# Annual Report 2014/15


Ambu
Ideas that work for life

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**About Ambu**
Since 1937, breakthrough ideas have driven Ambu's 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 medtech companies in the world. Our head office is situated in Ballerup near Copenhagen. Ambu has approximately 2,300 employees in Europe, North America, Asia and the Pacific region. For further information, visit www.ambu.com.

# Financial highlights

| DKKm | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 |
|---|---|---|---|---|---|
| **Income statement** | | | | | |
| Revenue | 983 | 1,045 | 1,383 | 1,584 | 1,889 |
| Gross margin, % | 55.5 | 54.5 | 49.1 | 50.4 | 48.5 |
| EBITDA before special items | 201 | 204 | 235 | 286 | 332 |
| Depreciation | 38 | 37 | 43 | 46 | 48 |
| Amortisation | 18 | 16 | 31 | 42 | 48 |
| EBIT before special items | 144 | 151 | 161 | 198 | 236 |
| EBIT | 111 | 145 | 100 | 198 | 236 |
| Net financials | -13 | -1 | -30 | 10 | -21 |
| Profit before tax | 98 | 144 | 70 | 208 | 215 |
| Net profit for the year | 69 | 110 | 48 | 151 | 152 |
| **Balance sheet** | | | | | |
| Assets | 889 | 949 | 1,852 | 2,047 | 2,254 |
| Working capital | 315 | 354 | 393 | 452 | 551 |
| Equity | 580 | 665 | 651 | 854 | 1,036 |
| Net interest-bearing debt | 105 | 57 | 721 | 739 | 731 |
| **Cash flows** | | | | | |
| Cash flows from operating activities | 102 | 158 | 122 | 183 | 208 |
| Cash flows from investing activities before acquisitions of companies | -38 | -47 | -54 | -80 | -101 |
| Free cash flows before company acquisitions | 64 | 111 | 68 | 103 | 107 |
| Acquisitions of companies and technology | 0 | 31 | 704 | 112 | 17 |
| **Key figures and ratios** | | | | | |
| Rate of cost, % | 41 | 40 | 37 | 38 | 36 |
| EBITDA margin before special items, % | 20.4 | 19.5 | 17.0 | 18.1 | 17.6 |
| EBIT margin before special items, % | 14.6 | 14.4 | 11.6 | 12.5 | 12.5 |
| Return on equity, % | 12 | 18 | 7 | 20 | 16 |
| NIBD/EBITDA before special items | 0.5 | 0.3 | 3.1 | 2.6 | 2.2 |
| Equity ratio, % | 65 | 70 | 35 | 42 | 46 |
| Investments, % of revenue | 4 | 4 | 4 | 5 | 5 |
| Working capital, % of revenue | 32 | 34 | 28 | 29 | 29 |
| Return on invested capital (ROIC) | 14 | 14 | 11 | 12 | 12 |
| Average no. of employees | 1,637 | 1,683 | 1,984 | 2,333 | 2,270 |
| **Share-related ratios** | | | | | |
| Market price per share, DKK | 35 | 37 | 56 | 106 | 181 |
| Earnings per share (EPS) (DKK) | 1.48 | 2.37 | 1.01 | 3.19 | 3.16 |
| Diluted earnings per share (EPS-D) (DKK) | 1.46 | 2.31 | 1.01 | 3.12 | 3.06 |
| Cash flow per share | 2.14 | 3.31 | 2.56 | 3.83 | 4.31 |
| Equity value per share | 12 | 14 | 14 | 18 | 21 |
| Price/equity value | 2.8 | 2.6 | 4.0 | 5.9 | 8.6 |
| Dividend per share | 0.50 | 0.75 | 0.31 | 0.94 | 0.95 |
| Pay-out ratio, % | 34 | 33 | 31 | 30 | 30 |
| P/E ratio | 23 | 16 | 55 | 33 | 57 |

*The ratios have been calculated in accordance with the Danish Society of Financial Analysts' 'Recommendations and Financial Ratios 2015'.*
*For definitions, reference is made to note 5.10 to the consolidated financial statements.*

# We are well on our way

*Groundbreaking innovation and high growth rates mean that Ambu is fast approaching the targets for 2017.*

Significant changes have swept the healthcare industry since the financial crisis. Hospitals worldwide are under tremendous pressure to deliver improved health economics, improved safety for patients and new and innovative solutions for improving the workflows of the daily surgical and investigative procedures.

For many years, Ambu has been a good partner for hospitals working to meet these tougher standards. In recent years, Ambu has developed from having its main focus outside hospitals to being a respected and acknowledged partner for the hospitals. Our vision of supplying single-use products which increase efficiency, improve health economics and eliminate the risk of cross-contamination is to a very large extent aligned with the scenario which hospitals world wide are facing at the moment and will be facing in future.

## Increasing demand

For Ambu, 2014/15 was another year of growth thanks to our ability to address the challenges faced by the hospitals.

Today, single-use products account for almost all our business. And demand is increasing steadily. Because hospitals are replacing multiple-use products with single-use products, and because the number of surgical procedures performed in the USA, Europe and the rest of the world is increasing as a result of population growth, higher life expectancies and an increasing number of cosmetic operations.

Ambu has evolved from being a Europe-centric business to having a strong global focus. Almost 50% of revenue comes from US hospitals, 40% from Europe and approx. 10% from the rest of the world, including Asia. Ambu is therefore strongly positioned in the global market to meet the hospitals' need for solutions to their everyday challenges.

## Intensified innovation

Throughout Ambu's 78-year-old history, our driving force and raison d'être has been our ability to develop and deliver innovative solutions which help doctors save human lives, while at the same time increasing efficiency.

In recent years, our innovation efforts have been intensified. We have developed and launched more new products for our customers than ever before. Products that improve current treatment methods, but also products that revolutionise them.

Developed by Ambu, the world's first and only single-use videoscope, aScope, is manufactured and sold to hospitals by Ambu.

aScope was launched in 2009, and in 2015, we have really seen the effect. With the delivery of close to 100,000 scopes to customers this year, the concept and the product have now been recognised by doctors worldwide. Replacing multiple-use scopes with single-use scopes offers a unique opportunity for hospitals to reduce their cost of use, improve hygiene and enhance patient safety.

Ambu's most recent single-use scope has been developed in partnership with Coloplast, a leading global supplier of urology products. Together we have developed yet another unique product that enables faster and more efficient removal of urinary stents. We have high hopes for this new partnership.

## The strategic heights

In 2013, we launched our current strategy: Climbing New Heights 2017. The strategy sets the direction for Ambu's journey towards realising new historical revenue and earnings targets. And we are well on our way.

Reporting the highest growth rates in the industry, we are fast approaching our revenue target of DKK 2bn. Our three efficient sales regions are servicing thousands of hospitals, and we have a unique portfolio of high-quality single-use products, which are manufactured at our own facilities in China, Malaysia and the USA.

We are growing, and this means that we will be able to make even better use of our infrastructure, which will help us achieve our earnings target for 2017: an EBIT margin of 17-18%.

## Interesting openings

With a strong strategic platform, a truly global Ambu and a sales force dedicated to delivering the most complete solutions to hospitals, Ambu is well on its way. After yet another historical financial year of record revenue and earnings, we and our 2,300 employees are confident that our ambitious goals are within reach.

We are in year 3 of our strategy, and we see a number of very interesting openings ahead. Openings which will make it possible for Ambu to continue its positive development.

Jens Bager
Chairman of the Board

Lars Marcher
President and CEO

# Ambu’s business areas and industry

## Anaesthesia

Ambu’s largest business area is Anaesthesia and is aimed specifically at doctors and nurses who use our products in connection with surgical procedures at hospitals, in operating theatres and in intensive care units. Anaesthesia accounts for the largest share of Ambu’s revenue and the highest growth rates. The general market growth is deemed to be about 1-2% in Europe, 2-3% in the USA and 5-7% in the rest of the world, where Ambu is today realising double-digit growth rates.

**Primary Anaesthesia products**

**Single-use videoscopes**
Ambu aScope is used to help diagnose and treat disorders of the respiratory system.

**Video laryngoscope**
Ambu King Vision is used to maintain patient airways during surgical procedures or following accidents.

**Single-use videoscope for urology**
Developed by Ambu and Coloplast, Isiris is manufactured by Ambu, and sold and marketed by Coloplast.

**Laryngeal masks**
Ambu’s portfolio of laryngeal masks consists of six types of masks, of which Ambu AuraGain is the latest.

**Ventilation bags**
The Ambu bag is used for artificial respiration.

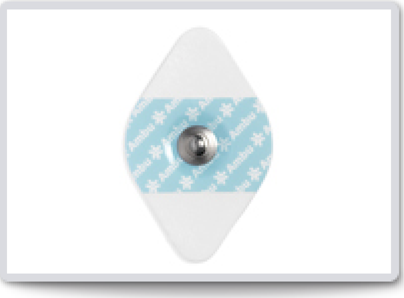
**Circuits**
Breathing circuits connect patients to anaesthesia machines during surgical procedures.

## Patient Monitoring & Diagnostics (PMD)

PMD is a solid business area with large-volume sales. Ambu is particularly dominant in EMEA, with a market share in many countries of more than 30%. Market growth within PMD is deemed to be approx. 2-3% in Europe, 1-2% in the USA and 6-7% in the rest of the world. Growth is higher in neurology (approx. 6-9%) than in cardiology (about 2%). Customers are hospitals, clinics, rescue services and sleep laboratories. Ambu generates growth rates of approx. 3-5% in cardiology and double-digit growth rates in neurology.

**Primary Patient Monitoring & Diagnostics products**

**Cardiology**
BlueSensor electrodes are used to measure heart activity, mainly for diagnostic purposes.



**Cardiology**
WhiteSensor electrodes are used to measure heart activity, mainly for monitoring purposes.

**Neurology**
Needle electrodes and surface electrodes for neurophysiological examinations and sleep studies.

## Emergency Care

Emergency Care is Ambu's smallest business area, and sales are characterised by considerable fluctuations. In Emergency Care, market growth is deemed to be declining – in several areas negative – which is also reflected in our figures for the past financial year. Emergency Care products are sold to hospitals, rescue services, aid organisations and the armed forces.

**Primary Emergency Care products**

**Manikins for first-aid training**
Manikins for training, for example, cardio-pulmonary resuscitation and use of defibrillators.

**Neck collars**
Neck collars are used to avoid damage to neck and spine following accidents or during patient transport.

## Healthcare industry

As a global medtech company, Ambu is part of the healthcare industry. The industry is undergoing significant changes due to technological advances, demographic developments and a challenging global economy.

**Pressure on healthcare budgets**
In step with mounting pressures in the global economy since the financial crisis, most countries are also facing mounting pressures on their healthcare budgets. This is resulting in a strong focus on the overall health economics of both new and existing solutions.

At the same time, population growth and increasing life expectancies are fuelling an increased demand for treating lifestyle diseases, for surgical procedures and for cosmetic treatments.

For Ambu and its competitors, the economic and demographic developments mean increasing price pressures as well as requirements for documentation of the effect of our products. Ambu has in recent years been able to mitigate the pressure on prices, and we see an average drop in our prices in the region of 0.5-1% a year. Ambu is devoting increasing resources to documenting the benefits of our products for patients and their clear economic benefits for hospitals.

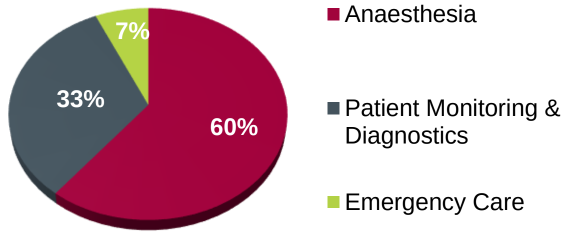
**Statutory requirements and focus**
So, market conditions are becoming tougher, and the competition for market share is intense. At the same time, stricter standards are being introduced by the authorities. The local registration of new products remains a challenge and can often take years. In addition, the US health authorities have intensified their focus on companies and their infrastructure.

In 2015, their focus has been, in particular, on the hygiene challenges associated with reusable videoscopes. A number of incidents in the USA have caused the US Food and Drug Administration to warn against the risk of cross-contamination resulting from the inadequate cleaning of videoscopes. We believe that this focus will further speed up the hospitals' transition from multiple-use to single-use devices and thereby support Ambu's position as a leading supplier of single-use products, which eliminate the risk of cross-contamination.

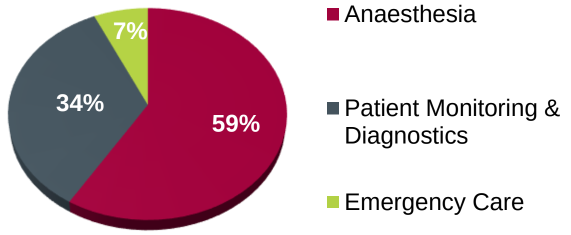
**Market opportunities**
Ambu focuses on developing and selling single-use products which optimise working procedures, reduce costs and enhance patient care. And thanks to our experience and size, we are strongly positioned in relation to our competitors and when it comes to meeting customer needs and regulatory requirements. At the same time, Ambu plays a vital role in operating theatres as most of our products help doctors maintain patients' airways during surgical procedures. From this favourable position, Ambu therefore has considerable scope for realising further growth.

# Product areas

## Revenue – Q4




## Revenue – FY




## Anaesthesia

In Q4, the Anaesthesia segment realised organic growth of 14% when measured in local currencies, and of 28% in Danish kroner. For the financial year, growth of 16% was posted in local currencies, or 30% in Danish kroner.

Total Anaesthesia sales accounted for 59% of Ambu's revenue in 2014/15 against 54% the year before.

FY 2014/15 is the first financial year where aScope 3 has been available in all markets, and this is clearly evident from the financial results. Sales of close to 100,000 scopes are reported for 2014/15 against a figure of just under 40,000 for the previous financial year, and aScope 3 has been well received in all markets. The new factory in Malaysia, which was officially opened in October 2014, has a production capacity of approx. 400,000 scopes a year. Further expansion is possible in Malaysia where capacity could be increased to almost 1 million scopes through the construction of another building on the same site.

aScope 3 is a single-use product for performing endoscopic examinations of the throat and lungs. It is renowned for its instant availability, for being guaranteed sterile and often for also being more cost-efficient for hospitals. The US Food and Drug Administration has for some time been highlighting the importance of adequate cleaning of scopes so as to eliminate the risk of cross-contamination. Ambu's aScope is a simple solution to this problem for hospitals.

aScope 3 was introduced in the North American market in spring 2014 and has been positively received there also. At the end of 2014/15, aScope sales in North America account for up to 40% of total aScope sales, and the time has therefore been deemed right to establish a partnership which can ensure the further penetration of the North American market. In September 2015, Ambu therefore entered into an agreement with Tri-anim Healthcare Services on, among other things, the distribution of aScope 3. Tri-anim operates a wide sales and distribution setup in the US with particular focus on operating theatres and intensive care units; together with Ambu's highly focused sales force, this is expected to attract even more potential aScope customers in North America and lead to further strong growth.

Since 2011, Ambu has been working with Coloplast, a global leader in the urology market, on the development of a single-use scope for urinary tract intervention. Based on the technological platform behind Ambu's aScope, the product was presented at the World Congress of Endurology in London at the beginning of October 2015. The partnership is an excellent example of how working with global partners can enable Ambu to address market segments which Ambu has not traditionally focused on. Partnerships are an important strategic focus area in the Climbing New Heights strategy. The new product for the urology market – named Isiris – will be marketed and sold by Coloplast.

Ambu is consistently focused on developing and launching new products and technologies which can support our core business areas, and in September 2015 Ambu introduced a complete series of sizes of its third-generation laryngeal mask AuraGain, which is now available in eight sizes; from small paediatric sizes (5 kg+) to large adult sizes (100 kg+). The AuraGain mask takes patient safety and airway management efficiency to a new level for anaesthetists. With AuraGain, Ambu can offer customers a high-quality mask with enhanced functionality. Ambu posted double-digit growth in sales of laryngeal masks in 2014/15, and given the significantly lower growth of the market in general, Ambu has clearly won market share in this high-profit market. There is considerable potential for Ambu to win further market share in the US market, as Ambu's position within laryngeal masks has historically been limited in the USA.

In 2014/15, Ambu concluded several new agreements with US group purchasing organisations (known as GPOs). Through the purchasing organisations, Ambu has easier access to the hospitals and thereby an opportunity to increase sales of the products covered by the contracts. In recent years, Ambu has intensified its

GPO efforts in step with the pronounced strengthening of our product portfolio and distribution setup.

In addition to the traditional Ambu anaesthesia products, at the end of the second strategy year, Ambu has the portfolio needed to drive consistently high growth rates in the Anaesthesia segment and thus contribute to achieving the financial targets for year-end 2016/17.

## Patient Monitoring & Diagnostics (PMD)

Within PMD, sales increased by 9% in Q4 when measured in local currencies, and by 15% in Danish kroner. For the financial year as a whole, growth of 4% was posted in local currencies, and 9% in Danish kroner.

Total PMD sales account for 34% of Ambu's revenue in 2014/15 against 38% the year before.

The neurology segment, which accounts for about 20% of total PMD sales and which is a highly profitable business area, grew by approx. 10% in 2014/15, which is significantly above the PMD average, while cardiology growth was in line with market growth. The growth in neurology is broadly based in the USA, Europe and Asia.

In Q3, Ambu sold its factory in the UK which produces WhiteSensor electrodes as well as gel for electrodes and grounding plates to Ambu's long-standing partner in India. The divestment is motivated solely by a wish to rationalise production, and the Indian partner will continue to supply WhiteSensor electrodes and gel to Ambu in future.

