged item, are recognised in other comprehensive income and presented as a separate reserve for hedging transactions under equity until the hedged transaction is realised. At this time, gains or losses on such hedging transactions are transferred from equity and recognised under the same item as the hedged item. When hedging proceeds from future borrowings, the gains or losses on hedging transactions are, however, transferred from other comprehensive income over the term of the loan.

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

SEGMENT INFORMATION

The company is a supplier of medico-technical products for the global market. Except for the sales of the different products, no structural or organisational aspects allow for a division of earnings from individual products as sales channels, customer types and sales organisations are identical for all important markets. Furthermore, production processes and internal controls and reporting are identical, which means that with the exception of revenue, everything else is unsegmented.

The company has thus only identified one operating segment and has therefore only shown the activities’ geographical distribution.

NOTE 1. ACCOUNTING POLICIES (CONTINUED)

INCOME STATEMENT

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

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

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

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

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

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

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

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

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

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

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

BALANCE SHEET

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

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

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

Notes

NOTE 1. ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

Land is not depreciated.

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

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

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

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

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

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

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

NOTE 1. ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

EQUITY

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

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

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

EMPLOYEE CONTRIBUTIONS

Pension obligations and similar non-current liabilities
The group has entered into defined-contribution plans with a number of the group's employees.

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

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

NOTE 1. ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

FINANCIAL LIABILITIES

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

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

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

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

NOTE 1. ACCOUNTING POLICIES (CONTINUED)

CASH FLOW STATEMENT

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

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

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

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

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

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

NOTE 2. MATERIAL ACCOUNTING ESTIMATES AND ASSESSMENTS

In connection with the preparation of Ambu's consolidated financial statements, the management makes material accounting estimates, assessments and assumptions which form the basis of the presentation, recognition and measurement of the group's assets and liabilities for accounting purposes. The material accounting estimates and assessments are described below.

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

Business combinations
When applying the purchase method in connection with the acquisition of enterprises, the management makes material estimates and assessments. On 15 February 2013, Ambu acquired all of the share capital in King Systems Corp. at a price of DKK 836m.

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

The total purchase sum includes contingent consideration of up to USD 50m. This obligation pertains to the commercial development of the King Vision product. Based on the expectations for future sales, a purchase price payable of USD 30m has been recognised. Given the current sales forecasts, the unrecognised portion of the earn-out obligation is unlikely to materialise.

Intangible assets
The measurement of goodwill may be significantly impacted by changes in the estimates and assessments made when calculating values in use in connection with impairment tests. Goodwill can primarily be attributed to the acquisition of King Systems Corp. Goodwill amounted to DKK 730m (2012: DKK 147m).

Continuous impairment tests are made in respect of both completed development projects and development projects in progress, where the management compares the estimated future net cash flows with the carrying amount of the asset. Impairment tests require material estimates of how future events will affect the value of development projects. The value of completed development projects was DKK 43m (2012: DKK 27m), whereas the value of development projects in progress was DKK 39m (2012: DKK 34m).

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

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

Production overheads with the value of inventories added are calculated on the basis of a standard cost method, which is reviewed on a regular basis to ensure valid assumptions. Changes in the assessments made will affect the group's valuation of inventories and gross profit. The carrying amount of capitalised production overheads totalled DKK 45m (2012: DKK 47m).

Sales discounts and provisions for GPOs
Sales discounts are offset against trade receivables and primarily concern sales in the USA. Provisions for distributor discounts in the US market are subject to estimation uncertainty as the actual discount is not determined until the distributor's sale to the end customer (hospitals, clinics etc.). Sales discounts are the difference between the price agreed with the end customer and the distributor's list price. Sales discounts are calculated on the basis of a combination of previous experience and sales data from distributors. Provisions for sales discounts totalled DKK 42m (2012: DKK 20m).

Notes

DKKm

NOTE 3. INFORMATION ABOUT THE GEOGRAPHICAL DISTRIBUTION OF THE ACTIVITIES

	Group	
	2012/13	**2011/12**
Geographical distribution based on purchasing country:		
Europe	664	585
USA	587	347
Rest of the world	132	113
Total revenue	**1,383**	**1,045**

Ambu is domiciled in Denmark. The group's revenue in Denmark totalled DKK 35m (2011/12: DKK 32m).

	Group 30.09.13		Group 30.09.12	
	Assets	**Investments**	**Assets**	**Investments**
Europe	624	48	578	9
USA	1,081	830	145	1
Rest of the world	186	12	226	15
	1,891	**890**	**949**	**25**

Notes

DKKm

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

	Group		Parent company	
	2012/13	**2011/12**	**2012/13**	**2011/12**
Staff expenses are included in functional costs as follows:				
Production costs	156	91	17	22
Selling costs	136	123	7	11
Development costs	11	10	8	10
Management and administration	115	106	62	63
Other operating expenses	4	3	3	2
Special items	22	1	10	0
Total staff expenses	**444**	**334**	**107**	**108**
Staff expenses comprise:				
Remuneration, Executive Board	8	5	8	5
Pension contributions, Executive Board	0	0	0	0
Share options	1	1	1	1
Staff expenses, Executive Board	**9**	**6**	**9**	**6**
Wages and salaries	383	290	86	91
Pension contributions	9	9	6	6
Social security costs	38	25	2	2
Share options and warrants	3	2	2	1
Remuneration, committees	0	0	0	0
Remuneration, Board of Directors	2	2	2	2
Total staff expenses	**444**	**334**	**107**	**108**
Average number of employees	1,984	1,683	133	144
Number of employees at year-end	2,194	1,674	130	136
Severance programme, Executive Board	0	0	0	0

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 of the future development in interest rates, inflation, death rate and disability rate.