## Emergency Care

Within Emergency Care, sales declined by 12% in Q4 when measured in local currencies, and by 3% when measured in Danish kroner. For the financial year as a whole, negative growth of -9% was posted in local currencies, and -3% in Danish kroner.

Sales in the Emergency Care segment are largely based on project sales, resulting in fluctuating growth due to the size of single orders. In 2014/15, the orders have been modest in comparison with earlier years.

As from the financial year 2015/16, Ambu is planning to merge the business area Emergency Care with Patient Monitoring & Diagnostics (PMD). Following strong growth – both organic and acquisitive – in Anaesthesia in recent years, Emergency Care accounts for an ever declining share of Ambu's activities. In 2014/15, Emergency Care accounted for 7% of revenue for the year, which justifies the merger. Moving forward, Ambu will therefore have two business units accounting for about 60% (Anaesthesia) and 40% (PMD) of activities, respectively.

**Revenue – product areas**

| | Q4 | | Composition of growth | | | YTD | | Composition of growth | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **14/15** | **13/14** | **Organic*** | **Currencies** | **Reported** | **14/15** | **13/14** | **Organic*** | **Currencies** | **Reported** |
| Anaesthesia | 325 | 253 | 14% | 14% | 28% | 1.109 | 853 | 16% | 14% | 30% |
| PMD | 175 | 152 | 9% | 6% | 15% | 651 | 598 | 4% | 5% | 9% |
| Emergency Care | 36 | 37 | -12% | 9% | -3% | 129 | 133 | -9% | 6% | -3% |
| **Revenue** | **536** | **442** | **10%** | **11%** | **21%** | **1.889** | **1.584** | **9%** | **10%** | **19%** |

**Local currencies*

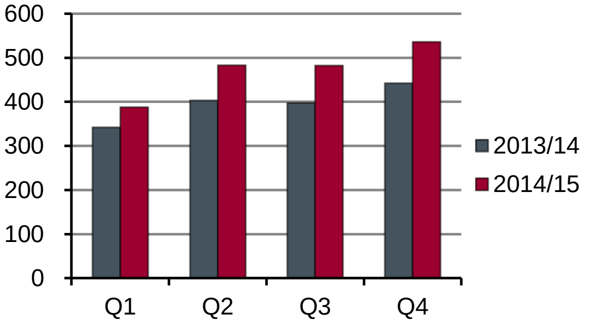
# Financial results

## Income statement

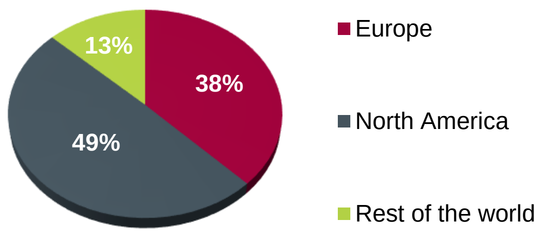
*Comparative figures are stated in brackets.*

**Q4**
As expected, Q4 was the busiest quarter of the year with revenue of DKK 536m (DKK 442m) being realised, which corresponds to growth of 10% (11%) in local currencies and 21% (10%) in Danish kroner. Revenue for Q4 amounted to 28% of revenue for the year. The aScope platform contributes significant growth, and strong growth is reported in Asia, Europe and North America. In the rest of the world, negative growth of -10% is reported in local currencies, especially due to lower sales in the Middle East, which is traditionally characterised by large single orders and therefore significant fluctuations in revenue.

**Quarterly revenue (DKKm)**




Out of total revenue, 38% (39%) is generated in Europe, 49% (45%) in North America and 13% (16%) in the rest of the world.




In Europe, growth in local currencies totalled 16% (2%) and in North America 12% (9%). In both markets, the growth achieved is significantly higher than market growth and proof of solid growth compared to the same period last year.

In the rest of the world, growth of -10% (55%) was reported in local currencies. The negative growth is attributable to lower sales in the Middle East, while Asia and Oceania contributed double-digit growth rates in Q4.

A gross profit for the quarter of DKK 271m (DKK 224m) was generated, with a gross margin of 50.6% (50.7%). Compared to the same quarter last year, the gross margin is stable, but increased compared to the first three quarters of the financial year. The improvements are due to an improved product mix with increasing sales of high-margin products and decreasing sales of products with a lower margin by virtue of the fact that the backorder situation in the USA is now definitively behind us.

Capacity costs totalled DKK 154m (DKK 144m). The rate of cost fell to 29% (33%).

In terms of earnings, Q4 was the best quarter of the year with EBIT of DKK 117m (DKK 80m) and an EBIT margin of 21.8% (18.1%).

The average USD/DKK exchange rate for Q4 was 671 (563) and thus 19% above the level for the same quarter last year.

**FY 2014/15**

**Revenue**
Revenue for the year was DKK 1,889m based on growth of 9% (7%) in local currencies and 19% (15%) in Danish kroner.

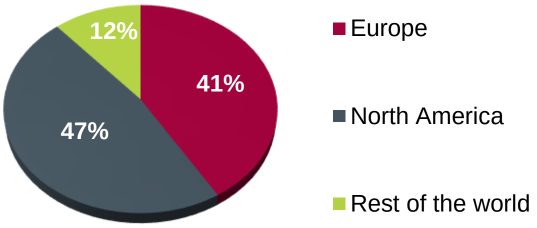
With a combined growth of 9% in local currencies driven by both the two major markets Europe and North America, Ambu continues to strengthen its position through growth in excess of the general market growth. Asia and Oceania are seeing growth in local currencies of approx. 24%, which is on a par with 2013/14, while the markets in the Middle East and in Latin America have reported negative growth rates, among other things due to fluctuations in single-order volumes.

**Revenue – markets**

| | Q4 | | Composition of growth | | | YTD | | Composition of growth | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **14/15** | **13/14** | **Organic*** | **Currencies** | **Reported** | **14/15** | **13/14** | **Organic*** | **Currencies** | **Reported** |
| Europe | 202 | 173 | 16% | 1% | 17% | 780 | 693 | 11% | 2% | 13% |
| North America | 265 | 199 | 12% | 21% | 33% | 894 | 699 | 8% | 20% | 28% |
| Rest of the world | 69 | 70 | -10% | 9% | -1% | 215 | 192 | 7% | 5% | 12% |
| **Revenue** | **536** | **442** | **10%** | **11%** | **21%** | **1.889** | **1.584** | **9%** | **10%** | **19%** |

**Local currencies*

41% (44%) of revenue is generated in Europe, 47% (44%) in North America and 12% (12%) in the rest of the world.




The higher USD exchange rate means that Ambu's business in Europe is relatively reduced in favour of North America. Europe's relative share thus fell from 44% in 2013/14 to 41% in 2014/15, while North America accounted for a correspondingly higher share.

In North America, growth of 8% (5%) was reported in local currencies, which is well above market growth. The growth was achieved in a year which saw significant structural changes and efficiency increases in the supply chain in the form of the outsourcing and merging of warehousing functions. The impact of new products, such as aScope 3 and the pain pump, is significant, but sales of electrodes, needles, circuits and laryngeal masks also significantly influenced the growth realised. Also, it should be mentioned that two years after the merger of Ambu and King Systems, the North American sales organisation has now been optimised and is clearly creating the expected sales synergies in the form of cross-selling and strengthened relations with the US group purchasing organisations.

In Europe, growth in local currencies totalled 11% (3%). This represents a vast improvement and a growth significantly higher than the market growth. The growth is broadly based on the underlying countries, and although budgetary constraints remain severe, Ambu is seeing solid growth potential, both for the latest innovative products and for Ambu's core products.

In the rest of the world, growth of 7% (19%) was reported in local currencies. The decline is attributable to lower sales in both the Middle East and Latin America. Sales in the Middle East are dominated by one-off orders, which is in the nature of this market, while the decline in Latin America is due to the delays in customer deliveries which unfortunately resulted from the integration of King Systems. The positive developments continue in the markets in Asia and Oceania. Ambu is reporting growth of 24% (26%) with sales topping DKK 100m for the financial year. This represents a significant milestone since Ambu established its own sales management in Malaysia in 2011.

**Currency exposure**

Ambu's revenue is significantly impacted by developments in USD/DKK as approx. 50% of the company's revenue is invoiced in USD. Moreover, EBIT is influenced by developments in the CNY/DKK and MYR/DKK exchange rates as a significant share of Ambu's production in the Far East is paid for in CNY and MYR, but sold in USD and EUR.

In 2014/15, the average USD/DKK exchange rate was 651 (550) corresponding to an increase of 18%, while the average CNY/DKK and MYR/DKK exchange rates were up by 14% and 4%, respectively.

Year to date, the increases in the three above-mentioned currencies correspond to an increase in revenue of approx. DKK 160m and a similar increase in production and capacity costs, the exchange rate impact on EBIT being almost neutral when calculated in DKK. Both the gross margin and the EBIT margin are negatively impacted by the resulting scaling effect, while nominal EBIT calculated in Danish kroner is unchanged.

Q4 saw a significant change in the CNY/DKK and MYR/DKK exchange rates with DKK strengthening by 15% in August and 4% in September. These changes have no or very limited effect on earnings in 2014/15 as it is eight to ten weeks from production in the Far East until products are available for sale in Europe and North America. However, Ambu will benefit from the changed exchange rate levels for the Asian currencies in future.

**Gross profit**

Gross profit increased by 15% to DKK 916m (DKK 798m), while the gross margin was down from 50.4% to 48.5%. Gross profit is positively affected by the scaling due to the strengthened USD, while the gross margin is deemed to be adversely affected by exchange rate changes of 1.5-2 percentage points compared with 2013/14.

Gross margin was continuously improved over the course of the year from just under 46.9% in Q1 to 50.6% in Q4. The improvement is attributable to the product mix with increasing sales of high-margin products and decreasing sales of products with a lower margin.

In addition, in 2014/15, the gross margin was positively affected by continued productivity improvements at Ambu's factories in China, Malaysia and the USA.

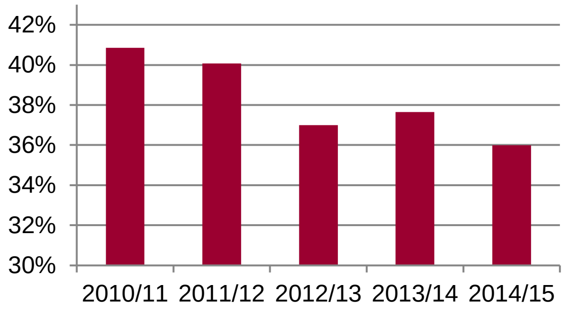
The combined effect of pressure on prices in 2014/15 is deemed to have been in the range of 0.5-1% and is thus unchanged relative to previous years.

**Costs**

Ambu has a consistently strong focus on cost control. Total capacity costs increased by 13% including exchange rate effects to DKK 680m (DKK 600m). The rate of cost was 36% (38%), corresponding to a reduction of 2 percentage points. In 2014/15, significant non-recurring costs were incurred in connection with the divestment of a subsidiary in the UK and the reorganisation of the supply chain in North America. In future, this will lead to savings which will contribute to continued cost-efficiency increases in the coming years.

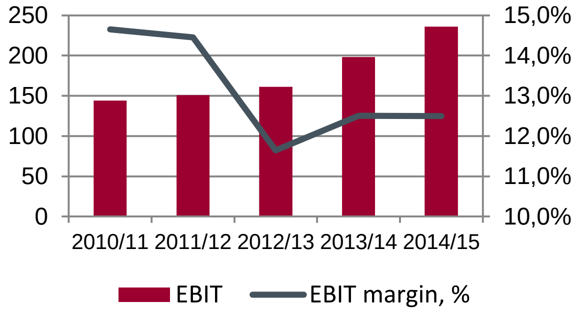
Other operating expenses of DKK 5m concern losses from the divestment of the UK subsidiary.

**Rate of cost – 5-year summary**




**Operating income (EBIT)**
EBIT was DKK 236m (DKK 198m), corresponding to an EBIT margin of 12.5% (12.5%). The nominal EBIT calculated in Danish kroner is not significantly affected by exchange rates, but the EBIT margin is deemed to be adversely impacted by changes in exchange rates to the order of 1.5-2 percentage points compared with 2013/14.

**EBIT and EBIT margin**




**Net financials**
Net financial expenses of DKK 21m were posted, while net financial income of DKK 10m was posted the year before. The deterioration is due to translation adjustments of interest rate swaps as well as other foreign currency translation adjustments.

Net financials:
- Interest expenses for bank and bond debt totalled DKK -29m (DKK -30m).
- Translation adjustments of working capital and USD loans to a subsidiary as well as market value adjustments of interest and foreign currency swaps resulted in combined foreign currency translation adjustments of DKK -10m (DKK +16m).
- Adjustment of the earn-out provision and the interest element of shorter discounting period of DKK +18m (DKK +24m).

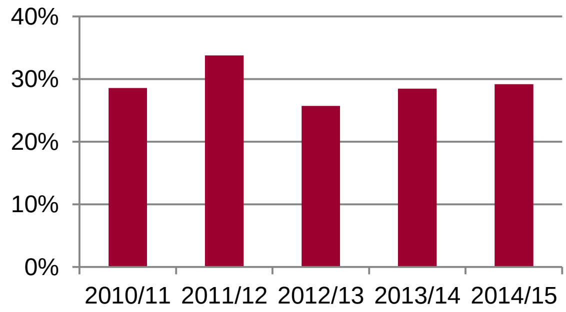
**Net profit**
The profit for the year adjusted for non-deductible and non-taxable items is taxed at a rate of 29.3% (27.4%). This results in a net profit of DKK 152m (DKK 151m).

## Balance sheet

At the end of September 2015, Ambu had total assets of DKK 2,254m (DKK 2,047m). Total assets are materially impacted by increasing exchange rates relative to the Danish krone, and the statement of comprehensive income includes net income of DKK 88m (DKK 47m) from the translation of balance sheet items in foreign currencies.

Working capital totalled DKK 551m (DKK 452m), corresponding to 29% (29%) of 12 months of revenue.

**Working capital relative to revenue* – 5-year overview**




** Pro forma-adjusted for King Systems*

At year-end, trade receivables were DKK 473m (DKK 380m). Trade receivables are affected by slightly slower payment patterns in certain regions and by the increase in sales in Q4 of 21% (11%) when calculated in Danish kroner. The credit risk attaching to trade receivables is deemed to be unchanged, and the year was not affected by bad debts to any significant extent. Receivables remain considerable in southern Europe, but as the vast majority of customers are from the public sector, Ambu still regards the associated risk of bad debts as being limited.

At the end of the year, inventories were DKK 278m (DKK 253m).

At the end of September 2015, cash was DKK 48m (DK 86m), in addition to which Ambu had unutilised credit facilities totalling DKK 197m.

At the end of September 2015, financial net debt totalled DKK 731m (DKK 739m), of which DKK 700.5m is financed via corporate bonds. Net interest-bearing debt totalled 2.2 (2.6) x rolling 12-month EBITDA.

## Cash flows

Cash flows from operating activities amounted to DKK 208m (DKK 183m).

Cash flows from investing activities, before company acquisitions, totalled DKK -101 million (DKK -80m), corresponding to 5% (5%) of revenue. The figure includes completion of the new factory in Malaysia and other investments in production plant and development projects, including Isiris.

Free cash flows before acquisitions of companies and technologies then amounted to DKK 107m (DKK 103m).

Acquisitions of companies and technologies reduced cash flows by DKK -17m (DKK -112m), relating to earn-out payments for the King Vision product to the seller of King Systems. The related earn-out provisions have now been reduced to DKK 0m, and no additional earn-out payments are expected for the remaining seven months. The earn-out period runs until April 2016.

Cash flows from financing activities totalled DKK -92m (DKK -66m) and relate to dividend and incentive scheme payments as well as the acquisition of treasury shares. At the end of September 2015, Ambu's portfolio of treasury shares comprised 242,900 shares, corresponding to 0.6% of the outstanding Class B share capital.

## Follow-up on announced outlook and results achieved in 2014/15

In connection with the interim report for Q3 (19 August 2015), Ambu revised its outlook for 2014/15. The actual results for FY 2014/15 are on a par with or exceed the revised outlook.

| | Local currencies | | | | |
|---|---|---|---|---|---|
| | **Realised** | **19 August 2015** | **6 May 2015** | **2 February 2015** | **13 November 2014** |
| Revenue | **9%** | Approx. 9% | 8-8.5% | 7-8% | 7-8% |
| EBIT margin | **14-14.5% (fixed rate)** | 12.5-13% (fixed rate) | 12.5-13% (fixed rate) | 12.5-13% (fixed rate) | 12.5-13% (fixed rate) |
| Free cash flows | - | - | - | - | - |
| Gearing | - | - | - | - | - |

| | Danish kroner | | | | |
|---|---|---|---|---|---|
| | **Realised** | **19 August 2015** | **6 May 2015** | **2 February 2015** | **13 November 2014** |
| Revenue | **19%** | Approx. 19% | Approx. 19% | Approx. 16% | Approx. 10% |
| EBIT margin | **12.5%** | Approx. 12% | Approx. 12% | Approx. 12.5% | 12.5-13% |
| Free cash flows | **DKK 107m** | Approx. DKK 100m | Approx. DKK 110-120m | Approx. DKK 130-140m | Approx. DKK 130-140m |
| Gearing | **2.2** | Approx. 2.2 | Approx. 2.2 | Approx. 2.2 | Approx. 2.2 |

# Strategy – Climbing New Heights 2017

Ambu has now reached the halfway point of its four-year business strategy ‘Climbing New Heights 2017’, and the business is developing as expected.

The strategy was launched in October 2013 and sets out three financial targets: In 2017, revenue of approx. DKK 2bn must be realised through organic growth in excess of market growth. An EBIT margin of 17-18% must be achieved together with a strong positive cash flow.