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

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

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

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

Notes

DKKm

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

Share option scheme, senior employees

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

Warrant scheme, senior employees

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

Assumptions at allocation

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

	Volatility	Interest rate	Dividend per share	Exercise price	Fair value at allocation
Warrants, April 2012	30%	1.28%	2.5	158.00	DKK 4m
Share options, February 2013	28%	0.20%	3.0	172.80	DKK 2m

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

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

Notes

DKKm

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

Share options/warrants in the Ambu group

2012/13	**No. of options/ warrants**	**Exercise price per option/warrant in DKK**	**No. of options/ warrants which can be exer-cised**	**Term to maturity in years**	**Market value in DKKm**
Executive Board, share options					
Outstanding balance as at 1 October 2012	189,000	91	63,000	3	11
Additions during the year (no.)	57,326	173	-	5	-
Options exercised during the year	-	-	-	-	-
Market value adjustment	-	-	-	-	17
Senior employees, share options					
Outstanding balance as at 1 October 2012	359,279	-	233,460	-	9
Matured during the year (no.)	-	-	125,819	-	-
Forfeited	-	-	-	-	-
First-portion options exercised during the year	-	-	-	-	-
Second-portion options exercised during the year	-32,507	112	-32,507	-	-1
Third-portion options exercised during the year	-191,961	121	-191,961	-	-5
Fourth-portion options exercised during the year	-24,070	131	-24,070	1	0
Additions during the year	29,220	173	-	5	0
Market value adjustment	-	-	-	-	9
Senior employees, warrants					
Outstanding balance as at 1 October 2012	218,800	-	-	3	6
Additions during the year (no.)	-	-	-	-	-
Forfeited	-5,000	161	-	-	-
Options exercised during the year	-	-	-	-	-
Market value adjustment	-	-	-	-	8
Outstanding balance as at 30 September 2013	**600,087**	**-**	**173,741**	**-**	**54**

2011/12					
Executive Board, share options					
Outstanding balance as at 1 October 2011	126,000	88	0	4	7
Additions during the year (no.)	63,000	98	0	5	1
Options exercised during the year	0	0	0	0	0
Market value adjustment	-	-	-	-	2
Senior employees, share options					
Outstanding balance as at 1 October 2011	613,319	-	78,081	1	16
Matured during the year (no.)	-	-	374,500	-	-
Forfeited	-40,377	-	-5,458	-	-1
First-portion options exercised during the year	-12,349	104	-12,349	0	0
Second-portion options exercised during the year	-33,225	112	-33,225	1	-1
Third-portion options exercised during the year	-168,089	121	-168,089	1	-4
Market value adjustment	-	-	-	-	0
Senior employees, warrants					
Outstanding balance as at 1 October 2011	110,000	161	0	4	3
Additions during the year (no.)	126,900	158	0	5	4
Forfeited	-18,100	-	-	-	-1
Options exercised during the year	0	0	0	0	0
Market value adjustment	-	-	0	0	-1
Outstanding balance as at 30 September 2012	**767,079**	**-**	**233,460**	**-**	**25**

The market value of share options and warrants issued is calculated as the difference between the subscription price and the share price in Ambu A/S at the end of the accounting period.

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

Notes

DKKm

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

	Group		Parent company	
	2012/13	**2011/12**	**2012/13**	**2011/12**
Depreciation, amortisation and impairment losses have been allocated to the following functions:				
Production costs	31	26	3	3
Selling costs	7	1	0	0
Development costs	22	13	15	13
Management and administration	14	13	10	11
Total depreciation, amortisation and impairment losses	**74**	**53**	**28**	**27**

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

	Group		Parent company	
	2012/13	**2011/12**	**2012/13**	**2011/12**
Fee for PwC	2	2	1	1
Other assurance engagements	0	0	0	0
Tax consultancy services	1	0	0	0
Other services	1	1	1	1
Total fees	**4**	**3**	**2**	**2**

NOTE 6. FINANCIAL INCOME

	Group		Parent company	
	2012/13	**2011/12**	**2012/13**	**2011/12**
Interest income from loans to subsidiaries	-	-	34	6
Foreign exchange gains, net	0	4	0	3
Interest income	0	0	0	0
	0	**4**	**34**	**9**

NOTE 7. FINANCIAL EXPENSES

	Group		Parent company	
	2012/13	**2011/12**	**2012/13**	**2011/12**
Interest expenses	20	5	20	5
Foreign exchange losses, net	5	0	1	0
Finance cost, earn-out	5	0	0	0
	30	**5**	**21**	**5**

Notes

DKKm

NOTE 8. TAX ON PROFIT FOR THE YEAR

	Group		Parent company	
	2012/13	**2011/12**	**2012/13**	**2011/12**
Current tax on profit for the year	41	34	17	22
Deferred tax on profit for the year	-16	2	2	2
Adjustment, previous years	0	-2	0	0
Adjustment, change in tax rates	-3	0	-3	0
Total tax on profit for the year	**22**	**34**	**16**	**24**
Tax on profit for the year comprises (%):				
Calculated tax on income from ordinary activities before tax	25.0	25.0	25.0	25.0
Effect of tax rate in foreign subsidiaries	1.0	0.8	0.0	0.0
Income not subject to tax	-0.2	-1.0	0.0	0.0
Non-deductible costs	7.1	2.3	4.2	1.9
Adjustment, change in tax rates	-4.3	0.0	-4.3	0.0
Value adjustment, earn-out	2.5	0.0	0.0	0.0
Tax adjustment in respect of previous years	0.4	-1.3	-0.1	0.1
Utilisation of non-capitalised tax asset	0.0	-2.4	0.0	0.0
Effective tax rate	**31.5**	**23.4**	**24.8**	**27.0**

Notes

DKKm

NOTE 9. SHARES IN SUBSIDIARIES

	2012/13	2011/12
Acquisition price, beginning of year	66	66
Additions	156	0
Disposals	0	0
Acquisition price at year-end	**222**	**66**
Carrying amount as at 30 September	**222**	**66**

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

In addition to the above, Ambu has branches in both Sweden and Finland as well as a representative office in India.