Halfway through the strategy period, we are well positioned to achieve these targets. Our target of revenue of DKK 2bn in 2017 equates to average growth over four years of 7-8% a year, and for the first two years, we have reported growth of around 8% a year and are well-positioned for 2015/16. At the same time, organic growth of 9% was achieved in 2014/15, which is significantly higher than the general market growth and the growth rates reported by our competitors.

As regards the EBIT margin, our focus is now on reaping the benefits of the investments made in recent years in production, supply chain and innovation. The products which will drive growth and earnings have been launched, and our integrated sales organisation is in place. With expected growth of 7-9% a year driven by high-margin products and partnerships, we expect to see EBIT growth which will take us across the finishing line in 2017.

As regards improvements of the free cash flows, we will now be able to focus on this following the outsourcing of warehousing and supply chain activities in North America.

**Anaesthesia – that’s us**

We are working with five headings which sum up the activities which drive our business strategy. The first heading covers Ambu’s largest business area, Anaesthesia, which supplies single-use products to operating theatres and intensive care units at hospitals.

In the past year, we have seen the breakthrough for single-use videoscopes which Ambu has been working towards since 2009 when we launched the Ambu aScope, the world’s first flexible single-use videoscope. Sales of the aScope more than doubled compared to last year in terms of both revenue and sales volumes. We see an interesting future for single-use visualisation devices because they can contribute to alleviating some of the most pressing healthcare challenges of our times and help doctors provide effective treatments and reduce the risk of cross-contamination.

The double-digit growth which Ambu is realising in the Anaesthesia segment is also based on our broad portfolio of masks, ventilation bags, videoscopes, pain pumps and circuits. In 2014/15, we launched paediatric sizes of our third-generation laryngeal mask, Ambu AuraGain, which is strategically important to winning contracts and ensuring strong sales the anaesthesia portfolio.

**From defence to offence in PMD**

Ambu’s electrode business accounts for just over one third of revenue. The segment is characterised by extremely loyal customers who – particularly in Europe – have been with Ambu for many years. At the same time, it is a market which is affected by both consolidation and pressure on prices.

In 2014/15, we focused on retaining our loyal customers, developing our customer base in North America and increasing our neurology business, which is an extremely high-growth niche.

Moreover, we made a minor strategic divestment in 2014/15 through the outsourcing of the UK production of electrodes for monitoring. Strategically, this is in line with our consistent and strong focus on reducing costs.

**Game changers**

In 2015, we announced a partnership with Coloplast, a strong global medtech company, on the development of a single-use videoscope for urinary tract intervention. The product is based on Ambu’s single-use videoscope technology, which has so far been focused on the respiratory system. With this development of our technological platform, we are consolidating our position as the world’s leading developer of single-use videoscopes. Sales of the new scope will commence towards the end of 2015, and we expect a positive response to the product among urologists.

**People, people, people**

Ambu’s history goes back 78 years, and our success has been created by talented and committed employees. We believe that our healthy and productive company culture will remain key to our future performance, a culture based on openness, high-quality work and loyal employees.

In the past year, we have finished implementing our global Performance Management System – SuccessFactors – which will now be used throughout our global organisation. The system is an important element when it comes to transforming the company’s overall strategy into operational milestones for each individual employee.

**One more mountain**

Ambu’s strategy involves continuous efforts to enter into partnerships and seek out potential acquisitions.

In the past year, we have announced our partnership with Tri-anim Health Services, a North American supplier of medical equipment, as well as our partnership agreement with Coloplast. From 2015/16, Tri-anim will distribute four of Ambu’s product groups for the Anaesthesia segment, including aScope 3. This will strengthen Ambu’s position in the North American market and enable us to reach out to more customers.

Ambu did not make any new acquisitions in 2014/15, but is still working to find suitable candidates that match our business and which can strengthen our position as a global supplier of innovative solutions for hospitals.

# Outlook for 2015/16

In 2015/16, Ambu expects to see revenue growth in excess of market growth based on positive growth within both our main business areas as well as growth for most of our product groups. We expect the positive developments in revenue to continue in all our main regions, Europe, the USA and Asia.

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

In the USA, Ambu has in recent years positioned itself as a partner with the large group purchasing organisations (GPOs), and there are positive signs that this strategy is leading to growth opportunities.

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

In Asia and Oceania, Ambu has realised double-digit growth rates in recent years, and the contribution margin from these regions is becoming increasingly important for Ambu's total growth. This development is expected to continue in 2015/16.

**Financial outlook**

- Growth of approx. 7-9% when measured in local currencies, and of approx. 9-11% in Danish kroner
- EBIT margin of 13-14% at the exchange rates realised in 2014/15, and 14-15% at the expected exchange rates for 2015/16
- Free cash flows of approx. DKK 150-175m
- Gearing (NIBD/EBITDA) of approx. 2.0 inclusive of the announced treasury share buyback programme of DKK 175m

In 2015/16, the pressure on prices is expected to be similar to previous years, i.e. in the range of 0.5-1%. The pressure on prices will affect a broad range of product groups and markets, but nevertheless the overall gross margin is expected to increase as growth is driven by relatively high-margin products.

**Currency expectations**
The outlook for 2015/16 is based on the following exchange rate assumptions:

| | Foreign exchange rate expectations for 2015/16 | Change relative to average exchange rates realised in 2014/15 |
|---|---|---|
| USD/DKK | 675 | +4% |
| CNY/DKK | 103 | -2% |
| MYR/DKK | 155 | -13% |

Since approx. 50% of Ambu's revenue is invoiced in USD, while a substantial share of its production costs is settled in MYR and CNY but sold in EUR, changes in foreign exchange rates compared with 2014/15 are expected to add a combined approx. 1 percentage point to the EBIT margin. The effect of a strengthening of 10% relative to the Danish krone is estimated to be as follows for the main currencies:

| DKKm | USD | MYR | CNY |
|---|---|---|---|
| **Revenue** | 100 | 0 | 0 |
| **EBIT** | 25 | -10 | -15 |

In 2014/15, the currency exposure in MYR and CNY was reduced.

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

| Financial outlook for 2015/16 | Local currencies | Danish kroner |
|---|---|---|
| **Revenue** | 7-9% | 9-11% |
| **EBIT margin** | 13-14% | 14-15% |
| **Free cash flows** | - | DKK 150-175m |
| **Gearing** | - | Approx. 2.0 |

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

See also the section on risks on the following pages.

# Risk management

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

## Risk policy and risk-taking

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

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

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

## Commercial risks

**Competition and market conditions**
In a large number of countries, there is increasing financial and political focus on reducing healthcare costs, and the global economic situation has reinforced this trend. At the same time, purchases of medtech products are increasingly made via group 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 medtech products. At the same time, low-priced copy products are often introduced in the market.

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

- As an integrated part of product development, the question of how new products can contribute to streamlining hospital routines is considered. This is a principal element in the development of single-use products. Through clinical and health economics studies, Ambu is also increasingly working to document the savings and benefits of using Ambu's products, and these data are used actively in connection with sales activities.
- Ambu is constantly seeking to position its products in a manner which ensures that price is not the determining sales parameter.
- Over the past few years, Ambu has upgraded its competences within sales to group purchasing organisations. In the USA, Ambu has over a period of many years built up expertise in this area as a very large proportion of hospital procurement takes place via this channel, and Ambu has dedicated some of its US sales force to deal exclusively with sales to GPOs. In Europe, the proportion of purchases made via group purchasing organisations is stable.
- At the end of 2014/15, Ambu had no remaining production in Europe. By having factories in China, Malaysia and the USA, production costs are optimised, and close interaction is maintained with the most important markets, thereby maintaining Ambu's competitiveness. There is ongoing focus on optimising production and on identifying the most expedient locations and structure, including partnerships.

**Product development**
Ambu's ability to realise its strategic targets depends on its ability to develop unique, high-quality products. As a natural consequence of this, a Chief Innovation Officer was appointed in January 2015, who is also a member of Ambu's Executive Management Team.

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 resources are continuously being invested in systems which can monitor the contributions made by individual projects and products to achieving the financial targets.

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

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

It is company policy to patent products with a high market value which are essential to Ambu's future growth. In the medtech 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 regularly by both internal and external resources, and a number of measures have been introduced, including fire protection, improvements to the working environment and the building-up of a certain minimum level of inventories.

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

In step with the growth in revenue, the company performs ongoing assessments of production capacity, and production units are expanded regularly to ensure that the necessary capacity is available.

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

In FY 2014/15, Ambu was paid one visit by the FDA. The visit was a follow-up visit to the US factory and took place in March/April 2015. The visit has resulted in a number of recommendations that Ambu is now working to implement. The FDA warning letter issued to the factory in the USA in October 2013 still applies.

Ambu organises regular mock inspections by independent consultants with a view to ensuring continuous quality improvements at our facilities. Ambu's strengthened market position is largely due to the high level of quality of our products, which is vital for successful surgical procedures. Ambu's products have a very low fault rate. Still, Ambu is continuously working to improve quality.

**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 note 4.1 to the consolidated financial statements.

# Corporate governance

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

## Shareholders

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

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

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

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

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

## Board of Directors

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

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

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

A gradual succession has taken place in recent years among the members elected by the shareholders, and five out of six members have thus been on the Board of Directors for four years or less. The succession has brought new competences to the Board of Directors, and a good mix of different experience, backgrounds and ages has been created. At the general meeting in December 2014, Jens Bager was re-elected 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 medtech industries with both public and private-sector customers, experience with innovation, 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 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 seven meetings during the financial year, of which six were physical meetings and one was a conference call. The previous year, ten meetings were held. No board member elected by the general meeting was unable to attend the meetings, while on two occasions, an employee-elected board members was unable to attend.

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

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

The Board of Directors has appointed a Nomination and Remuneration Committee consisting of three members of the Board of Directors and Ambu's CEO, and this committee has held four meetings. The duties of the committee are to continuously evaluate the composition of the Executive Management Team, ensure the retention of the Executive Board and recommend future incentive schemes. Moreover, the committee is charged with evaluating and possibly renewing the Board of Directors so as to ensure that the members of the Board live up to the requirements and possess the skills needed in a fast-growing company. See the committee's instructions at www.ambu.com/nominationcom.

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

## Executive Board

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

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

## Corporate governance

The Board of Directors has considered the new recommendations from the Committee on Corporate Governance (www.corporategovernance.dk) from May 2013 and as most recently amended in November 2014 and has systematically reviewed the recommendations in a document which can be found on the Ambu website (www.ambu.com/corpgov).

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

## Diversity

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

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

According to this policy, Ambu will work to find more female candidates with a view to increasing the underrepresented gender's share of members of the Board of Directors elected by the annual general meeting to at least 16% by 2017. At present, all members elected by the shareholders are men, while two of the employee-elected members are women. At the annual general meeting in December 2014, there was no evidence of a need to recruit new members of the Board of Directors, and all members elected by the shareholders were re-elected without other candidates.

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. This year, two new managers were appointed at the head office, one of whom is a woman. In connection with promotions to managerial positions, Ambu will ensure that at least one female candidate is considered. Four promotions to managerial positions were made this year, and two of these positions were filled by women. Ambu offers all new female managers the option of joining an external network for women. At present, Ambu's Global Management Team consists of 85% men and 15% women.

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

# Board of Directors and Executive Board

## Board of Directors

**Jens Bager, born 1959**
Chairman, member of the Board since 2010, re-elected in 2013; Chairman of the Nomination and Remuneration Committee.
Position: President and CEO of ALK-Abelló A/S.
Special competences: General management of international, listed companies within the ingredients and pharmaceutical industries.
No. of shares: 80,240 (80,240).

**Mikael Worning, born 1962**
Vice-Chairman, member of the Board since 2010, re-elected in 2013; member of the Audit Committee.
Position: President and COO of William Demant Inc.
Honorary offices: Various companies in the William Demant group (MB).
Special competences: General management experience with focus on international sales and marketing of medtech products and management of international sales organisations.
No. of shares: 12,280 (12,280).

**Jesper Funding Andersen, born 1966**
Member of the Board since 2011, re-elected in 2013; member of the Nomination and Remuneration Committee.
Position: Senior Vice President, Global Sales and Marketing in Widex a/s
Honorary offices: Companies in the Widex group (MB), Elipse A/S (C), DDD Holding A/S (MB).
Special competences: General management with experience from international medtech companies as well as the acquisition and divestment of companies.
No. of shares: 40,000 (40,000).

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

**Anita Krarup Rasmussen, born 1975**
Member of the Board since 2013.
Position: Corporate Legal & IP Affairs Manager.
Elected by the employees.
No. of shares: 1,940 (1,940).

**Jakob Bønnelykke Kristensen, born 1972**
Member of the Board since 2013.
Position: Director, R&D Project Management, Global Innovation.
Elected by the employees.
No. of shares: 3,548 (1,548).

**Allan Søgaard Larsen, born 1956**
Member of the Board since 2011, re-elected in 2013; member of the Nomination and Remuneration Committee.
Position: CEO of Falck Holding A/S.
Honorary offices: Companies in the Falck group (C), Løkkefonden (C), Dansk Erhverv (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: 40,000 (40,000).

**Christian Sagild, born 1959**
Member of the Board since 2012; re-elected in 2013; member of the Audit Committee.
Position: CEO of Topdanmark A/S and Topdanmark Forsikring A/S.
Honorary offices: GoBike A/S (MB), Forsikring & Pension (MB).
Special competences: General management of a listed company, special insights into financial matters and risk management.
No. of shares: 37,000 (32,000).

**John Stær, born 1951**
Member of the Board since 1998, re-elected in 2013; Chairman of the Audit Committee.
Position: CEO
Honorary offices: DLH (MB), Leki Aviation A/S.
Special competences: General management, including management of international activities, the acquisition and divestment of companies and risk management.
No. of shares: 20,800 (20,800).

## Executive Board

**Lars Marcher, born 1962**
President and CEO since 2008.
Honorary offices: Subsidiaries in the Ambu group (C), VL45 (C), Confederation of Danish Industry – Committee on International Market Policy (Chairman), Confederation of Danish Industry – Committee on Health Policy (member), Danish American Business Forum (VC), Medicoindustrien (VC), Danske Hospitalsklovne (MB), Handicare AS (MB).
No. of shares: 31,696 (31,696).

**Michael Højgaard, born 1964**
CFO since January 2013.
Honorary offices: Subsidiaries of the Ambu group (MB).
No. of shares: 4,048 (4,048).

*Honorary offices and shareholdings as per 1 October 2015. C = Chairman of the Board of Directors, VC = Vice-Chairman of the Board of Directors, MB = Member of the Board of Directors*

# Remuneration

**Remuneration policy**
According to the remuneration policy adopted by the general meeting, 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 12m (DKK 10m).

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

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

**Board of Directors**
Members of the Board of Directors do not receive variable remuneration and are not part of share-based incentive programmes, but receive a fixed annual remuneration, which is approved by the general meeting. The basic remuneration for board members constituted DKK 225,000 in 2014/15. The Chairman receives three times the basic remuneration, while the Vice-Chairman receives two times the basic remuneration. Furthermore, the chairmen of the board committees receive a remuneration of DKK 125,000, while committee members receive DKK 75,000. The total remuneration paid to the Board of Directors, including the board committees, constituted DKK 3,250,000 in 2014/15.

**Share options**
In February 2013, Ambu introduced a new share option scheme for the Executive Management Team. The scheme comprises a total of 1,225,590 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 2014/15, 315,172 options will be granted to the two members of Ambu's Executive Board, and 155,606 options to the two other members of the Executive Management Team, marking the end of the 2013 programme.

Calculated according to the Black-Scholes model, the total value of the scheme is DKK 7m, and the costs associated with the scheme have been expensed on a continuous basis; in 2014/15, DKK 2.5m (DKK 1.2m) was expensed in respect of this scheme.

The allocation of the options is regulated by the guidelines for incentive pay adopted by the general meeting in December 2012 and subsequently amended in December 2014.

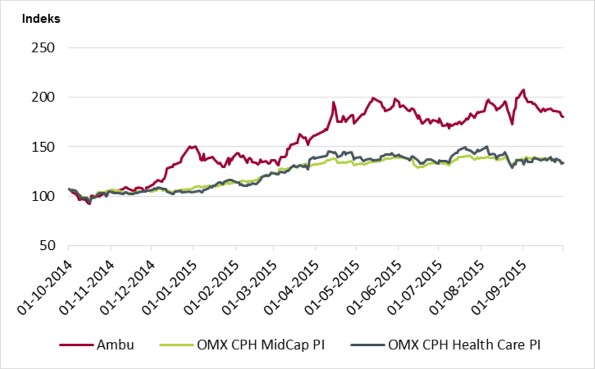
# Share option and warrant schemes

| Year of allocation | Number allocated | Options (O)/warrants (W) | Executive Board's share (%) | Outstanding: Persons | Outstanding: Options/warrants | Exercise period |
|---|---|---|---|---|---|---|
| 2015 | 470,778 | O | 67% | 4 | 470,778 | 2018-21 |
| 2014 | 400,000 | W | 0% | 20 | 380,000 | 2017-20 |
| 2013 | 400,000 | W | 0% | 46 | 358,000 | 2016-19 |
| 2014 | 403,588 | O | 66% | 4 | 403,588 | 2017-20 |
| 2013 | 346,184 | O | 66% | 4 | 346,184 | 2016-19 |
| 2012 | 507,600 | W | 0% | 12 | 134,000 | 2015-17 |
| 2011 | 444,000 | W | 0% | 2 | 28,000 | 2014-16 |
| 2011 | 252,000 | O | 100% | 1 | 104,000 | 2014-17 |

# Shareholders and investor relations

**Return**
The opening price quoted for Ambu's Class B share at the beginning of the financial year was 106, rising to a closing level at the end of the financial year of 181, thereby securing a 71% return for the shareholders, excluding dividend. By comparison, the MidCap index on NASDAQ Copenhagen rose by 25% in the same period, while the Health Care index increased by 27%.