Notes

DKKm

NOTE 10. INTANGIBLE ASSETS

2012/13	Acquired technologies, trademarks and customer relations	Completed development projects	Rights	Goodwill	Develop-ment projects in progress	Total
Group						
Acquisition price at 1 October	0	136	32	147	34	349
Translation adjustment	-2	0	-1	-7	0	-10
Additions	0	0	0	0	36	36
Additions in connection with acquisition	131	0	0	590	0	721
Disposals	0	0	0	0	0	0
Transferred	0	31	0	0	-31	0
Acquisition price at 30 September	**129**	**167**	**31**	**730**	**39**	**1,096**
Amortisation and impairment losses at 1 October	0	109	11	0	0	120
Translation adjustment	-1	0	0	0	0	-1
Disposals	0	0	0	0	0	0
Impairment losses	0	0	0	0	0	0
Amortisation	14	15	2	0	0	31
Amortisation and impairment losses at 30 September	**13**	**124**	**13**	**0**	**0**	**150**
Carrying amount at 30 September	**116**	**43**	**18**	**730**	**39**	**946**
Amortisation period	5-10 years	5 years	10-20 years			
Parent company						
Acquisition price at 1 October	0	136	30	144	34	344
Translation adjustment	0	0	-1	-1	0	-2
Additions	0	0	28	0	26	54
Additions in connection with acquisition	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Transferred	0	31	0	0	-31	0
Acquisition price at 30 September	**0**	**167**	**57**	**143**	**29**	**396**
Amortisation and impairment losses at 1 October	0	109	10	0	0	119
Translation adjustment	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Impairment losses	0	0	0	0	0	0
Amortisation	0	15	2	0	0	17
Amortisation and impairment losses at 30 September	**0**	**124**	**12**	**0**	**0**	**136**
Carrying amount at 30 September	**0**	**43**	**45**	**143**	**29**	**260**
Amortisation period		5 years	10-20 years			

Important intangible assets can be attributed to the acquisition of King Systems Corp.:

	Carrying amount	Amortisation period
Technologies	96	5-10 years
Customer relations	4	5 years
Trademarks	16	5 years
	116	

Reference is also made to note 27 for identified intangible assets and to note 2 for a description of the management's material estimates.

Notes

DKKm

NOTE 10. INTANGIBLE ASSETS (CONTINUED)
Goodwill in the group of DKK 730m (2012: DKK 147m) concerns goodwill in connection with the acquisition of the enterprises King Systems Corp. and First Water Heathcote Ltd. in 2013, the Medicotest group in 2001 as well as the acquisition of the activities in Sleepmate Inc. in 2008. The acquired enterprises are integrated into all parts of the Ambu group, which means that the goodwill value relates to Ambu as a whole.

As at 30 September 2013, the management carried out an impairment test of the carrying amount of goodwill. Based on this test, no amortisation of goodwill was deemed necessary. In connection with the impairment test, the discounted cash flow of the cash-generating unit is compared with the carrying amounts. Cash flows are based on the 2013/14 budget and on growth of 1% in the terminal period (2011/12: 0%). In connection with the discounting, a WACC of 7.5% after tax has been applied (2011/12: 8.5%), corresponding to a WACC of 10.7% before tax (2011/12: 12.1%).

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

2011/12	Acquired technologies, trademarks and customer relations	Completed development projects	Rights	Goodwill	Develop-ment projects in progress	Total
Group						
Acquisition price at 1 October	0	135	26	146	18	325
Translation adjustment	0	0	1	1	0	2
Additions	0	0	5	0	17	22
Additions in connection with acquisition	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Transferred	0	1	0	0	-1	0
Acquisition price at 30 September	**0**	**136**	**32**	**147**	**34**	**349**
Amortisation and impairment losses at 1 October	0	96	8	0	0	104
Translation adjustment	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Impairment losses	0	0	0	0	0	0
Amortisation	0	13	3	0	0	16
Amortisation and impairment losses at 30 September	**0**	**109**	**11**	**0**	**0**	**120**
Carrying amount at 30 September	**0**	**27**	**21**	**147**	**34**	**229**
Amortisation period		5 years	10-20 years			
Parent company						
Acquisition price at 1 October	0	135	24	143	18	320
Translation adjustment	0	0	1	1		2
Additions	0	0	5	0	17	22
Additions in connection with acquisition	0	0	0	0	0	0
Disposals	0	0	0	0		0
Transferred	0	1	0	0	-1	0
Acquisition price at 30 September	**0**	**136**	**30**	**144**	**34**	**344**
Amortisation and impairment losses at 1 October	0	96	7	0	0	103
Translation adjustment	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Impairment losses	0	0	0	0	0	0
Amortisation	0	13	3	0	0	16
Amortisation and impairment losses at 30 September	**0**	**109**	**10**	**0**	**0**	**119**
Carrying amount at 30 September	**0**	**27**	**20**	**144**	**34**	**225**
Amortisation period		5 years	10-20 years			

Notes

DKKm

NOTE 11. PROPERTY, PLANT AND EQUIPMENT

2012/13	Land and buildings	Plant and machinery	Other plant, fixtures and fittings, tools and equipment	Prepayments and plant under construction	Total
Group					
Acquisition price at 1 October	149	224	92	6	471
Translation adjustment	-4	-11	-1	-2	-18
Additions	11	20	10	-16	25
Additions in connection with acquisition	37	37	6	28	108
Disposals	-4	-7	-4	-1	-16
Transferred	1	6	0	-7	0
Acquisition price at 30 September	**190**	**269**	**103**	**8**	**570**
Depreciation and impairment losses at 1 October	84	146	65	0	295
Translation adjustment	-1	-6	-1	0	-8
Disposals	-3	-5	-4	0	-12
Impairment losses	0	0	0	0	0
Depreciation	8	21	14	0	43
Depreciation and impairment losses at 30 September	**88**	**156**	**74**	**0**	**318**
Carrying amount at 30 September	**102**	**113**	**29**	**8**	**252**
Of which assets held under finance leases	0	0	1	0	1
Depreciation period	10-25 years	2-10 years	3-5 years		
Parent company					
Acquisition price at 1 October	82	6	67	2	157
Translation adjustment	0	0	0	0	0
Additions	1	0	5	1	7
Additions in connection with acquisition	0	0	0	0	0
Disposals	0	-1	0	-3	-4
Transferred	0	0	0	0	0
Acquisition price at 30 September	**83**	**5**	**72**	**0**	**160**
Depreciation and impairment losses at 1 October	58	5	48	0	111
Translation adjustment	0	0	0	0	0
Disposals	0	-1	0	0	-1
Impairment losses	0	0	0	0	0
Depreciation	3	0	8	0	11
Depreciation and impairment losses at 30 September	**61**	**4**	**56**	**0**	**121**
Carrying amount at 30 September	**22**	**1**	**16**	**0**	**39**
Depreciation period	10-25 years	2-10 years	3-5 years		

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

DKKm

NOTE 11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2011/12	Land and buildings	Plant and machinery	Other plant, fixtures and fittings, tools and equipment	Prepayments and plant under construction	Total
Group					
Acquisition price at 1 October	141	206	82	19	448
Translation adjustment	4	11	1	0	16
Additions	3	8	11	2	24
Additions in connection with acquisition	0	2	0	0	2
Disposals	0	-16	-3	0	-19
Transferred	1	13	1	-15	0
Acquisition price at 30 September	**149**	**224**	**92**	**6**	**471**
Depreciation and impairment losses at 1 October	76	136	56	0	268
Translation adjustment	1	6	1	0	8
Reversal upon sale	0	-15	-3	0	-18
Depreciation	7	19	11	0	37
Depreciation and impairment losses at 30 September	**84**	**146**	**65**	**0**	**295**
Carrying amount at 30 September	**65**	**78**	**27**	**6**	**176**
Of which assets held under finance leases	0	0	0	0	0
Depreciation period	10-25 years	2-10 years	3-5 years		
Parent company					
Acquisition price at 1 October	82	6	61	2	151
Additions	0	1	8	0	9
Disposals	0	-1	-2	0	-3
Transferred	0	0	0	0	0
Acquisition price at 30 September	**82**	**6**	**67**	**2**	**157**
Depreciation and impairment losses at 1 October	55	5	42	0	102
Reversal upon sale	0	0	-2	0	-2
Depreciation	3	0	8	0	11
Depreciation and impairment losses at 30 September	**58**	**5**	**48**	**0**	**111**
Carrying amount at 30 September	**24**	**1**	**19**	**2**	**46**
Depreciation period	10-25 years	2-10 years	3-5 years		

Notes

DKKm

NOTE 12. SHARE CAPITAL AND TREASURY SHARES

Class A shares, ten votes per share, 1,716,000 shares of DKK 10 each.
Class B shares, one vote per share, 10,192,080 shares of DKK 10 each.

	Class A shares		Class B shares	
	2012/13	**2011/12**	**2012/13**	**2011/12**
No. of shares issued as at 1 October	1,716,000	1,716,000	10,192,080	10,192,080
Additions	0	0	0	0
Disposals	0	0	0	0
No. of shares issued as at 30 September	**1,716,000**	**1,716,000**	**10,192,080**	**10,192,080**

	No. of shares		Nominal value		In % of share capital	
Treasury shares – Class B shares	**2012/13**	**2011/12**	**2012/13**	**2011/12**	**2012/13**	**2011/12**
1 October	253,397	223,938	2.5	2.2	2.1%	1.9%
Additions	123,984	243,122	1.2	2.4	1.0%	2.0%
Disposals	-233,436	-213,663	-2.3	-2.1	-2.0%	-1.8%
Class B treasury shares as at 30 September	**143,945**	**253,397**	**1.4**	**2.5**	**1.1%**	**2.1%**

Treasury shares have been purchased to cover option schemes.

	Group	
Earnings per share	**2012/13**	**2011/12**
Net profit for the year	48	110
Average no. of outstanding Class A and Class B shares	11,707,923	11,654,683
Average no. of diluted Class A and Class B shares	11,805,124	11,978,092
Earnings per DKK 10 share (EPS) in DKK	4.05	9.48
Diluted earnings per DKK 10 share (EPS-D) in DKK	4.03	9.22

NOTE 13. INVENTORIES

	Group		Parent company	
	30.09.13	**30.09.12**	**30.09.13**	**30.09.12**
Commodities and consumables	66	75	2	2
Finished goods	167	158	53	50
	233	**233**	**55**	**52**
Cost of sales for the year	541	350	503	483
Inventory write-down				
Write-down as at 1 October	6	6	1	1
Translation adjustment	0	0	0	0
Additions	3	1	2	1
Disposals	-1	-1	0	-1
Write-down as at 30 September	**8**	**6**	**3**	**1**

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

Notes

DKKm

NOTE 14. RECEIVABLES

	Group		Parent company	
	30.09.13	**30.09.12**	**30.09.13**	**30.09.12**
Trade receivables	356	252	54	49
Receivables from group enterprises	-	-	872	307
Other receivables	34	18	12	3
	390	**270**	**938**	**359**
Write-down at 1 October	4	3	1	1
Translation adjustment	0	0	0	0
Write-downs of receivables for the year	1	1	0	0
Reversal for the year of previous write-downs	-1	0	0	0
Write-downs included in the receivables mentioned above at 30 September	**4**	**4**	**1**	**1**

Credit risks
Ambu is exposed to credit risks in respect of receivables and bank deposits. The maximum credit risk corresponds to the carrying amount. Cash is not deemed to be subject to any credit risks as the counterpart is banks with a good credit rating.