The change in the share price increased Ambu's market capitalisation from DKK 5,076m to DKK 8,711m, with the value of both Class A and Class B shares being recognised at the price quoted for the Class B share. This makes Ambu a large MidCap company listed on NASDAQ Copenhagen.




**Liquidity**
The price increases went hand in hand with a markedly increasing interest in the share. Approx. 14.3 million (12.4 million) shares were traded in the course of the financial year, corresponding to an average of 58,000 shares per business day, and 35% of the total number of Class B shares were thus traded, up from 30% the year before. Ambu is maintaining its focus on increasing the liquidity of the share, and the circle of shareholders grew significantly in 2014/15. At the end of September 2015, Ambu thus had more than 5,000 shareholders and was the 36th-most traded share on NASDAQ Copenhagen based on revenue for the three preceding months.

**Shareholders**
The share capital has increased to DKK 120,654,800 following three capital increases in connection with the exercise of employee warrants issued in 2011 and 2012. The number of Class B shares has increased from 40,910,320 to 41,397,920 shares of DKK 2.50 each. The number of Class A shares is unchanged at 6,864,000 shares of DKK 2.50 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 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 3,260,780 Class B shares, corresponding to 7.8% of the Class B share capital. The family thus controls a total of 20.8% of the Class A and Class B share capital and 65.2% of the votes. In the course of the year, the family sold approx. 0.2 million Class B shares.

The international ownership interest has increased, and it is estimated that just over 25% (20%) of the capital is now owned by institutional investors from Sweden, the UK, Germany, the USA etc.

On 30 September 2015, the total number of shareholders in Ambu having arranged name registration of their holding was 5,223 (3,538), who held a combined 89.87% (91%) of the total share capital.

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

| | **Share of votes %** | **Share of capital %** |
|---|---:|---:|
| Dorrit Ragle*, Kongens Lyngby | 21.7 | 2.2 |
| Inga Kovstrup, Fredericia | 18.6 | 6.3 |
| Tove Hesse, Lyngby-Taarbæk | 11.1 | 4.1 |
| N.P. Louis Hansen ApS, Nivå | 6.8 | 15.7 |
| Hannah Hesse, Frederiksberg | 5.2 | 1.3 |
| Simon Hesse, Virum | 5.2 | 1.2 |
| Chr. Augustinus Fabrikker A/S, Copenhagen | 5.1 | 11.6 |

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

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

Since the introduction in March 2013, the spread between the bond and the mid-swap curve has narrowed from 2.18% to approx. 1.3% as at 30 September 2015.

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

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

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

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

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

According to Ambu's IR policy, Ambu does not comment on topics relating to Ambu's business and which may be price-sensitive during a period of three weeks up to the release of financial reports (the silent period).

During the financial year, Ambu issued 24 company announcements, six of which concerned 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

## Financial calendar 2015/16

| | |
|---|---|
| 11/11/2015 | Annual report 2014/15 |
| 10/12/2015 | Annual general meeting |
| 08/01/2016 | Silent period ending 29 January 2016 |
| 29/01/2016 | Report for Q1 2015/16 |
| 12/04/2016 | Silent period ending 3 May 2016 |
| 03/05/2016 | Report for Q2 2015/16 |
| 29/07/2016 | Silent period ending 19 August 2016 |
| 19/08/2016 | Report for Q3 2015/16 |
| 30/09/2016 | End of FY 2015/16 |

## Proposals to the annual general meeting

The annual general meeting will be held on 10 December 2015 at IDA Mødecenter, Kalvebod Brygge 31-33, 1780 Copenhagen V, Denmark.

Ambu is developing positively and has posted high organic growth in recent years. Continuing this development and further strengthening Ambu's market position will require focused investments in both innovation and production. Ambu's strategy is to be open to acquisitions as well as investments in new technological platforms. It is Ambu's intention to continue to pursue a balanced dividend policy, distributing about 30% of the net profit for the year, but also to regularly review the dividend policy should investments or acquisitions significantly impact Ambu's debt structure.

The Board of Directors proposes to the annual general meeting that a dividend of DKK 0.95 per share be declared for 2014/15, corresponding to 30% (30%) of the net profit for the year. The Board of Directors deems this to be a reasonable level in view of Ambu's financial resources and the outlook for the coming financial year.

Against this background, the Board of Directors proposes that the net profit for the year of DKK 152m be appropriated as follows (DKKm):

| | |
|---|---:|
| Dividend of DKK 0.95 per share | 46 |
| Retained earnings | 106 |
| **Total** | **152** |

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

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

- that as from FY 2015/16, the annual report be published in English only.
- that both the Chairman and Vice-Chairman of the Board of Directors be elected directly by the general meeting.

The agenda for the annual general meeting with annexes is expected to be issued on Wednesday, 18 November 2015.

# Quarterly results

| DKKm | Q4 2014/15 | Q3 2014/15 | Q2 2014/15 | Q1 2014/15 | Q4 2013/14 | Q3 2013/14 | Q2 2013/14 | Q1 2013/14 |
|---|---|---|---|---|---|---|---|---|
| Revenue | 536 | 482 | 483 | 388 | 442 | 397 | 403 | 342 |
| **Composition of reported growth:** | | | | | | | | |
| Organic growth in local currencies | 10% | 9% | 9% | 9% | 11% | 8% | 8% | -4% |
| Acquisition-related growth | 0% | 0% | 0% | 0% | 0% | 0% | 14% | 34% |
| Exchange rate effects on reported growth | 11% | 12% | 11% | 4% | -1% | -3% | -2% | -3% |
| **Reported revenue growth** | **21%** | **21%** | **20%** | **13%** | **10%** | **5%** | **20%** | **27%** |
| **Organic growth, products:** | | | | | | | | |
| Anaesthesia | 14% | 16% | 19% | 16% | 26% | 14% | 16% | -4% |
| PMD | 9% | 5% | -2% | 4% | 0% | 2% | 3% | 5% |
| Emergency Care | -12% | -8% | -8% | -9% | -6% | -5% | 0% | -30% |
| **Organic growth in local currencies** | **10%** | **9%** | **9%** | **9%** | **11%** | **8%** | **8%** | **-4%** |
| **Organic growth, markets:** | | | | | | | | |
| Europe | 16% | 10% | 5% | 13% | 2% | 4% | 11% | -2% |
| North America | 12% | 5% | 13% | 2% | 9% | 5% | 4% | -9% |
| Rest of the world | -10% | 21% | 6% | 24% | 55% | 40% | 14% | 0% |
| **Organic growth in local currencies** | **10%** | **9%** | **9%** | **9%** | **11%** | **8%** | **8%** | **-4%** |
| **Gross profit** | **271** | **232** | **231** | **182** | **224** | **205** | **194** | **175** |
| *Gross margin, %* | *50.6* | *48.1* | *47.8* | *46.9* | *50.7* | *51.6* | *48.1* | *51.2* |
| Selling costs | -83 | -100 | -104 | -95 | -86 | -91 | -82 | -89 |
| Development costs | -13 | -14 | -14 | -13 | -12 | -11 | -9 | -12 |
| Management and administration | -58 | -57 | -65 | -59 | -46 | -48 | -56 | -58 |
| Other operating expenses | 0 | -5 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Operating profit (EBIT)** | **117** | **56** | **48** | **15** | **80** | **55** | **47** | **16** |
| *EBIT margin, %* | *21.8* | *11.6* | *9.9* | *3.9* | *18.1* | *13.9* | *11.7* | *4.7* |
| Financial income | -5 | -30 | 72 | 15 | 56 | 0 | 8 | 0 |
| Financial expenses | -12 | 1 | -43 | -19 | -18 | -10 | -14 | -12 |
| **Profit before tax** | **100** | **27** | **77** | **11** | **118** | **45** | **41** | **4** |
| Tax on profit for the period | -34 | -7 | -19 | -3 | -33 | -12 | -11 | -1 |
| **Net profit for the period** | **66** | **20** | **58** | **8** | **85** | **33** | **30** | **3** |

# Quarterly results (continued)

| DKKm | Q4 2014/15 | Q3 2014/15 | Q2 2014/15 | Q1 2014/15 | Q4 2013/14 | Q3 2013/14 | Q2 2013/14 | Q1 2013/14 |
|---|---|---|---|---|---|---|---|---|
| **Balance sheet:** | | | | | | | | |
| Assets | 2,254 | 2,288 | 2,371 | 2,107 | 2,047 | 1,974 | 1,925 | 1,886 |
| Working capital | 551 | 565 | 556 | 482 | 452 | 410 | 394 | 381 |
| Equity | 1,036 | 978 | 978 | 827 | 854 | 701 | 663 | 632 |
| Net interest-bearing debt | 731 | 804 | 832 | 843 | 739 | 784 | 729 | 732 |
| **Cash flows:** | | | | | | | | |
| Cash flows from operating activities | 140 | 57 | 27 | -16 | 73 | 53 | 37 | 20 |
| Cash flows from investing activities before company acquisitions | -21 | -23 | -23 | -34 | -27 | -25 | -11 | -17 |
| Free cash flows before company acquisitions | 119 | 34 | 4 | -50 | 46 | 28 | 26 | 3 |
| Of which payment of special items | 0 | 0 | -1 | 0 | -1 | -2 | -4 | -4 |
| **Key figures and ratios:** | | | | | | | | |
| Rate of cost, % | 29 | 37 | 38 | 43 | 33 | 38 | 37 | 46 |
| EBITDA | 140 | 81 | 72 | 39 | 105 | 78 | 68 | 35 |
| EBITDA margin, % | 26.1 | 16.8 | 14.9 | 10.1 | 23.8 | 19.6 | 16.9 | 10.2 |
| Depreciation | 12 | 12 | 13 | 11 | 12 | 11 | 11 | 12 |
| Amortisation | 11 | 13 | 11 | 13 | 13 | 12 | 10 | 7 |
| EBIT | 117 | 56 | 48 | 15 | 80 | 55 | 47 | 16 |
| EBIT margin, % | 21.8 | 11.6 | 9.9 | 3.9 | 18.1 | 13.9 | 11.7 | 4.7 |
| NIBD/EBITDA | 2.2 | 2.7 | 2.8 | 2.9 | 2.6 | 3.0 | 3.0 | 3.2 |
| Working capital, % of revenue | 29 | 31 | 33 | 30 | 29 | 27 | 26 | 26 |
| **Share-related ratios:** | | | | | | | | |
| Market price per share (DKK) | 181 | 175 | 161 | 149 | 106 | 99 | 88 | 74 |
| Earnings per share (EPS) (DKK) | 1.36 | 0.41 | 1.22 | 0.17 | 1.79 | 0.70 | 0.64 | 0.06 |
| Diluted earnings per share (EPS-D) (DKK) | 1.31 | 0.40 | 1.18 | 0.17 | 1.76 | 0.68 | 0.62 | 0.06 |

# 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.

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 Finance, Operations, 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 2014/15

Below follows a description of the initiatives mentioned in the latest annual report. Information is also provided on the results achieved by Ambu in 2014/15.

### Substitution of classified phthalates in products

Ambu is dedicated to ensuring that our products are as safe for the environment and for patients as at all possible. In its phthalate policy, Ambu thus commits to replacing classified phthalates in all its products before the end of 2017. In 2014/15, Ambu made a three-year substitution plan and also launched phthalate-free versions of the King Face Mask products.

### Evaluating experience with end-of-life environmental profiles

In cooperation with external partners, Ambu has prepared an end-of-life environmental profile for the aScope 3 videoscope. In the past year, Ambu has started using end-of-life profiles in its communication with customers. Experience must be gained with the use of this type of product information in order to be able to assess the effect and value of such documentation. The objective will be transferred to next year's action points.

### Climate data

Ambu has collected climate data from our production units with a view to establishing a baseline for future climate goals. Data have been collected in accordance with the Green House Gas Protocol (GHGP) Scope 1 and Scope 2 guidelines and converted to $CO_2e$, and a preliminary baseline has been established. Ambu has decided to monitor developments for another year in order to be able to establish a qualified baseline for our future climate targets. The objective will therefore be transferred to next year's action points.

### Collaboration with educational institutions

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

### Business ethics and human rights

We are consistently working to strengthen our profile within the areas of human rights and anti-corruption through our Code of Conduct. In the past year, this policy has been analysed and reviewed. The work has not yet been completed and will therefore continue next year.

## Initiatives in 2015/16

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

- Continuing the substitution of classified phthalates in the remaining products
- Continuing our work to establish a baseline for future climate targets
- Evaluating experience with end-of-life environmental profiles
- Continuing our 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 2014 to 30 September 2015.

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 2015 and of the results of the group's and the company's operations and cash flows for the financial year 1 October 2014 to 30 September 2015.

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, 11 November 2015

**Executive Board**

| | |
|---|---|
| Lars Marcher<br>President and CEO | Michael Højgaard<br>CFO |

**Board of Directors**

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

# Independent auditor's report

**To the shareholders of Ambu A/S**

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

We have audited the consolidated financial statements and the financial statements of Ambu A/S for the financial year 1 October 2014 to 30 September 2015, pp. 30-76, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including significant accounting policies for both the group and the company. The consolidated financial statements and the financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

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

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

**Auditor's responsibility**

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

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

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

Our audit has not resulted in any qualifications.

**Opinion**

In our opinion, the consolidated financial statements and financial statements give a true and fair view of the group's and the company's assets and liabilities and financial position as at 30 September 2015 as well as of the results of their activities and cash flows for the financial year 1 October 2014 to 30 September 2015 in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

### Statement on the management's review

We have read the management's review pursuant to the Danish Financial Statements Act (*Årsregnskabsloven*), pp. 3-26. We have not performed procedures additional to the audit of the consolidated financial statements and the financial statements. Against this background, we believe that the information provided in the management's review is in accordance with the consolidated financial statements and the financial statements.

Copenhagen, 11 November 2015
**PricewaterhouseCoopers**
Statsautoriseret Revisionspartnerselskab

| | |
|---|---|
| Jens Otto Damgaard<br>State Authorised Public Accountant | Martin Lunden<br>State Authorised Public Accountant |

# Consolidated financial statements 2014/15



# Income statement and statement of comprehensive income – Group

1 October – 30 September

DKKm

| Income statement | Note | 2014/15 | 2013/14 |
|---|---|---|---|
| Revenue | 2.1 | 1,889 | 1,584 |
| Production costs | 2.2, 2.4 | -973 | -786 |
| **Gross profit** | | **916** | **798** |
| | | | |
| Selling costs | 2.2, 2.4 | -382 | -348 |
| Development costs | 2.2, 2.4, 2.5 | -54 | -44 |
| Management and administration | 2.2, 2.4, 5.4 | -239 | -208 |
| Other operating expenses | 2.6, 5.5 | -5 | 0 |
| **Operating profit (EBIT)** | | **236** | **198** |
| | | | |
| Financial income | 4.3 | 52 | 64 |
| Financial expenses | 4.3 | -73 | -54 |
| **Profit before tax** | | **215** | **208** |
| | | | |
| Tax on profit for the year | 2.8 | -63 | -57 |
| **Net profit for the year** | | **152** | **151** |
| | | | |
| **Earnings per share in DKK** | | | |
| Earnings per share (EPS) | 4.6 | 3.16 | 3.19 |
| Diluted earnings per share (EPS-D) | 4.6 | 3.06 | 3.12 |

| Statement of comprehensive income | 2014/15 | 2013/14 |
|---|---|---|
| Net profit for the year | 152 | 151 |
| | | |
| Other comprehensive income: | | |
| | | |
| *Items which are moved to the income statement under certain conditions:* | | |
| Translation adjustment in foreign subsidiaries | 91 | 53 |
| Tax on translation adjustments in foreign subsidiaries | -3 | -6 |
| | | |
| *Adjustment to fair value for the period:* | | |
| Disposals included in net financials | 0 | 1 |
| Additions concerning hedging instruments | 1 | 0 |
| **Other comprehensive income after tax** | **89** | **48** |
| | | |
| **Comprehensive income for the year** | **241** | **199** |

# Balance sheet – Group

30 September

DKKm

| Assets | Note | 30.09.15 | 30.09.14 |
|---|---|---|---|
| Acquired technologies, trademarks and customer relations | 3.1 | 103 | 107 |
| Completed development projects | 3.1 | 61 | 69 |
| Rights | 3.1 | 54 | 53 |
| Goodwill | 3.1 | 810 | 748 |
| Development projects in progress | 3.1 | 58 | 24 |
| **Intangible assets** | | **1,086** | **1,001** |
| Land and buildings | 3.3 | 128 | 121 |
| Plant and machinery | 3.3 | 93 | 110 |
| Other plant, fixtures and fittings, tools and equipment | 3.3 | 34 | 22 |
| Prepayments and plant under construction | 3.3 | 25 | 18 |
| **Property, plant and equipment** | | **280** | **271** |
| Deferred tax asset | 2.9 | 30 | 21 |
| Other receivables | 4.2 | 5 | 0 |
| **Other non-current assets** | | **35** | **21** |
| **Total non-current assets** | | **1,401** | **1,293** |
| Inventories | 3.4 | 278 | 253 |
| Trade receivables | 3.5, 4.2 | 473 | 380 |
| Other receivables | 4.2 | 15 | 11 |
| Income tax receivable | | 4 | 6 |
| Prepayments | | 35 | 18 |
| Cash | 4.2, 4.4 | 48 | 86 |
| **Total current assets** | | **853** | **754** |
| **Total assets** | | **2,254** | **2,047** |

| Equity and liabilities | Note | 30.09.15 | 30.09.14 |
|---|---|---|---|
| Share capital | 4.5 | 121 | 119 |
| Other reserves | | 915 | 735 |
| **Equity** | | **1,036** | **854** |
| Credit institutions | 4.2, 4.4 | 2 | 4 |
| Provisions for deferred tax | 2.9 | 17 | 33 |
| Corporate bonds | 4.2, 4.4 | 698 | 698 |
| Other provisions | 4.2, 5.1 | 48 | 55 |
| **Non-current liabilities** | | **765** | **790** |
| Current portion of non-current liabilities | 4.2, 4.4 | 2 | 4 |
| Other provisions | 4.2, 5.1 | 6 | 18 |
| Bank debt | 4.2, 4.4 | 77 | 119 |
| Trade payables | 4.2 | 115 | 88 |
| Income tax | | 72 | 45 |
| Other payables | 4.2 | 140 | 122 |
| Derivative financial instruments | 4.2 | 41 | 7 |
| **Current liabilities** | | **453** | **403** |
| **Total liabilities** | | **1,218** | **1,193** |
| **Total equity and liabilities** | | **2,254** | **2,047** |