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

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

	Group		Parent company	
	30.09.13	**30.09.12**	**30.09.13**	**30.09.12**
Trade receivables				
Not due	237	164	47	44
1-90 days	68	49	2	1
91-180 days	18	18	0	0
> 180 days	33	21	5	4
Value written down as at 30 September	**356**	**252**	**54**	**49**

Notes

DKKm

NOTE 15. PROVISION FOR DEFERRED TAX

	Group		Parent company	
	30.09.13	**30.09.12**	**30.09.13**	**30.09.12**
Deferred tax as at 1 October	19	22	27	25
Addition in connection with acquisition	15	0	0	0
Translation adjustment	0	0	0	0
Deferred tax on other comprehensive income	0	0	0	0
Deferred tax for the year	-16	2	2	2
Adjustment, change in tax rates	-3	0	-3	0
Change in respect of previous years	0	-5	0	0
Deferred tax as at 30 September	**15**	**19**	**26**	**27**
Deferred tax relates to:				
Intangible assets	20	23	24	22
Property, plant and equipment	25	8	3	5
Current assets	-8	-10	0	0
Provisions	-1	0	-1	0
Payables	-21	-2	0	0
	15	**19**	**26**	**27**
Classified in the balance sheet as follows:				
Deferred tax asset	-15	-3	-1	0
Deferred tax	30	22	27	27
	15	**19**	**26**	**27**
Deferred tax falling due within 12 months	-30	-12	-1	0

NOTE 16. INCOME TAX

	Group		Parent company	
	30.09.13	**30.09.12**	**30.09.13**	**30.09.12**
Income tax payable as at 1 October	18	9	19	9
Addition in connection with acquisition	-9	0	0	0
Translation adjustment	0	0	0	0
Paid during the year	-29	-24	-21	-11
Adjustment in respect of previous years	0	0	0	0
Tax on other comprehensive income	0	-1	0	-1
Tax on profit for the year	41	34	17	22
Net payable/receivable	**21**	**18**	**15**	**19**
Classified in the balance sheet as follows:				
Income tax receivable	-1	-3	0	0
Income tax payable	22	21	15	19
	21	**18**	**15**	**19**

DKKm

NOTE 17. CURRENT AND NON-CURRENT LIABILITIES

	Group		Parent company	
	30.09.13	**30.09.12**	**30.09.13**	**30.09.12**
Credit institutions	66	31	66	31
Corporate bonds	697	0	697	0
Bank debt	12	61	12	57
	775	**92**	**775**	**88**

Carrying amount:

Loan	Maturity	Type	Fixed/floating	Effective rate of interest	Group 30.09.13	Group 30.09.12	Parent company 30.09.13	Parent company 30.09.12
DKK	2018	Bonds	Fixed	3.5%	697	0	697	0
USD	2014	Credit institution	Floating	2.9%	3	14	3	14
EUR	2014	Credit institution	Fixed	2.4%	2	4	2	4
DKK	2015	Credit institution	Fixed	2.5%	5	7	5	7
DKK	2018	Credit institution	Floating	3.4%	5	6	5	6
DKK	2014	Credit institution	Floating	2.0%	50	0	50	0
DKK	2017	Finance leases	Fixed	3.1%	1	0	1	0
USD	-	Bank debt	Floating	1.9%	12	61	12	57
Total as at 30 September					**775**	**92**	**775**	**88**
Weighted interest rate					**3.4%**	**3.3%**		
Of the total debt, the following falls due:								
			0-1 year		71	75	71	71
			1-5 years		704	16	704	16
			> 5 years		0	1	0	1
					775	**92**	**775**	**88**

Corporate bonds

In March 2013, Ambu A/S issued bonds at a nominal value of DKK 700.5m. The bonds offer a fixed interest rate of 3.375% and a yield to maturity of 3.506%. The bonds must be repaid in full in March 2018. The fair value of the bonds issued was DKK 697m as at 30 September 2013.

Liquidity risks

Following Ambu's acquisition of King Systems, the net interest-bearing debt increased significantly during the financial year. Naturally, this has resulted in increased focus on cash management at Ambu.

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

Liquidity is managed centrally in the Group Accounting department. No cash-pool solutions are applied, but intercompany loans have been extended by Ambu A/S to a few subsidiaries.

The liquidity risk is countered by a consistent focus on budgeted and realised cash flow.

The cash resources consist of unutilised credit facilities in banks.

DKKm

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

2012/13	0-1 year	1-5 years	> 5 years	Total *)	Fair value	Carrying amount
Credit institutions	60	8	0	68	67	66
Corporate bonds	24	795	0	819	697	697
Other provisions	108	83	0	191	191	191
Bank debt	12	0	0	12	12	12
Trade payables	75	0	0	75	75	75
Other payables	131	0	0	131	131	131
Total financial liabilities	**410**	**886**	**0**	**1,296**	**1,173**	**1,172**
Cash	54	0	0	54	54	54
Trade receivables	356	0	0	356	356	356
Other receivables	34	0	0	34	34	34
Total financial assets	**444**	**0**	**0**	**444**	**444**	**444**
Liquidity risk, net, 30.09.13	**-34**	**886**	**0**	**852**	**729**	**728**

2011/12	0-1 year	1-5 years	> 5 years	Total *)	Fair value	Carrying amount
Credit institutions	14	17	1	32	31	31
Bank debt	61	0	0	61	61	61
Trade payables	57	0	0	57	57	57
Other payables	92	0	0	92	92	92
Total financial liabilities	**224**	**17**	**1**	**242**	**241**	**241**
Cash	35	0	0	35	35	35
Trade receivables	251	0	0	251	251	251
Other receivables	21	0	0	21	21	21
Total financial assets	**307**	**0**	**0**	**307**	**307**	**307**
Liquidity risk, net, 30.09.12	**-83**	**17**	**1**	**-65**	**-66**	**-66**

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

	Group		Parent company	
	30.09.13	**30.09.12**	**30.09.13**	**30.09.12**
Unutilised credit facilities	210	149	188	94

DKKm

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

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

The group's net interest-bearing debt is calculated as corporate bonds, debt to credit institutions and bank debt less cash and cash equivalents. Based on the company's net debt as at 30 September 2013, which partly carries a fixed and partly a floating rate of interest, a 1% increase/fall in the general interest rate level will have the following effect on the income statement and equity as far as the development in interest rate swaps is concerned.

	Group	
	30.09.13	**30.09.12**
Net interest-bearing debt	721	57
Increase/fall in the interest rate level of 1 percentage point – impact on results +/-	0	0
Increase/fall in the interest rate level of 1 percentage point – impact on equity +/-	3	3

NOTE 18. OTHER PROVISIONS

	Group		Parent company	
	2012/13	**2011/12**	**2012/13**	**2011/12**
Provisions as at 1 October	0	0	0	0
Additions during the year	0	0	0	0
Additions in connection with acquisition	192	0	4	0
Used during the year	-4	0	0	0
Value adjustment	5	0	0	0
Foreign currency translation adjustment	-2	0	0	0
Other provisions as at 30 September	**191**	**0**	**4**	**0**
Provisions expected to fall due:				
Current liabilities	108	0	3	0
Non-current liabilities	83	0	1	0
Other provisions as at 30 September	**191**	**0**	**4**	**0**

Provisions can be attributed to the earn-out agreement in connection with company acquisitions as well as onerous contracts in the same context.

Notes

DKKm

NOTE 19. OPERATING LEASES

	Group		Parent company	
Operating leases	**2012/13**	**2011/12**	**2012/13**	**2011/12**
Payments due within 0-1 year	20	20	7	7
Payments due within 1-5 years	46	50	29	26
Payments due after 5 years	86	96	83	91
Total operating leases	**152**	**166**	**119**	**124**
Operating leases expensed in the income statement	26	24	11	10

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

NOTE 20. RELATED PARTIES

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

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

	Parent company	
	2012/13	**2011/12**
Sale to subsidiaries	592	597
Purchase from subsidiaries	571	412

During the year, no transactions, except for intercompany transactions eliminated in the consolidated financial statements and payment of the 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 company. Such transactions are carried out on the same terms as apply to the group's other customers and suppliers. For information on the year's interest on intercompany loans, please refer to notes 6 and 7.

Long-term loans have been granted by the parent company to cover building investments in Malaysia. Furthermore, the parent company has issued declarations of support to the subsidiaries in Ambu Sdn. Bhd. and White Sensor Ltd. In 2012/13, short-term loans were granted to the following subsidiaries: First Water Heathcote Ltd., Ambu Inc. and King Systems Corp. In addition, loans were granted by Ambu Sarl. The loans carry interest on market conditions.

Letting of property to Origio A/S whose CEO is a member of the Board of Directors of Ambu A/S.

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

	Parent company	
	2012/13	**2011/12**
Guarantees and security furnished on behalf of subsidiaries	22	22

DKKm

NOTE 21. FINANCIAL INSTRUMENTS

Ambu has recognised the following financial instruments:

	Group		Parent company	
Recognised financial instruments	**30.09.13**	**30.09.12**	**30.09.13**	**30.09.12**
Loans and receivables				
Trade receivables	356	252	54	49
Cash	54	35	0	0
Other receivables	25	18	3	3
Assets stated at fair value through other comprehensive income				
Hedging instruments (level 2)*	9	0	9	0
Carrying amount as at 30 September	**444**	**305**	**66**	**52**
Financial liabilities recognised at amortised cost				
Credit institutions	-66	-31	-66	-31
Corporate bonds	-697	0	-697	0
Other provisions	-40	0	0	0
Bank debt	-12	-61	-12	-57
Trade payables	-75	-57	-18	-15
Other payables	-124	-83	-47	-36
Liabilities stated at fair value in the income statement				
Earn-out obligation (level 3)*	-151	0	-4	0
Liabilities stated at fair value through other comprehensive income				
Hedging instruments (level 2)*	-7	-9	-7	-9
Carrying amount as at 30 September	**-1,172**	**-241**	**-851**	**-148**

*) Level 1: The fair value of financial instruments traded on the active markets is based on the listed market prices at the balance sheet date. The listed price is used for the group's financial assets as the current purchase price.

Level 2: The fair value of financial instruments which are not traded in an active market (e.g. over-the-counter derivatives) is determined using valuation methods.

Level 3: If no observable market data is available, the instrument is included in the last category.