# Cash flow statement – Group

1 October – 30 September

DKKm

| | Note | 2014/15 | 2013/14 |
|---|---|---|---|
| Net profit for the year | | 152 | 151 |
| Adjustment of items with no cash flow effect | 3.6 | 191 | 137 |
| Income tax paid | | -37 | -33 |
| Interest income and similar items | | 0 | 8 |
| Interest expenses and similar items | | -28 | -37 |
| Changes in working capital | 3.7 | -70 | -49 |
| Cash flows from provisions | | 0 | 6 |
| **Cash flows from operating activities** | | **208** | **183** |
| | | | |
| Purchase of non-current assets | | -104 | -80 |
| Divestment of subsidiary | 5.5 | 3 | 0 |
| **Cash flows from investing activities before acquisitions of companies and technology** | | **-101** | **-80** |
| | | | |
| **Free cash flows before acquisitions of companies and technology** | | **107** | **103** |
| | | | |
| Acquisition of technology | | 0 | -11 |
| Company acquisitions | 5.1 | -17 | -101 |
| **Cash flows from acquisitions of companies and technology** | | **-17** | **-112** |
| | | | |
| Cash flows from investing activities | | -118 | -192 |
| | | | |
| **Free cash flows after acquisitions of companies and technology** | | **90** | **-9** |
| | | | |
| Changes in other non-current liabilities | | -3 | -59 |
| Capital increase, Class B share capital | | 19 | 6 |
| Exercise of options | | 11 | 17 |
| Purchase of Ambu A/S shares, treasury shares | | -74 | -15 |
| Dividend paid | | -45 | -15 |
| **Cash flows from financing activities** | | **-92** | **-66** |
| | | | |
| **Changes in cash and cash equivalents** | | **-2** | **-75** |
| | | | |
| Cash and cash equivalents, beginning of year | | -33 | 42 |
| Translation adjustment of cash and cash equivalents | | 6 | 0 |
| **Cash and cash equivalents at year-end** | | **-29** | **-33** |
| | | | |
| **Cash and cash equivalent at year-end are composed as follows:** | | | |
| Cash | | 48 | 86 |
| Bank debt | | -77 | -119 |
| **Cash and cash equivalents at year-end** | | **-29** | **-33** |

# Statement of changes in equity – Group

30 September

DKKm

| | Share capital | Share premium | Reserve for hedging transactions | Reserve for foreign currency translation adjustment | Retained earnings | Proposed dividend | Total |
|---|---|---|---|---|---|---|---|
| **Equity 30 September 2014** | **119** | **15** | **-4** | **40** | **639** | **45** | **854** |
| Net profit for the year | | | | | 106 | 46 | 152 |
| Other comprehensive income for the year | | | 1 | 88 | | | 89 |
| **Total comprehensive income** | **0** | **0** | **1** | **88** | **106** | **46** | **241** |
| | | | | | | | |
| *Transactions with the owners:* | | | | | | | |
| Exercise of options | | | | | 11 | | 11 |
| Share-based payment | | | | | 6 | | 6 |
| Tax deduction relating to share options | | | | | 24 | | 24 |
| Purchase of treasury shares | | | | | -74 | | -74 |
| Distributed dividend | | | | | | -45 | -45 |
| Capital increase, Class B share capital | 2 | 17 | | | | | 19 |
| **Equity 30 September 2015** | **121** | **32** | **-3** | **128** | **712** | **46** | **1,036** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Equity 1 October 2013** | **119** | **9** | **-5** | **-7** | **520** | **15** | **651** |
| Net profit for the year | | | | | 106 | 45 | 151 |
| Other comprehensive income for the year | | | 1 | 47 | | | 48 |
| **Total comprehensive income** | **0** | **0** | **1** | **47** | **106** | **45** | **199** |
| | | | | | | | |
| *Transactions with the owners:* | | | | | | | |
| Exercise of options | | | | | 17 | | 17 |
| Share-based payment | | | | | 4 | | 4 |
| Tax deduction relating to share options | | | | | 7 | | 7 |
| Purchase of treasury shares | | | | | -15 | | -15 |
| Distributed dividend | | | | | | -15 | -15 |
| Capital increase, Class B share capital | | 6 | | | | | 6 |
| **Equity 30 September 2014** | **119** | **15** | **-4** | **40** | **639** | **45** | **854** |

# Notes on consolidated financial statements

Sections 1-5:

# Basis of preparation of consolidated financial statements

Notes on consolidated financial statements – Section 1

**1.1 Basis of preparation**

Th group's general accounting policies are described below. In connection with this, specific accounting policies have been incorporated into each of the individual notes to the consolidated financial statements:

| | | |
|---|---|---|
| 2.1 Revenue | 3.1 Intangible assets | 4.3 Net financials |
| 2.2 Staff expenses | 3.2 Impairment test | 4.5 Share capital and treasury shares |
| 2.3 Share-based payment | 3.3 Property, plant and equipment | 4.6 Earnings per share |
| 2.6 Other operating expenses | 3.4 Inventories | 5.1 Other provisions |
| 2.8 Tax on profit for the year | 3.5 Trade receivables | 5.5 Divestment of subsidiary |
| 2.9 Provisions for deferred tax | 4.2 Categories of financial instruments | 5.9 Adoption of the annual report and distribution of prc |

**General**

The consolidated financial statements are presented in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the EU as well as additional Danish disclosure requirements for the annual reports of listed companies. Ambu A/S is a public limited company domiciled in Denmark.

The financial statements of the parent company Ambu A/S are presented separately from the consolidated financial statements and can be found on the last pages of this report. The parent company's separate accounting policies are shown in conjunction with the financial statements of the Parent.

The accounting policies described below have been applied consistently in the preparation of the consolidated financial statements in the years presented. Accounting policies have been applied consistently with previous years.

**Basis of measurement**

The consolidated financial statements are presented in Danish kroner (DKK), which is also Ambu A/S's functional currency. All amounts are rounded to the nearest million, unless otherwise stated.

The annual report has been prepared in accordance with the historical cost principle, except for derivative financial instruments and earn-out obligations presented as other provisions, which are measured at fair value.

**Definition of materiality**

The consolidated financial statements represent matters that have been deemed to be material or required under the IFRS provisions or additional Danish disclosure requirements.

Ambu includes qualitative and quantitative factors when assessing whether a relationship is material. If the presentation or disclosure of a matter does not increase the informative value for the person reading the financial statements, the matter is deemed to be immaterial.

**Material accounting estimates**

In connection with the preparation of the 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 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.

Information about material estimates, assessments and assumptions applied where a change will significantly impact the consolidated financial statements is included in the following notes:

| | | |
|---|---|---|
| 2.1 Revenue | 3.1 Intangible assets | 3.4 Inventories |
| 2.9 Provisions for deferred tax | 3.2 Impairment test | 5.1 Other provisions |

**Principles of consolidation**

The consolidated financial statements comprise Ambu A/S and companies in which Ambu A/S has a controlling interest. Control is deemed to be obtained if Ambu A/S owns more than 50% of the voting rights, or if Ambu A/S in any other way has a controlling interest in the company.

The subsidiaries' financial statements are adjusted if necessary to ensure that their accounting policies are consistent with those of the rest of the group. All intercompany transactions, balances, income and expenses are fully eliminated on consolidation.

**1.1 Basis of preparation (continued)**

**Foreign currency translation**
A functional currency is determined for each company in the Ambu group. The functional currency is the currency used in the primary economic environment in which the individual subsidiary operates.

Transactions in foreign currencies are translated to the functional currency using the exchange rate applicable at the transaction date. Foreign exchange gains and losses in connection with the settlement of these transactions and the translation of monetary assets and liabilities in foreign currencies at the exchange rates applicable at the balance sheet date are recognised in the income statement under financial items.

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.

The financial statements of foreign subsidiaries are translated to Danish kroner at the exchange rates for balance sheet items applicable at the balance sheet date and at average exchange rates as far as income statement items are concerned. Exchange rate differences arising from the translation of the net assets of such subsidiaries 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.

Foreign currency translation adjustment of intercompany balances, which are regarded as a supplement to the net investment in foreign subsidiaries, is recognised in the consolidated financial statements in other comprehensive income under a separate reserve for foreign currency translation adjustments.

**New accounting regulation**
Ambu has adopted all relevant new and updated accounting standards issued by the IASB effective as of 1 October 2014. The adoption of these standards has not had a material financial effect on the statement of Ambu's results, assets and liabilities or equity in connection with the preparation of the financial statements for the financial years presented.

No accounting standards need to be adopted in FY 2015/16 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 for 2015/16.

**Presentation of income statement**
Income and expenses are recognised according to the accruals concept. The income statement is presented by functions where the respective cost impacts the function to which the cost is deemed to relate. The group's functions are divided into production, sales, development, as well as management and administration.

*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, freight costs incurred during the production process up to the warehouse of goods for sale, production 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. In addition, amortisation of the identified intangible assets acquired by the company is recognised: Customer relations and trademarks.

*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 as well as amortisation of rights are recognised.

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

**Presentation of balance sheet**
*Prepayments*
Prepayments recognised under assets comprise costs incurred in respect of the coming financial year measured at cost.

*Equity*

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 subsidiaries to DKK as well as foreign currency translation adjustments of intercompany balances regarded as a supplement to the net investment in foreign subsidiaries. Reserve for foreign currency translation adjustments was zeroed on 1 October 2004 in accordance with IFRS 1.

# Basis of preparation of consolidated financial statements

Notes on consolidated financial statements – Section 1

**1.1 Basis of preparation (continued)**

*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.

**Cash flow statement**

The cash flow statement has been prepared on the basis of the indirect method and shows the group's cash flows from operating, investing and financing activities for the year. Cash flows from operating activities comprise profit or loss before tax adjusted for non-cash operating items, changes in working capital, financial items received and paid and income tax paid. Cash flows from investing activities comprise payments made in connection with the acquisition and divestment of companies and activities, as well as investment, development, sale and improvements of intangible assets and property, plant and equipment.

The conclusion of finance leases is considered to be non-cash transactions. Cash flows relating to assets held under finance leases are recognised as payment of interest and repayment of debt. Cash flows from financing activities comprise changes to the size or composition of share capital and costs incidental thereto as well as the arrangement of loans, the repayment of interest-bearing debt, the purchase and sale of treasury shares and the payment of dividend to the group's shareholders.

Cash flows denominated in currencies other than Danish kroner (DKK) are translated using average exchange rates, unless such rates deviate materially from the exchange rates applicable at the transaction date.

Cash and cash equivalents comprise cash less short-term bank debt.

DKKm

### 2.1 Revenue

| | 2014/15 | 2013/14 |
|---|---|---|
| *Revenue by activities:* | | |
| Anaesthesia | 1,109 | 853 |
| Patient Monitoring & Diagnostics | 651 | 598 |
| Emergency Care | 129 | 133 |
| **Total revenue** | **1,889** | **1,584** |
| *Revenue by markets:* | | |
| Europe[1] | 780 | 693 |
| North America[2] | 894 | 699 |
| Rest of the world | 215 | 192 |
| **Total revenue** | **1,889** | **1,584** |

1) Denmark is included in Europe by DKK 50m (2013/14: DKK 37m).

2) North America essentially covers sales to customers in the USA.

**§ Accounting policies**

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. At the time of recognition of income, estimates are also recorded for a number of discounts. These are recognised as a reduction of gross revenue to net revenue.

Based on IFRS 8 'Operating Segments' and the internal reporting to the management in connection with their assessment of the group's results, financial position and allocation of resources, an operating segment has been identified which is concerned with the development, production and sale of medico products. This reflects the management's approach to the allocation of resources and the management of the organisation. Revenue by markets is distributed based on the purchasing country.

**! Material accounting estimates**

*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 total DKK 76m (2014: DKK 54m).

DKKm

### 2.2 Staff expenses

The staff expenses of the group are distributed onto the respective functions as follows:

| | 2014/15 | 2013/14 |
|---|---|---|
| Production costs | 223 | 207 |
| Selling costs | 202 | 180 |
| Development costs | 15 | 11 |
| Management and administration | 135 | 136 |
| **Total staff expenses** | **575** | **534** |
| Staff expenses included in property, plant and equipment | -1 | 0 |
| Staff expenses included in intangible assets | -17 | -11 |
| **Total staff expenses** | **557** | **523** |

Staff expenses are distributed between the Executive Board and other employees as follows:

| | 2014/15 | 2013/14 |
|---|---|---|
| Remuneration, Executive Board | 11 | 9 |
| Share-based payment | 1 | 1 |
| **Staff expenses, Executive Board** | **12** | **10** |
| Wages and salaries | 485 | 457 |
| Pension contributions | 9 | 11 |
| Social security costs | 60 | 50 |
| Share-based payment | 5 | 3 |
| Remuneration, committees | 1 | 1 |
| Remuneration, Board of Directors | 3 | 2 |
| **Total staff expenses** | **575** | **534** |
| Average number of employees | 2,270 | 2,333 |
| Number of full-time employees at year-end | 2,225 | 2,341 |

**§ Accounting policies**
Staff expenses comprise remuneration, wages and salaries, wages and salaries, pension contributions etc. and share-based payment to the company’s employees. The group has no defined benefit plans.

### 2.3 Share-based payment

The Board of Directors is authorised by the annual general meeting to allocate share options and warrants in accordance with the group's guidelines on incentive pay. Share options have been allocated to the Executive Board and senior employees. Warrants have been allocated to senior employees. Each option entitles the holder to buy an existing Class B share in Ambu A/S. A warrant entitles the holder to buy a newly issued Class B share in Ambu A/S. The vesting period of all schemes is three years from the date of the allocation, after which the exercise period runs for three years. As concerns the warrant scheme for 2011 and 2012, the exercise period is two years. All warrants and share options in the note have been restated as a result of the share split.

The overview shows the assumptions for allocated schemes that are being vested or have not been exercised. A detailed explanation of each scheme which is not yet fully vested is provided at the bottom of the note.

| Scheme | Allocated | No. of shares/ warrants | No. of unexercised shares/ warrants | Vested, not exercised | Average exercise price | Black-Scholes value at the time of allocation | Volatility/ Risk-free interest rate | Dividend per share |
|---|---|---|---|---|---|---|---|---|
| 1. Share options[1] | Jun. 2007 | 3.908.052 | - | - | DKK 29.40 | DKK 25m | 31% / 1.5% | DKK 0.63 |
| 2. Share options[2] | Oct. 2009 | 756.000 | 104.000 | 104.000 | DKK 22.66 | DKK 4m | 31% / 1.5% | DKK 0.63 |
| 3. Share options[3] | Feb. 2013 | 346.184 | 346.184 | - | DKK 43.20 | DKK 2m | 28% / 0.2% | DKK 0.75 |
| 4. Share options[3] | Feb. 2013 | 403.588 | 403.588 | - | DKK 46.75 | DKK 2m | 28% / 0.2% | DKK 0.75 |
| 5. Share options[3] | Feb. 2013 | 470.778 | 470.778 | - | DKK 50.40 | DKK 2m | 28% / 0.2% | DKK 0.75 |
| 6. Warrants[2] | Apr. 2011 | 444.000 | 28.000 | 28.000 | DKK 40.13 | DKK 4m | 30% / 1.3% | DKK 0.50 |
| 7. Warrants[2] | Apr. 2012 | 507.600 | 134.000 | 134.000 | DKK 39.50 | DKK 4m | 30% / 1.3% | DKK 0.63 |
| 8. Warrants[2] | Dec. 2013 | 400.000 | 358.000 | - | DKK 66.30 | DKK 4m | 24% / 0.6% | DKK 0.75 |
| 9. Warrants[2] | Dec. 2014 | 400.000 | 380.000 | - | DKK 115.30 | DKK 6m | 24% / 0.1% | DKK 0.94 |

1) Allocation is subject to the ownership of a certain amount of Ambu Class B shares.
2) Allocation is not subject to any requirements.
3) The Board of Directors lays down performance-related targets for the allocation. These targets are stated in the year preceding the allocation.

This year's expenses for share-based payment amount to DKK 6m (2013/14: DKK 4m).

At the end of September 2015, there were 104,000 vested share options at an average exercise price of DKK 22.66 as well as 162,000 vested warrants at an average exercise price of DKK 39.63.

| | Share options | | | | Warrants | |
|---|---|---|---|---|---|---|
| | Executive Board | Average exercise price | Senior employees | Average exercise price | Senior employees | Average exercise price |
| **Outstanding as at 1 October 2014** | **1.000.632** | **DKK 34.21** | **291.464** | **DKK 43.44** | **1.019.600** | **DKK 49.38** |
| Allocated during the year | 315.172 | DKK 50.40 | 155.606 | DKK 50.40 | 400.000 | DKK 115.30 |
| Exercised during the year | -400.000 | DKK 23.28 | -38.324 | DKK 32.75 | -487.600 | DKK 39.73 |
| Forfeited during the year | 0 | - | 0 | - | -32.000 | DKK 96.93 |
| **Outstanding as at 30 September 2015** | **915.804** | **DKK 44.45** | **408.746** | **DKK 47.13** | **900.000** | **DKK 82.19** |
| Share price at the time of exercise | | DKK 104.75 | | DKK 108.42 | | DKK 165.92 |

| | Share options | | | | Warrants | |
|---|---|---|---|---|---|---|
| | Executive Board | Average exercise price | Senior employees | Average exercise price | Senior employees | Average exercise price |
| **Outstanding as at 1 October 2013** | **985.304** | **DKK 27.53** | **559.844** | **DKK 34.80** | **855.200** | **DKK 39.80** |
| Allocated during the year | 267.328 | DKK 46.75 | 136.260 | DKK 46.75 | 400.000 | DKK 66.30 |
| Exercised during the year | -252.000 | DKK 21.00 | -366.708 | DKK 32.80 | -142.000 | DKK 40.25 |
| Forfeited during the year | 0 | - | -37.932 | DKK 32.80 | -93.600 | DKK 48.10 |
| **Outstanding as at 30 September 2014** | **1.000.632** | **DKK 34.21** | **291.464** | **DKK 43.44** | **1.019.600** | **DKK 49.38** |
| Share price at the time of exercise | | DKK 83.60 | | DKK 67.59 | | DKK 94.23 |

**2.3 Share-based payment (continued)**

Below is a description of schemes which were not fully vested at the end of the financial year.

*1. Share options (senior employees)*
In June 2007, a total of 3,908,052 share options were allocated to 17 senior employees. 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 for each participant. 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 26), and then at the end of FY 2006/07, 2007/08 and 2008/09 subject to an annual price increase of 8%.

*2. Share option scheme (Executive Board)*
In October 2009, President & CEO Lars Marcher was granted a total of 756,000 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. 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. The first subscheme entitles the holder to buy one Class B share of DKK 20.94, with the price of other subschemes increasing by 8.0% p.a.

*3., 4., 5. Share option scheme (Executive Management Team)*
In February 2013, the Executive Management Team was allocated a total of 1,225,590 share options (of which 811,804 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 annual targets are determined by the Board of Directors and published in the annual report prior to the vesting year. The first subscheme entitles the holder to buy one Class B share of DKK 43.20, with the price of other subschemes increasing by 8.0% p.a.
The financial targets were achieved in full for FY 2012/13, and based on this, 346,184 options were allocated, 229,304 of which went to the Executive Board. The financial targets were achieved in full for FY 2013/14, and based on this, 403,588 options were allocated, 267,328 of which went to the Executive Board.  The financial targets have been partially achieved for FY 2014/15, and based on this, 470,778 options have been allocated, 315,172 of which go to the Executive Board.

*6., 7., 8., 9. Warrant scheme (senior employees)*
Warrant schemes were established in April 2011, April 2012, December 2013 and December 2014. The purpose of the warrant schemes is to promote the creation of value in Ambu by achieving the company's strategic objectives and aligning the interests of the participants in the warrant schemes with those of the company's shareholders. The warrant schemes in 2011, 2012, 2013 and 2014 comprised 49, 69, 52 and 22, respectively, of the group's senior employees in Denmark and abroad. Under all warrant schemes, each warrant entitles the holder to buy one Class B share with a nominal value of DKK 2.50 at a price of 40.13 under the 2011 scheme, at a price of 39.50 under the 2012 scheme, at a price of 66.3 under the 2013 scheme and at a price of 115.3 under the 2014 scheme. The total number of warrants allocated under the 2011 scheme was 444,000, corresponding to 0.9% of Ambu's share capital, 507,600 under the 2012 scheme, corresponding to 1.1% of Ambu's share capital, 400,000 under the 2013 scheme, corresponding to 0.8% of Ambu's share capital and 400,000 under the 2014 scheme, corresponding to 0.8% of Ambu's share capital.

**§ Accounting policies**
The group's share-based payment has been treated in accordance with the rules on equity-based schemes where the fair value of the allocated schemes at the time of allocation is calculated according to the Black-Scholes model. This value is expensed over the vesting period for each of the respective schemes and taken to equity. On recognition of the fair value during the vesting period, account is taken of the number of employees who are expected to obtain a final right to the schemes, including the conditions to which the allocation is subject. This estimate is reassessed at the end of a period so that only the number of rights expected to be allocated are recognised.

# Operating activities and cash flows
Notes on consolidated financial statements – Section 2

DKKm

**2.4 Depreciation, amortisation and impairment losses on non-current assets**

| | 2014/15 | 2013/14 |
|---|---|---|
| Amortisation of intangible development projects and rights | 31 | 26 |
| Amortisation of intangible assets identified in connection with acquisition of enterprise | 17 | 16 |
| Depreciation of property, plant and equipment | 48 | 46 |
| Impairment losses on property, plant and equipment and intangible assets | 0 | 0 |
| **Total depreciation, amortisation and impairment losses** | **96** | **88** |

Depreciation, amortisation and impairment losses have been allocated to the following functions:

| | 2014/15 | 2013/14 |
|---|---|---|
| Production costs | 33 | 31 |
| Selling costs | 6 | 6 |
| Development costs | 43 | 32 |
| Management and administration | 14 | 19 |
| **Total depreciation, amortisation and impairment losses** | **96** | **88** |

**§ Accounting policies**
For a description of accounting policies, reference is made to notes 3.1, 3.2 and 3.3.

**2.5 Development costs**

| | 2014/15 | 2013/14 |
|---|---|---|
| **EBIT impact for development costs** | **54** | **44** |
| ÷ Amortisation of assets recognised in connection with acquisition of enterprise | -12 | -12 |
| ÷ Amortisation and depreciation of development projects and rights and other non-current assets | -31 | -20 |
| **EBIT impact for development costs** | **11** | **12** |
| + Investments in development projects | 43 | 28 |
| + Investments in rights | 5 | 0 |
| **Investments** | **48** | **28** |
| **Liquid development costs for the year** | **59** | **40** |
| Fraction for development costs in the income statement relative to liquid development costs | 0.9 | 1.1 |

**2.6 Other operating expenses**

| | 2014/15 | 2013/14 |
|---|---|---|
| Accounting loss on divestment of subsidiary | 5 | 0 |
| **Total other operating expenses** | **5** | **0** |

**§ Accounting policies**
Other operating expenses comprise items of a secondary nature as regards the activities of the enterprises.

DKKm

**2.7 Foreign currency risks relating to operating activities and foreign currency translation**

*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, MYR and CNY (collectively referred to as 'main currencies').

*Sensitivity analysis*
The following table shows the impact on the group in the event of a 10% fluctuation in the main exchange rates relative to the recognised financial instruments. The development of 10% constitutes the management's assessment of a realistic exchange rate development within the main currencies. 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 10% in main exchange rates | | Increase of 10% in main exchange rates | |
|---|---|---|---|---|
| | **2014/15** | **2013/14** | **2014/15** | **2013/14** |
| Income statement | -21 | -19 | 21 | 19 |
| Other comprehensive income | 0 | 0 | 0 | 0 |
| | **-21** | **-19** | **21** | **19** |

To assess Ambu's exposure to developments in the main exchange rates, an analysis has been performed of the impact on revenue and EBIT. The table below shows the effect of a 10% decline relative to Danish kroner for each main currency broken down by revenue and EBIT.

| | 2014/15 | | 2013/14 | |
|---|---|---|---|---|
| | **Revenue** | **EBIT** | **Revenue** | **EBIT** |
| USD | -84 | -24 | -82 | -28 |
| MYR | 0 | 26 | 0 | 22 |
| CNY | 0 | 18 | 0 | 18 |

| | Contract value | | Fair value | |
|---|---|---|---|---|
| **Fair value of financial instruments** | **2014/15** | **2013/14** | **2014/15** | **2013/14** |
| *Commodity hedging:* | | | | |
| Silver price hedging | 12 | 12 | -1 | 0 |
| *Currency swaps:* | | | | |
| Currency swap, USD 40m, floating to fixed rate, maturity 15 March 2018 | 266 | 237 | -36 | -1 |
| *Interest rate swaps:* | | | | |
| Interest rate swap, EUR 13m, floating to fixed rate, maturity 31 December 2016 | 89 | 92 | -4 | -6 |
| **Total financial liabilities** | **367** | **341** | **-41** | **-7** |

*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 2015/16. Interest rate swaps have been entered into in order to hedge a variable interest element in leased domicile property.

*Hedging of currency development*
A currency swap has been entered into under which Ambu pays USD 40m and receives an agreed amount in DKK. The swap was entered into for the purpose of hedging cash flows from the US business on later repayment of the bond loan.

DKKm

**2.8 Tax on profit for the year**

| | 2014/15 | 2013/14 |
|---|---|---|
| Current tax on profit for the year | 70 | 43 |
| Deferred tax on profit for the year | -7 | 15 |
| Adjustment, previous years | 1 | -1 |
| Adjustment, change in tax rates | -1 | 0 |
| **Total tax on profit for the year** | **63** | **57** |
| *Tax on profit for the year comprises (%):* | | |
| Calculated 23.5% (2013/14: 24.5%) tax on income from ordinary activities before tax | 23.5 | 24.5 |
| Effect of tax rate in foreign subsidiaries | -1.6 | -1.3 |
| Income not subject to tax | -0.1 | 0.0 |
| Non-deductible costs | 1.0 | 0.6 |
| Adjustment, change in tax rates | -0.3 | -0.5 |
| Value adjustment, earn-out | -3.0 | -4.1 |
| Tax adjustment in respect of previous years | 0.3 | -0.4 |
| Impairment of tax asset | 9.6 | 8.6 |
| **Effective tax rate** | **29.4** | **27.4** |

The Danish Parliament has adopted a reduction of the income tax rate to 22.0% which takes effect for Ambu A/S in 2015/16.

**§ Accounting policies**
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.

**2.9 Provisions for deferred tax**

| | 30.09.15 | 30.09.14 |
|---|---|---|
| Deferred tax, beginning of year | 12 | 9 |
| Translation adjustment | 0 | -1 |
| Deferred tax on other comprehensive income | -19 | -7 |
| Deferred tax for the year | -7 | 15 |
| Adjustment, change in tax rates | -1 | 0 |
| Change in respect of previous years | 2 | -4 |
| **Deferred tax at year-end** | **-13** | **12** |
| *Deferred tax relates to:* | | |
| Intangible assets | 66 | 33 |
| Property, plant and equipment | -22 | 10 |
| Other non-current assets | 5 | 0 |
| Current assets | 0 | -18 |
| Equity | -27 | 0 |
| Provisions | -11 | 0 |
| Payables | -3 | -13 |
| Tax loss carry-forward | -21 | 0 |
| | **-13** | **12** |

DKKm

**2.9 Provisions for deferred tax (continued)**

| | 30.09.2015 | 30.09.14 |
|---|---|---|
| *Classified in the balance sheet as follows:* | | |
| Deferred tax asset | -30 | -21 |
| Deferred tax | 17 | 33 |
| | **-13** | **12** |
| Deferred tax falling due within 12 months | -14 | -31 |

**§ Accounting policies**

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

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

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

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

**! Material accounting estimates**

This year, Ambu has recognised a tax loss stemming from the US operating activities totalling DKK 21m. (2014: DKK 0m). Due to uncertainty about the use of the remaining part of the tax loss of DKK 34m (2014: DKK 22m), this is recognised at DKK 0. The assumptions applied in the valuation of the tax loss are based on the management’s expectations for the future and approved budgets.

DKKm

**3.1 Intangible assets**

| 2014/15 | Acquired technologies, trademarks and customer relations | Completed development projects | Rights | Goodwill | Development projects in progress | Total |
|---|---|---|---|---|---|---|
| Acquisition price, beginning of year | 138 | 213 | 72 | 748 | 24 | 1,195 |
| Translation adjustment | 17 | 1 | 2 | 78 | 0 | 98 |
| Additions during the year | 0 | 0 | 10 | 0 | 43 | 53 |
| Disposals during the year | 0 | 0 | 0 | -16 | 0 | -16 |
| Transferred during the year | 0 | 11 | 0 | 0 | -9 | 2 |
| **Acquisition price at year-end** | **155** | **225** | **84** | **810** | **58** | **1,332** |
| | | | | | | |
| Amortisation and impairment losses, beginning of year | 31 | 144 | 19 | 0 | 0 | 194 |
| Translation adjustment | 4 | 0 | 0 | 0 | 0 | 4 |
| Disposals during the year | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairment losses for the year | 0 | 0 | 0 | 0 | 0 | 0 |
| Amortisation for the year | 17 | 20 | 11 | 0 | 0 | 48 |
| **Amortisation and impairment losses at year-end** | **52** | **164** | **30** | **0** | **0** | **246** |
| **Carrying amount at year-end** | **103** | **61** | **54** | **810** | **58** | **1,086** |

| 2013/14 | Acquired technologies, trademarks and customer relations | Completed development projects | Rights | Goodwill | Development projects in progress | Total |
|---|---|---|---|---|---|---|
| Acquisition price, beginning of year | 129 | 167 | 31 | 707 | 39 | 1,073 |
| Translation adjustment | 9 | 2 | 1 | 41 | 1 | 54 |
| Additions during the year | 0 | 0 | 40 | 0 | 28 | 68 |
| Additions in connection with acquisition | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals during the year | 0 | 0 | 0 | 0 | 0 | 0 |
| Transferred during the year | 0 | 44 | 0 | 0 | -44 | 0 |
| **Acquisition price at year-end** | **138** | **213** | **72** | **748** | **24** | **1,195** |
| | | | | | | |
| Amortisation and impairment losses, beginning of year | 13 | 124 | 13 | 0 | 0 | 150 |
| Translation adjustment | 2 | 0 | 0 | 0 | 0 | 2 |
| Disposals during the year | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairment losses for the year | 0 | 0 | 0 | 0 | 0 | 0 |
| Amortisation for the year | 16 | 20 | 6 | 0 | 0 | 42 |
| **Amortisation and impairment losses at year-end** | **31** | **144** | **19** | **0** | **0** | **194** |
| **Carrying amount at year-end** | **107** | **69** | **53** | **748** | **24** | **1,001** |

**3.1 Intangible assets (continued)**

**§ Accounting policies**
On initial recognition, goodwill is 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.

At the time of acquisition, goodwill is attributed 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. The management has identified an operating segment to which goodwill is allocated.

Acquired technologies, trademarks and customer relations primarily comprise identified technologies.

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 company can be proven, and where the company intends to produce, market or use the project, are recognised as intangible assets where the cost of the project can be calculated reliably and there is sufficient certainty that the future earnings or the net selling price can cover the costs of production, sale, administration and development. Other development costs are recognised in the income statement as incurred.

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

Intangible assets are amortised according to the straight-line method over the expected useful lives of the assets/components as follows:

| | |
|---|---|
| Acquired technologies, trademarks and customer relations | 5-13 years |
| Completed development projects | 5 years |
| Rights | 5-8 years |

Goodwill is not amortised.

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

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

*Useful lives of intangible assets*
The assessment of the useful lives of identified intangible assets in connection with the acquisition of enterprises is subject to material estimates where the assessments made are based on the management's experience as well as advice from specialists. The useful lives of completed development projects are estimated on completion of the project at which time amortisation of cost begins.

### 3.2 Impairment test

*Goodwill*

Goodwill in the group of DKK 810m (2014: DKK 748m) concerns goodwill in connection with the acquisition of the enterprises King Systems Corp., the Medicotest group in 2001 and the Sleepmate Inc. activities in 2008. The acquired enterprises are integrated into all parts of the Ambu group, which means that the goodwill value relates to Ambu as a whole.

As at 30 September 2015, 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 2015/16 budget and on growth of 1% in the terminal period (2013/14: 1%). In connection with the discounting, a WACC of 7.25% after tax has been applied (2013/14: 7.3%), corresponding to a WACC of 9.7% before tax (2013/14: 10.1%).

The key assumption underlying the impairment test is the EBITDA margin, which is determined based on the management's experience, industry knowledge etc. The management believes that even a material change in the EBITDA margin will not result in impairment of goodwill. On this background, the management believes that there are no material accounting estimates related to the valuation of goodwill.

*Other intangible assets*

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. The impairment tests made have not resulted in any need for impairment.

**§ Accounting policies**

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.

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 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 amortisation, had the asset not been impaired.

**! Material accounting estimates**

Impairment tests require material estimates of how future events will affect the value of development projects. The value of completed development projects amounts to DKK 61m (2014: DKK 69m), while the value of development projects in progress is DKK 58m (2014: DKK 24m).