Foreign currency risks

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

Notes

DKKm

NOTE 21. FINANCIAL INSTRUMENTS (CONTINUED)

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

	Decrease of 5% in main exchange rates		Increase of 5% in main exchange rates	
	2012/13	**2011/12**	**2012/13**	**2011/12**
Income statement	-7	0	7	0
Other comprehensive income	-12	0	12	0
	-19	**0**	**19**	**0**

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

	2012/13		2011/12	
	Revenue	**EBIT**	**Revenue**	**EBIT**
USD	-29	-12	-18	3
GBP	-5	-1	-4	-3
MYR	0	10	0	8
CNY	0	8	0	6

	Contract value		Fair value	
Fair value of financial instruments	**2012/13**	**2011/12**	**2012/13**	**2011/12**
Commodity hedging				
Silver price hedging	14	0	-1	0
Currency swaps				
Currency swap, USD 40m, floating to fixed rate, maturity 15 March 2018	252	0	9	0
Interest rate swaps				
Interest rate swap, DKK 20m, floating to fixed rate, maturity 31 December 2015	0	7	0	0
Interest rate swap, EUR 2m, floating to fixed rate, maturity 30 September 2014	0	4	0	0
Interest rate swap, EUR 13m, floating to fixed rate, maturity 31 December 2016	95	98	-6	-9
Total financial liabilities	**361**	**109**	**2**	**-9**

Hedging of expected future transactions
In order to hedge future expected net cash flows for purchasing silver for the production, the group has entered into a derivative financial instrument which hedges the purchase price of silver throughout 2013/14.

Notes

DKKm

NOTE 22. OTHER OPERATING INCOME

	Group		Parent company	
	2012/13	**2011/12**	**2012/13**	**2011/12**
Accounting gain from the sale of non-current assets	3	0	0	0
	3	**0**	**0**	**0**

NOTE 23. OTHER OPERATING EXPENSES

In 2012/13 and 2011/12, other operating expenses comprise the effect of the option and warrant schemes established. For further information, please refer to note 4.

NOTE 24. CONTINGENT LIABILITIES AND OTHER CONTRACTUAL LIABILITIES

Bid and performance bonds totalling DKK 2m (2012: DKK 2m) have been issued in respect of some of Ambu's customers. The bonds expire once delivery is made and approved by the customer.

There are no change of control clauses in relation to the group's most important sources of funding. For information on change of control clauses in the management's contracts, please refer to note 4.

NOTE 25. SUBSEQUENT EVENTS

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

NOTE 26. SPECIAL ITEMS

	Group		Parent company	
	2012/13	**2011/12**	**2012/13**	**2011/12**
Costs to advisers etc. in connection with the purchase of King Systems/White Sensor	13	5	11	5
Liabilities upon termination of employees in the Ambu group	22	1	10	0
Integration of King systems, including ERP system	17	0	6	0
Restructuring of UK production	9	0	3	0
	61	**6**	**30**	**5**

Notes

DKKm

NOTE 27. COMPANY ACQUISITIONS

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

	Previous ownership interest	**Acquired ownership interest**	**Date of acquisition**	**Type**	**Area**	**Cost**
King Systems Corp.	0%	100%	15 Feb. 2013	Share purchase	Anaesthesia	836
First Water Heathcote Ltd.	0%	100%	8 May 2013	Share purchase	PMD	15

Fair value on date of acquisition	**King Systems Corp.**	**First Water Heathcote Ltd.**	**Total company acquisitions**
Technologies	105	0	105
Trademarks	18	0	18
Customer relations	5	0	5
Order backlog	3	0	3
Total intangible assets	131	0	131
Property, plant and equipment	108	0	108
Inventories	56	1	57
Trade receivables	44	2	46
Other current assets	7	0	7
Tax receivable	9	0	9
Cash	6	0	6
Provision for onerous contracts	-41	0	-41
Payables	-45	-2	-47
Deferred tax	-15	0	-15
Identifiable net assets	260	1	261
Goodwill	576	14	590
Total purchase price	**836**	**15**	**851**
The purchase price comprises:			
Cash	689	11	700
Contingent consideration	147	4	151
	836	**15**	**851**
Acquisition-related costs included in special items	9	1	10
Cash flows for company acquisitions as at 30 September 2013	692	12	704

Notes

DKKm

NOTE 27. COMPANY ACQUISITIONS (CONTINUED)

King Systems Corp.

Description of the activities acquired

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

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

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

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

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

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

The statement of the pre-acquisition balance sheet for King Systems Corp. is still ongoing, and the pre-acquisition balance sheet is thus not final on the balance sheet date.

Goodwill

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

Contingent consideration

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

Contingent payment	Due date	Undiscounted payment	Fair value on date of acquisition
Milestone payment	Expected 2013	USD 0-10m	DKK 55m
Earn-out 2014	May 2014	USD 0-7m	DKK 14m
Earn-out 2015 and catch-up provision	May 2015	USD 0-7m	DKK 44m
Earn-out 2016 and catch-up provision	May 2016	USD 0-7m	DKK 34m
Cumulative earn-out	May 2016	USD 0-20m	DKK 0m
			DKK 147m

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

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

Information about acquired business

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

DKKm

NOTE 27. COMPANY ACQUISITIONS (CONTINUED)

First Water Heathcote Ltd.

Description of the activities acquired

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

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

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

Goodwill

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

Contingent consideration

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

Information about acquired business

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

Company acquisitions 2011/12

In 2011/12, Ambu acquired the White Sensor business activities.

	Previous ownership interest	Acquired ownership interest	Date of acquisition	Type	Area	Cost
White Sensor	0%	100%	31 May 2012	Acquisition of assets	PMD	31

Fair value on date of acquisition

	White Sensor
Property, plant and equipment	2
Inventories	27
Other receivables	2
Identifiable net assets	31
Cash purchase price	**31**
Acquisition-related costs included in special items	5
Cash flows for company acquisitions as at 30 September 2012	36

White Sensor

Ambu completed the acquisition of Unomedical's electrode and diathermy business White Sensor on 31 May 2012. The activities are within electrodes for monitoring. The purchase price totalled DKK 31m and was paid in cash. The White Sensor business area generated sales of DKK 18m for the Ambu group during the period from the date of acquisition until 30 September 2012.