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

DKKm

### 3.3 Property, plant and equipment

| 2014/15 | Land and buildings | Plant and machinery | Other plant, fixtures and fittings, tools and equipment | Prepayments and plant under construction | Total |
|---|---|---|---|---|---|
| Acquisition price, beginning of year | 219 | 290 | 108 | 18 | 635 |
| Translation adjustment | -1 | -1 | 1 | -1 | -2 |
| Additions during the year | 12 | 6 | 1 | 38 | 57 |
| Disposals during the year | 0 | -7 | -5 | 0 | -12 |
| Transferred during the year | 6 | -2 | 24 | -30 | -2 |
| **Acquisition price at year-end** | **236** | **286** | **129** | **25** | **676** |
| | | | | | |
| Depreciation and impairment losses, beginning of year | 98 | 180 | 86 | 0 | 364 |
| Translation adjustment | 0 | -6 | 0 | 0 | -6 |
| Disposals during the year | 0 | -5 | -5 | 0 | -10 |
| Impairment losses for the year | 0 | 0 | 0 | 0 | 0 |
| Depreciation for the year | 10 | 24 | 14 | 0 | 48 |
| **Depreciation and impairment losses at year-end** | **108** | **193** | **95** | **0** | **396** |
| **Carrying amount at year-end** | **128** | **93** | **34** | **25** | **280** |

There are no contractual obligations concerning the purchase of property, plant and equipment. The carrying amount of assets held under finance leases is DKK 0m (2013/14: DKK 1m). Land and buildings include investment property where the market value in all material respects corresponds to the carrying amount.

| 2013/14 | Land and buildings | Plant and machinery | Other plant, fixtures and fittings, tools and equipment | Prepayments and plant under construction | Total |
|---|---|---|---|---|---|
| Acquisition price, beginning of year | 190 | 269 | 103 | 8 | 570 |
| Translation adjustment | 9 | 15 | 2 | 1 | 27 |
| Additions during the year | 20 | 9 | 3 | 20 | 52 |
| Disposals during the year | -2 | -6 | -4 | -2 | -14 |
| Transferred during the year | 2 | 3 | 4 | -9 | 0 |
| **Acquisition price at year-end** | **219** | **290** | **108** | **18** | **635** |
| | | | | | |
| Depreciation and impairment losses, beginning of year | 88 | 156 | 74 | 0 | 318 |
| Translation adjustment | 3 | 8 | 1 | 0 | 12 |
| Disposals during the year | -2 | -6 | -4 | 0 | -12 |
| Impairment losses for the year | 0 | 0 | 0 | 0 | 0 |
| Depreciation for the year | 9 | 22 | 15 | 0 | 46 |
| **Depreciation and impairment losses at year-end** | **98** | **180** | **86** | **0** | **364** |
| **Carrying amount at year-end** | **121** | **110** | **22** | **18** | **271** |

DKKm

### 3.3 Property, plant and equipment (continued)

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

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

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

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

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

Land is not depreciated.

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

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

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

### 3.4 Inventories

| | **30.09.2015** | **30.09.14** |
|---|---|---|
| Commodities and consumables | 75 | 82 |
| Finished goods | 203 | 171 |
| | **278** | **253** |
| Cost of sales for the year | 733 | 619 |
| Write-down of inventories included in production costs for the year | 2 | 1 |

**§ Accounting policies**
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.

**! Material accounting estimates**
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 totals DKK 45m (2014: DKK 45m).

DKKm

### 3.5 Trade receivables

| | 30.09.15 | 30.09.14 |
|---|---|---|
| Not due | 299 | 247 |
| 1-90 days | 62 | 85 |
| 91-180 days | 63 | 30 |
| > 180 days | 49 | 18 |
| **Trade receivables** | **473** | **380** |
| | | |
| At year-end, trade receivables were written down by | 7 | 3 |

*Credit risks*
A share of the trade receivables is overdue by more than three months. Reference is made to the detailed description of credit risks in note 4.1 where the management regards the risk of bad debts as being low.

**§ Accounting policies**
Trade receivables are measured at amortised cost less individual write-downs. Trade receivables are tested for impairment when objective indication of impairment exists in the form of delayed payments and provable financial problems of the debtor etc.

### 3.6 Adjustment of items with no cash flow effect

| | 2014/15 | 2013/14 |
|---|---|---|
| Depreciation and amortisation | 96 | 88 |
| Accounting loss on divestment of subsidiary | 5 | 0 |
| Share-based payment | 6 | 4 |
| Value adjustment of other provisions | 0 | -2 |
| Net financials and similar items | 21 | -10 |
| Tax on profit for the year | 63 | 57 |
| | **191** | **137** |

### 3.7 Changes in working capital

| | 2014/15 | 2013/14 |
|---|---|---|
| Changes in inventories | -17 | -42 |
| Changes in receivables | -100 | -30 |
| Changes in trade payables etc. | 47 | 23 |
| | **-70** | **-49** |

DKKm

### 4.1 Financial risk management

As an international player, Ambu is exposed to certain market risks, including fluctuations in foreign exchange and interest rates as well as the development in commodity prices.

*Foreign currency risks*
Fluctuations in foreign currency and foreign currency's impact on the group's financial objectives are continuously monitored by Ambu's Corporate Accounting department. See note 2.7 for further information about foreign currency risks.

*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.

A probable change in interest rates will not have a significant effect on the income statement or equity.

*Commodity prices*
The world market price of silver can significantly impact electrode production costs. The year's expected purchases of silver are therefore hedged by means of derivative financial instruments. For fair value of the hedging instruments, reference is made to note 2.7.

*Liquidity risks*
Financing and sufficient liquidity are fundamental to Ambu's continued operation and growth. Liquidity is managed centrally from Ambu's head office. No cash-pool solutions are applied, but intercompany loans have been extended by Ambu A/S to a few subsidiaries.

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.

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

In March 2013, Ambu A/S issued bonds at a nominal value of DKK 700.5m. The bonds carry 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 729m as at 30 September 2015 (2014: DKK 733m). The debt can be attributed to level 1 of the fair value hierarchy as the bond is listed on NASDAQ Copenhagen.

With the acquisition of King Systems in 2013, the net interest-bearing debt rose significantly, increasing the focus on cash management. The debt, which was arranged through the bond issue in 2013, is serviced by way of the ordinary operating income. Plans are to partially refinance the debt at maturity in 2018.

The cash resources consist of unutilised credit facilities in banks which are specified below:

| | **30.09.15** | **30.09.14** |
|---|---|---|
| Unutilised credit facilities | 197 | 149 |

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

Outstanding trade 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 nor were any material losses ascertained.

DKKm

### 4.2 Categories of financial instruments

Ambu has recognised the following financial instruments:

| | 30.09.15 | 30.09.14 |
|---|---|---|
| Trade receivables | 473 | 380 |
| Other receivables | 20 | 11 |
| Cash | 48 | 86 |
| **Receivables and cash and cash equivalents** | **541** | **477** |
| Credit institutions | 4 | 8 |
| Corporate bonds | 698 | 698 |
| Other provisions | 48 | 33 |
| Bank debt | 77 | 119 |
| Trade payables | 115 | 88 |
| Other payables | 140 | 122 |
| **Financial liabilities recognised at amortised cost** | **1,082** | **1,068** |
| Earn-out obligation (level 3)* | 6 | 40 |
| Derivative financial instruments (level 2)* | 36 | 1 |
| **Financial liabilities stated at fair value in the income statement** | **42** | **41** |
| Derivative financial instruments (level 2)* | 5 | 6 |
| **Financial liabilities stated at fair value in other comprehensive income** | **5** | **6** |

*) 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 w hich are not traded in an active market (e.g. over-the-counter derivatives) is determined using ordinary valuation methods.

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

**Earn-out obligations recognised at fair value**
Ambu's earn-out obligations are recognised and measured at fair value based on non-observable data (level 3). No changes have been made as regards the hierarchies this year or last year. Reference is made to note 5.1 for a description of factors of significance to the determination of the fair value of the earn-out obligations.

| **Earn-out obligations – level 3 of the IFRS fair value hierarchy** | **30.09.15** | **30.09.14** |
|---|---|---|
| Fair value as at 1 October | 40 | 131 |
| Foreign currency translation adjustment | 4 | 2 |
| Used during the year | -16 | -67 |
| *Adjustments made through the income statement:* | | |
| Effect for the year of shorter discount period | 3 | 5 |
| Value adjustment to fair value | -25 | -31 |
| **Fair value as at 30 September** | **6** | **40** |

DKKm

#### 4.2 Categories of financial instruments (continued)

**§ Accounting policies**
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.

Derivative financial instruments are recognised as from the transaction date and are measured at fair value in the balance sheet. The fair value of derivative financial instruments is calculated on the basis of current market data as well as accepted valuation methods. Changes in the fair value of derivative financial instruments classified as and fulfilling the criteria for hedging the fair value of a recognised asset or liability are recognised in the income statement together with any changes in the value of the hedged asset or liability as regards the hedged part.

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

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

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.

#### 4.3 Net financials

| | 2014/15 | 2013/14 |
|---|---|---|
| *Interest income:* | | |
| Interest income, swap | 0 | 8 |
| | | |
| *Other financial income:* | | |
| Foreign exchange gains, net | 27 | 25 |
| Fair value adjustment, earn-out | 25 | 31 |
| **Financial income** | **52** | **64** |

| | 2014/15 | 2013/14 |
|---|---|---|
| *Interest expenses:* | | |
| Interest expenses, banks | 5 | 5 |
| Interest expenses, swap | 0 | 9 |
| Interest expenses, bonds | 24 | 24 |
| | | |
| *Other financial expenses:* | | |
| Effect of shorter discount period, earn-out | 3 | 5 |
| Effect of shorter discount period, acquisition of technology | 4 | 2 |
| Fair value adjustment, swap | 37 | 9 |
| **Financial expenses** | **73** | **54** |

**§ Accounting policies**
Financial income and expenses comprise interest, exchange gains and losses, write-downs of payables and transactions in foreign currencies, amortisation of financial assets and liabilities, including finance lease commitments. The timing effect and fair value adjustment of the purchase price payable are classified under net financials.

DKKm

**4.4 Net interest-bearing debt**

| 2014/15 | Contractual cash flows 0-1 year | 1-5 years | > 5 years | Total | Fair value | Carrying amount | Weighted average effective rate of interest |
|---|---|---|---|---|---|---|---|
| Credit institutions | 2 | 2 | 0 | 4 | 4 | 4 | 2.6% |
| Corporate bonds | 24 | 748 | 0 | 772 | 729 | 698 | 3.5% |
| Bank debt | 77 | 0 | 0 | 77 | 77 | 77 | 1.6% |
| **Interest-bearing debt** | **103** | **750** | **0** | **853** | **810** | **779** | **3.3%** |
| Cash | 48 | 0 | 0 | 48 | 48 | 48 | 0.1% |
| **Interest-bearing assets** | **48** | **0** | **0** | **48** | **48** | **48** | **0.1%** |
| **Net interest-bearing debt** | **55** | **750** | **0** | **805** | **762** | **731** | **3.3%** |

| 2013/14 | 0-1 year | 1-5 years | > 5 years | Total | Fair value | Carrying amount | Weighted average effective rate of interest |
|---|---|---|---|---|---|---|---|
| Credit institutions | 4 | 4 | 0 | 8 | 8 | 8 | 3.0% |
| Corporate bonds | 24 | 771 | 0 | 795 | 733 | 698 | 3.5% |
| Bank debt | 119 | 0 | 0 | 119 | 119 | 119 | 2.2% |
| **Interest-bearing debt** | **147** | **775** | **0** | **922** | **860** | **825** | **3.3%** |
| Cash | 86 | 0 | 0 | 86 | 86 | 86 | 0.0% |
| **Interest-bearing assets** | **86** | **0** | **0** | **86** | **86** | **86** | **0.0%** |
| **Net interest-bearing debt** | **61** | **775** | **0** | **836** | **774** | **739** | **3.3%** |

In addition to the above, short-term contractual cash flows exist for the following: Trade receivables, other receivables, trade payables and other payables. These fall due within one year, and the contractual cash flows correspond to the carrying amount.

Reference is made to note 4.1 for a description of liquidity risks.

**4.5 Share capital and treasury shares**

*Share capital*

Ambu's share capital is divided into two share classes of DKK 2.50 per share each. One Class A share carries 10 votes per share, while a Class B share carries one vote per share. All shares are paid in full. See the management's review on page 22 for a more detailed description.

| | Class A shares | | Class B shares | | No. of shares | |
|---|---|---|---|---|---|---|
| | **2014/15** | **2013/14** | **2014/15** | **2013/14** | **2014/15** | **2013/14** |
| No. of shares issued, beginning of year | 1.716.000 | 1.716.000 | 10.227.580 | 10.192.080 | 11.943.580 | 11.908.080 |
| Share split 1:4 | 5.148.000 | 0 | 30.682.740 | 0 | 35.830.740 | 0 |
| Additions | 0 | 0 | 487.600 | 35.500 | 487.600 | 35.500 |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 |
| **No. of shares issued at year-end** | **6.864.000** | **1.716.000** | **41.397.920** | **10.227.580** | **48.261.920** | **11.943.580** |

The Board of Directors' proposal for a 1:4 share split was approved by Ambu's shareholders on 17 December 2014. In 2014/15, a capital increase was implemented in connection with the exercise by employees of warrants issued in 2011 and 2012. In consequence hereof, Ambu's share capital is increased by a nominal amount of DKK 1,219,000 through the issue of 487,600 Class B shares at a weighted price of 39.7.

DKKm

### 4.5 Share capital and treasury shares (continued)

*Treasury shares*

| | No. of shares | | Nominal value | | In % of share capital | |
|---|---|---|---|---|---|---|
| | 2014/15 | 2013/14 | 2014/15 | 2013/14 | 2014/15 | 2013/14 |
| Treasury shares, beginning of year | 43.968 | 143.945 | 0,4 | 1,4 | 0,3% | 1,1% |
| Share split 1:4 | 131.904 | 0 | 0,0 | 0,0 | 0,0% | 0,0% |
| Additions | 505.352 | 54.700 | 1,3 | 0,5 | 1,0% | 0,5% |
| Disposals | -438.324 | -154.677 | -1,1 | -1,5 | -0,8% | -1,3% |
| **Treasury shares at year-end** | **242.900** | **43.968** | **0,6** | **0,4** | **0,5%** | **0,3%** |

Treasury shares have been purchased to partially cover option schemes. The portfolio and transactions with treasury shares only include Class B shares.

**§ Accounting policies**
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.

### 4.6 Earnings per share

| | 2014/15 | 2013/14 |
|---|---|---|
| Net profit for the year | 152 | 151 |
| Average no. of Class A and Class B shares in circulation (no.)[1] | 48,054,275 | 47,395,500 |
| Diluted effect of outstanding share options and warrants (no.)[1] | 1,418,067 | 1,090,452 |
| **Average number of outstanding Class A and Class B shares including the diluting effect of share options and warrants (no.)** | **49,472,342** | **48,485,952** |
| Earnings per DKK 2,50 share (EPS) in DKK[1] | 3.16 | 3.19 |
| Diluted earnings per DKK 2,50 share (EPS-D) in DKK[1] | 3.06 | 3.12 |

1. Comparative figures have been restated to reflect the change in the nominal value from DKK 10 to DKK 2.50.

**§ Accounting policies**
Earnings per share are presented as both earnings per share and diluted earnings per share. Earnings per share are calculated as the net profit for the year divided by the average number of outstanding shares. Diluted earnings per share are calculated as the net profit for the year divided by the sum of the average number of outstanding shares including the diluting effect of outstanding share options and warrants that are ‘in the money’. The diluting effect of share options and warrants that are ‘in the money’ is calculated as the difference between the number of shares that could be acquired at fair value for the proceeds from the exercise of the share options and allocated warrants.

DKKm

### 5.1 Other provisions

| | 2014/15 | 2013/14 |
|---|---|---|
| Provisions as at 1 October | 73 | 168 |
| Additions during the year | 10 | 40 |
| Used during the year | -21 | -112 |
| Reversal of unused amounts | 0 | -2 |
| Value adjustment | -18 | -24 |
| Foreign currency translation adjustment | 10 | 3 |
| **Other provisions as at 30 September** | **54** | **73** |
| | | |
| **Provisions expected to fall due:** | | |
| Current liabilities | 6 | 18 |
| Non-current liabilities | 48 | 55 |
| **Other provisions as at 30 September** | **54** | **73** |

During the financial year, Ambu settled provisions in the amount of DKK 21m (2013/14: DKK 112m) in respect of earn-out and payments for technology purchases.

Value adjustment in 2014/15 can be attributed to a decline in fair value upon remeasurement of the earn-out agreement of DKK 25m (2013/14: DKK 31m) as well as the effect of the shorter discount period of DKK 7m (2013/14: DKK 7m) in respect of earn-out obligations and debt relating to the purchase of technologies.

As at the balance sheet date, provisions concerned the earn-out agreement relating to the acquisitions of First Water Heathcote Ltd. as well as debt deriving from the purchase of pain pump and other technology.

**§ Accounting policies**
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.

**! Material accounting estimates**
The acquisition of King Systems in 2013 includes contingent consideration of up to USD 50m. In connection with the acquisition, the management recognised this liability at USD 22m, of which a sum of USD 3m was paid in 2014/15 (2013/14: USD 12m). Upon remeasurement as at 30 September 2015, the value of the liability was adjusted by DKK 25m (2013/14: DKK 31m), which had a positive effect on net financials. It is estimated that no further earn-out in connection with the acquisition of King Systems will have to be paid for the earn-out period 1 May 2015 - 30 April 2016.

The material estimates of future sales are based on sales budgets for the period up to 30 April 2016 when the earn-out period expires. A deviation between the estimated sales assumptions and the future circumstances of +/- 10% will not affect the estimated payment.

### 5.2 Operating leases

| | 2014/15 | 2013/14 |
|---|---|---|
| Payments due within 0-1 year | 30 | 32 |
| Payments due within 1-5 years | 83 | 94 |
| Payments due after 5 years | 68 | 78 |
| **Total operating leases** | **181** | **204** |
| | | |
| Operating leases expensed in the income statement | 27 | 27 |

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 during the term of the lease. The property leased in Denmark carries an option to purchase. The option to purchase is based on the estimated fair value at the time of its exercise.

DKKm

### 5.3 Contingent liabilities and other contractual liabilities

*Contingent liabilities*
In October 2014, Ambu was contacted by the owner of rights to certain patents which Ambu has been utilising for a number of years upon agreement with the owner. The query from the owner concerns a royalty audit conducted and concerns a claim for additional payments due to allegedly too low royalty payments for the period since 2008.