Notes

DKKm

NOTE 28. PRIOR-PERIOD ERRORS

	Reported	Group error	Corrected
Income statement for the period 2011/12			
Production costs	470	-5	475
Gross profit	575	-5	570
Operating profit (EBIT) before special items	156	-5	151
Operating profit (EBIT) after special items	150	-5	145
Profit before tax (PBT)	149	-5	144
Tax	-35	1	-34
Net profit for the year	114	-4	110
Balance sheet as at 30 September 2012			
Inventories	250	-17	233
Total assets	966	-17	949
Retained earnings	504	-13	491
Total equity	678	-13	665
Provision for deferred tax	26	-4	22
Total equity and liabilities	966	-17	949
Ratios for the period 2011/12			
Earnings per share (EPS)	9.84		9.48
Diluted earnings per share (EPS-D)	9.58		9.22

In connection with the closing of the interim report for Q2 2012/13, an error was detected in the valuation of inventories as at 30 September 2012; the intra-group mark-up and production overheads had been calculated wrongly, meaning that inventories had been valued too highly by DKK 17m. The error amounts to a total of DKK 17m before tax and DKK 13m after tax, of which an amount of DKK 5m before tax pertains to FY 2011/12. The correction in 2011/12 reduces EBIT from DKK 150m to DKK 145m, corresponding to an EBIT margin of 14.4% against 15.0% reported in 2011/12.

The remaining DKK 12m before tax and DKK 9m after tax concern previous financial years, thereby reducing equity as at 30 September 2011, in that inventories are reduced by DKK 12m, while deferred tax liabilities are reduced by DKK 3m. The comparative figures have been restated in the annual report. Earnings per share for 2011/12 are 9.48, and diluted earnings per share are 9.22. The error does not impact 2012/13.

Notes

NOTE 29. KEY FIGURES AND RATIO DEFINITIONS

EBITDA:	Operating profit before ordinary depreciation, amortisation and special items.
EBITDA margin:	EBITDA before special items in % of revenue.
EBIT margin:	Operating profit before special items in % of revenue.
Rate of cost:	Capacity costs relative to revenue.
Capacity costs:	Selling, development and management costs, administrative expenses and other operating income and expenses.
Return on equity:	Ordinary profit after tax in relation to average equity.
NIBD:	Net interest-bearing debt.
Equity ratio:	Equity's share of total liabilities at year-end.
Working capital:	Deferred tax and non-monetary current liabilities less monetary current assets.
ROIC:	EBIT before special items less tax in relation to assets less non-interest-bearing debt.
Cash flow per share:	Cash flow from operating activities relative to number of shares at year-end.
Equity value per share:	Total equity relative to number of shares at year-end.
Dividend per share:	Dividend relative to number of shares at year-end.
Pay-out ratio:	Dividend declared as a percentage of profit for the year.
P/E ratio:	Market price relative to earnings per share.

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

Quarterly results

DKKm

DKKm	Q4 2012/13	Q3 2012/13	Q2 2012/13	Q1 2012/13	Q4 2011/12	Q3 2011/12	Q2 2011/12	Q1 2011/12
Revenue	401	378	335	269	283	263	265	234
Production costs	-207	-196	-172	-129	-136	-121	-117	-101
Gross profit	**194**	**182**	**163**	**140**	**147**	**142**	**148**	**133**
Gross margin	*48.4*	*48.1*	*48.7*	*52.0*	*51.9*	*54.0*	*55.8*	*56.8*
Selling costs	-73	-83	-72	-64	-58	-60	-61	-59
Development costs	-10	-9	-8	-6	-4	-6	-7	-6
Management and administration	-51	-50	-46	-45	-40	-37	-38	-40
Other operating income	-	-	-	3	-	-	-	-
Other operating expenses	-1	-1	-1	-1	-	-1	-1	-1
Operating profit (EBIT) before special items	**59**	**39**	**36**	**27**	**45**	**38**	**41**	**27**
EBIT margin before special items	*14.7*	*10.3*	*10.7*	*10.0*	*15.9*	*14.4*	*15.5*	*11.5*
Special items	-14	-14	-27	-6	-2	-1	-2	-1
Operating profit (EBIT)	**45**	**25**	**9**	**21**	**43**	**37**	**39**	**26**
Financial income	-	-	4	-	3	-	1	2
Financial expenses	-8	-14	-9	-3	-2	-3	-1	-1
Profit before tax	**37**	**11**	**4**	**18**	**44**	**34**	**39**	**27**
Income tax	-9	-5	-1	-7	-7	-9	-11	-7
Net profit for the period	**28**	**6**	**3**	**11**	**37**	**25**	**28**	**20**
Earnings per share								
Earnings per share (DKK)	2.28	0.56	0.19	1.02	3.17	2.06	2.53	1.72
Diluted earnings per share (DKK)	2.27	0.56	0.19	1.01	3.06	1.96	2.54	1.66
Key figures								
Rate of cost, %	33.7	37.8	37.9	42.0	36.0	39.5	40.4	45.3
EBITDA before special items	81	62	52	40	57	52	54	41
EBITDA margin before special items, %	20.2	16.4	15.5	14.9	20.1	19.8	20.4	17.5
Depreciation	11	12	11	9	8	10	9	10
Amortisation	11	11	5	4	4	4	4	4
EBIT before special items	59	39	36	27	45	38	41	27
EBIT margin before special items, %	14.7	10.3	10.7	10.0	15.9	14.4	15.5	11.5
Total assets	1,891	1,949	2,002	979	949	1,009	948	942
Equity	667	667	668	658	665	644	608	592
Cash flows from operating activities	57	27	44	-6	71	72	33	-18
Cash flows from investing activities before acquisitions	-6	-17	-24	-7	-13	-14	-11	-9
Free cash flows before acquisitions	44	10	27	-13	57	58	23	-27
Net interest-bearing debt	721	766	783	97	57	113	141	156
NIBD/EBITDA before special items	3.1	3.6	3.9	0.5	0.3	0.5	0.7	0.8

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