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

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

*Other contractual liabilities*
There is a change of control clause in respect of committed borrowing facilities, which are included under bank debt in the amount of DKK 100m.
Change of control remuneration to members of the Executive Board is subject to a maximum value corresponding to two years' remuneration.

### 5.4 Fee to auditors appointed by the annual general meeting

| | 2014/15 | 2013/14 |
|---|---|---|
| Audit fee | 2 | 2 |
| Other assurance engagements | 0 | 0 |
| Tax consultancy services | 1 | 1 |
| Other services | 2 | 0 |
| **Total fees** | **5** | **3** |

### 5.5 Divestment of subsidiary

On 31 May 2015, Ambu divested its 100% ownership interest in Ambu White Sensor Ltd. to a long-standing strategic partner, which will manufacture the divested production under contract going forward.

| | 2014/15 | 2013/14 |
|---|---|---|
| Goodwill | 16 | 0 |
| Other plant, fixtures and fittings, tools and equipment | 1 | 0 |
| Inventories | 6 | 0 |
| Other receivables | 2 | 0 |
| Trade payables | -7 | 0 |
| Other payables | -2 | 0 |
| **Net assets divested** | **16** | **0** |
| Accounting loss on divestment of subsidiary | -5 | 0 |
| Selling price | 11 | 0 |
| Cash in divested subsidiary | 2 | 0 |
| **Cash payment** | **8** | **0** |
| Deferred selling price | -5 | 0 |
| **Cash flows from the divestment of subsidiary** | **3** | **0** |

**§ Accounting policies**
Divested activities and subsidiaries are recognised in the income statement up until the date of divestment. Comparative figures are not restated.
Gains and losses on the divestment of subsidiaries are calculated as the difference between the selling price calculated at discount value less transaction costs and the carrying amount of the divested net assets, including any goodwill.

### 5.6 Related parties

The group's related parties include 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.

During the year, no transactions, except for 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 as stated in notes 2.2 and 2.3.

### 5.7 Companies in the Ambu group

This note shows the legal entities which are consolidated in the consolidated financial statements:

| Company | Reg. office | Currency | Nominal capital | Ambu A/S's ownership | Established / | Sales | Production | Other |
|---|---|---|---|---|---|---|---|---|
| ***Europe:*** | | | | | | | | |
| Ambu Ltd. | UK | GBP | 1,000 | 100% | 1991 | x | | |
| Ambu White Sensor Ltd.[1] | UK | GBP | 1,000 | 100% | 2012 | | x | |
| Ambu United Kingdom Ltd. | UK | GBP | 104,000 | 100% | 2013 | | | x |
| Ambu Sarl | France | EUR | 170,245 | 100% | 1989 | x | | |
| Ambu B.V. | Netherlands | EUR | 22,700 | 100% | 2006 | x | | |
| Ambu s.r.l. | Italy | EUR | 68,200 | 100% | 1992 | x | | |
| Firma Ambu, S.L.[2] | Spain | EUR | 200,113 | 100% | 1993 | x | | |
| Ambu GmbH | Germany | EUR | 51,129 | 100% | 1992 | x | | |
| ***North America:*** | | | | | | | | |
| Ambu Inc. | USA | USD | 250,000 | 100% | 1983 | x | | |
| King Systems Holding Inc. | USA | USD | 3,562 | 100% | 2013 | | | x |
| King Systems Corp. | USA | USD | 843,800 | 100% | 2013 | | x | |
| ***Rest of the world:*** | | | | | | | | |
| Ambu Australia Pty. Ltd. | Australia | AUD | 1 | 100% | 2010 | x | | |
| Ambu India | India | INR | 5,000,000 | 100% | 2015 | x | | |
| Ambu KK | Japan | JPY | 20,000,000 | 100% | 2000 | | | x |
| Ambu Ltd. | China | CNY | 6,623,760 | 100% | 1998 | | x | |
| Ambu (Xiamen) Trading Co., Ltd. | China | CNY | 479,885 | 100% | 2008 | x | | |
| Ambu Sdn. Bhd. | Malaysia | MYR | 2,400,000 | 100% | 1995 | | x | |
| Ambu Mexico, S.A. DE C.V. | Mexico | MXN | 1,000 | 100% | 2014 | | | x |

1. Ambu White Sensor Ltd. was divested as at 31 May 2015, which is why the results of the company's activities are included only as from 1 October 2014 to 31 May 2015.

2. Firma Ambu, S.L. not only sells to Spain and Portugal, but also to the Latin American market.

### 5.8 Subsequent events

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

DKKm

**5.9 Adoption of the annual report and distribution of profit**

At the board meeting on 11 November 2015, the Board of Directors adopted the annual report presented. Subsequently, the annual report will be presented to Ambu A/S's shareholders for adoption at the annual general meeting on 10 December 2015. The Board of Directors proposes dividend of DKK 0.95 per share. In 2013/14, the Board of Directors proposed a dividend payment of DKK 0.9375, which was later distributed to Ambu A/S's shareholders.

| | **2014/15** | **2013/14** |
|---|---|---|
| Proposed dividend for the year | 46 | 45 |
| Transferred to distributable reserves | 106 | 106 |
| | **152** | **151** |

**§ Accounting policies**

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

### 5.10 Definitions of key figures and ratios

| | |
|---|---|
| ***Income statement*** | |
| Gross margin, % | Gross profit in % of revenue |
| EBITDA before special items | Operating profit before depreciation, amortisation and special items. |
| EBIT before special items | Operating profit before special items. |
| Capacity costs | Selling, development and management costs, administrative expenses and other operating income and expenses. |
| ***Balance sheet*** | |
| Working capital | Inventories, trade receivables, other receivables and prepayments less trade payables and other payables. |
| Net interest-bearing debt | Credit institutions, corporate bonds, current portion of non-current liabilities, bank debt less cash. Net interest-bearing debt is abbreviated NIBD. |
| ***Cash flows*** | |
| Cash flows from operating activities | Cash flows from operating activities as defined in IAS 7. |
| Cash flows from investing activities before acquisitions of companies and technology | Cash flows from investing activities as defined in IAS 7 excluding cash flows for acquisitions of technologies and companies. |
| ***Key figures and ratios*** | |
| Rate of cost, % | Capacity costs in % of revenue. |
| EBITDA margin before special items | EBITDA before special items in % of revenue. |
| EBIT margin before special items | EBIT before special items in % of revenue. |
| Liquid development costs for the year | Development costs for the year in the income statement plus amortisation, with the subsequent addition of investments in development projects for the year, cash flows for the acquisition of technology and other rights. |
| Return on equity | Net profit/loss for the year for a rolling 12-month period in relation to average equity. |
| NIBD/EBITDA before special items | Net interest-bearing debt/EBITDA before special items. |
| Equity ratio | Equity’s share of total assets at year-end. |
| Investments, % of revenue | Cash flows from investing activities, incl. assets disposed of, in % of revenue. |
| Working capital, % of revenue | Inventories, trade receivables, other receivables and prepayments less trade payables and other payables in % of revenue. |
| Return on invested capital (ROIC) | EBIT before special items for a rolling 12-month period less tax relative to assets less interest-bearing debt. |
| ***Share-related ratios*** | |
| Earnings per share (EPS) | Earnings per share for the year, calculated in accordance with IAS 33. |
| Diluted earnings per share (EPS-D) | Diluted earnings per share, calculated in accordance with IAS 33. |
| Cash flow per share | Cash flows 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 as a percentage of net profit for the year. |
| P/E ratio | Market price relative to earnings per share (EPS). |


# Financial statements of Parent 2014/15

# Income statement and statement of comprehensive income – Parent



DKKm

| Income statement | Note | 2014/15 | 2013/14 |
|---|---|---|---|
| Revenue | | 1,516 | 1,034 |
| Production costs | 2.1, 2.2 | -1,070 | -672 |
| **Gross profit** | | **446** | **362** |
| Selling costs | 2.1, 2.2 | -58 | -57 |
| Development costs | 2.1, 2.2 | -41 | -27 |
| Management and administration | 2.1, 2.2 | -101 | -106 |
| Other operating expenses | 2.3 | -1 | 0 |
| **Operating profit (EBIT) before special items** | | **245** | **172** |
| Special items | | 0 | -2 |
| **Operating profit (EBIT)** | | **245** | **170** |
| Financial income | 4.2 | 78 | 104 |
| Financial expenses | 4.2 | -69 | -49 |
| **Profit before tax** | | **254** | **225** |
| Tax on profit for the year | 2.4 | -58 | -55 |
| **Net profit for the year** | | **196** | **170** |

| Statement of comprehensive income | 2014/15 | 2013/14 |
|---|---|---|
| Net profit for the year | 196 | 170 |
| Other comprehensive income: | | |
| *Items which are moved to the income statement under certain conditions:* | | |
| Translation adjustment in foreign subsidiaries | 5 | 2 |
| *Adjustment to fair value for the period:* | | |
| Disposals included in net financials | 0 | 1 |
| Additions concerning hedging instruments | 1 | 0 |
| **Other comprehensive income after tax** | **6** | **3** |
| **Comprehensive income for the year** | **202** | **173** |

# Balance sheet – Parent

Ambu A/S Financial statements

DKKm

| Assets | Note | 30.09.15 | 30.09.14 |
|---|---|---|---|
| Completed development projects | 3.1 | 49 | 59 |
| Rights | 3.1 | 71 | 75 |
| Goodwill | 3.1 | 147 | 144 |
| Development projects in progress | 3.1 | 31 | 13 |
| **Intangible assets** | | **298** | **291** |
| Land and buildings | 3.2 | 19 | 21 |
| Plant and machinery | 3.2 | 1 | 1 |
| Other plant, fixtures and fittings, tools and equipment | 3.2 | 9 | 12 |
| Prepayments and plant under construction | 3.2 | 3 | 2 |
| **Property, plant and equipment** | | **32** | **36** |
| Investments in subsidiaries | 3.3 | 885 | 235 |
| Receivables from subsidiaries | 4.1 | 55 | 706 |
| Other receivables | 4.1 | 5 | 0 |
| Deferred tax asset | 2.5 | 0 | 9 |
| **Other non-current assets** | | **945** | **950** |
| **Total non-current assets** | | **1,275** | **1,277** |
| Inventories | 3.4, 4.1 | 67 | 75 |
| Trade receivables | 3.5, 4.1 | 73 | 60 |
| Receivables from subsidiaries | 4.1 | 592 | 434 |
| Other receivables | 4.1 | 1 | 1 |
| Prepayments | | 14 | 3 |
| **Total current assets** | | **747** | **573** |
| **Total assets** | | **2,022** | **1,850** |

| Equity and liabilities | Note | 30.09.15 | 30.09.14 |
|---|---|---|---|
| Share capital | | 121 | 119 |
| Other reserves | | 628 | 489 |
| **Equity** | | **749** | **608** |
| Credit institutions | 4.1 | 2 | 4 |
| Provisions for deferred tax | 2.5 | 10 | 35 |
| Corporate bonds | 4.1 | 698 | 698 |
| Other provisions | 4.1, 5.1 | 48 | 35 |
| **Non-current liabilities** | | **758** | **772** |
| Current portion of non-current liabilities | 4.1 | 2 | 4 |
| Other provisions | 4.1, 5.1 | 6 | 3 |
| Bank debt | 4.1 | 77 | 119 |
| Trade payables | 4.1 | 24 | 23 |
| Payables to subsidiaries | 4.1 | 252 | 232 |
| Income tax | | 67 | 44 |
| Other payables | 4.1 | 46 | 38 |
| Derivative financial instruments | 4.1 | 41 | 7 |
| **Current liabilities** | | **515** | **470** |
| **Total liabilities** | | **1,273** | **1,242** |
| **Total equity and liabilities** | | **2,022** | **1,850** |

# Cash flow statement – Parent

Ambu A/S Financial statements

DKKm

| | Note | 2014/15 | 2013/14 |
|---|---|---|---|
| Net profit for the year | | 196 | 170 |
| Adjustment of items with no cash flow effect | 3.6 | 96 | 44 |
| Income tax paid | | -27 | -19 |
| Interest income and similar items | | 78 | 55 |
| Interest expenses and similar items | | -28 | -37 |
| Changes in working capital | 3.7 | -149 | -217 |
| **Cash flows from operating activities** | | **166** | **-4** |
| | | | |
| Purchase of non-current assets | | -36 | -27 |
| Divestment of subsidiary | | 5 | 0 |
| **Cash flows from investing activities before acquisitions of companies and technology** | | **-31** | **-27** |
| | | | |
| **Free cash flows before acquisitions of companies and technology** | | **135** | **-31** |
| | | | |
| Acquisition of technology | | 0 | -11 |
| **Cash flows from acquisitions of companies and technology** | | **0** | **-11** |
| | | | |
| Cash flows from investing activities | | -31 | -38 |
| | | | |
| **Free cash flows after acquisitions of companies and technology** | | **135** | **-42** |
| | | | |
| Changes in other non-current liabilities | | -4 | -58 |
| Capital increase, Class B share capital | | 19 | 6 |
| Exercise of options | | 11 | 17 |
| Purchase of Ambu A/S shares, treasury shares | | -74 | -15 |
| Dividend paid | | -45 | -15 |
| **Cash flows from financing activities** | | **-93** | **-65** |
| | | | |
| **Changes in cash and cash equivalents** | | **42** | **-107** |
| | | | |
| Cash and cash equivalents, beginning of year | | -119 | -12 |
| **Cash and cash equivalents at year-end** | | **-77** | **-119** |
| | | | |
| **Cash and cash equivalent at year-end are composed as follows:** | | | |
| Bank debt | | -77 | -119 |
| **Cash and cash equivalents at year-end** | | **-77** | **-119** |

# Statement of changes in equity – Parent

Ambu A/S Financial statements

DKKm

| | Share capital | Share premium | Reserve for hedging transactions | Reserve for foreign currency translation adjustment | Retained earnings | Proposed dividend | Total |
|---|---|---|---|---|---|---|---|
| **Equity 1 October 2014** | **119** | **15** | **-4** | **0** | **433** | **45** | **608** |
| Net profit for the year | | | | | 150 | 46 | 196 |
| Other comprehensive income for the year | | | 1 | 5 | | | 6 |
| **Total comprehensive income** | **0** | **0** | **1** | **5** | **150** | **46** | **202** |
| *Transactions with the owners:* | | | | | | | |
| Exercise of options | | | | | 11 | | 11 |
| Share-based payment | | | | | 4 | | 4 |
| Tax deduction relating to share options | | | | | 24 | | 24 |
| Purchase of treasury shares | | | | | -74 | | -74 |
| Distributed dividend | | | | | | -45 | -45 |
| Capital increase, Class B share capital | 2 | 17 | | | | | 19 |
| **Equity 30 September 2015** | **121** | **32** | **-3** | **5** | **548** | **46** | **749** |

| | Share capital | Share premium | Reserve for hedging transactions | Reserve for foreign currency translation adjustment | Retained earnings | Proposed dividend | Total |
|---|---|---|---|---|---|---|---|
| **Equity 1 October 2013** | **119** | **9** | **-5** | **-2** | **295** | **15** | **431** |
| Net profit for the year | | | | | 125 | 45 | 170 |
| Other comprehensive income for the year | | | 1 | 2 | | | 3 |
| **Total comprehensive income** | **0** | **0** | **1** | **2** | **125** | **45** | **173** |
| *Transactions with the owners:* | | | | | | | |
| Exercise of options | | | | | 17 | | 17 |
| Share-based payment | | | | | 4 | | 4 |
| Tax deduction relating to share options | | | | | 7 | | 7 |
| Purchase of treasury shares | | | | | -15 | | -15 |
| Distributed dividend | | | | | | -15 | -15 |
| Capital increase, Class B share capital | | 6 | | | | | 6 |
| **Equity 30 September 2014** | **119** | **15** | **-4** | **0** | **433** | **45** | **608** |

DKKm

### 1.1 Basis of preparation

Ambu A/S is a public limited company domiciled in Denmark. Ambu A/S is the parent company of the Ambu group.

The financial statements of the parent company are included in the consolidated financial statements in accordance with the provisions of the Danish Financial Statements Act.

**General**

The financial statements of the parent company are presented in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the EU as well as additional Danish disclosure requirements for the annual reports of listed companies.

**Accounting policies – parent company**

For information on accounting policies, reference is made to note 1.1 to the consolidated financial statements. The accounting policies of the parent company are also supplemented for the following items:

3.3 Investments in subsidiaries
4.2 Net financials

For information relating to the parent company, reference is made to the following notes in the consolidated financial statements:

2.3 Share-based payment
3.2 Impairment test
4.5 Share capital and treasury shares
5.3 Contingent liabilities
5.8 Subsequent events
5.9 Adoption of the annual report and distribution of profit

The accounting policies have been applied consistently in the preparation of the financial statements of the parent company in the years presented. Accounting policies have been applied consistently with previous years.

### 2.1 Staff expenses

The staff expenses of the parent company are distributed onto the respective functions as follows:

| | 2014/15 | 2013/14 |
|---|---|---|
| Production costs | 16 | 13 |
| Selling costs | 33 | 30 |
| Development costs | 8 | 7 |
| Management and administration | 63 | 57 |
| **Total staff expenses** | **120** | **107** |

Staff expenses are distributed between the Executive Board and other employees as follows:

| | 2014/15 | 2013/14 |
|---|---|---|
| Remuneration, Executive Board | 11 | 9 |
| Pension contributions, Executive Board | 0 | 0 |
| Share-based payment | 1 | 1 |
| **Staff expenses, Executive Board** | **12** | **10** |
| Wages and salaries | 92 | 85 |
| Pension contributions | 7 | 6 |
| Social security costs | 2 | 1 |
| Share-based payment | 3 | 2 |
| Remuneration, committees | 1 | 1 |
| Remuneration, Board of Directors | 3 | 2 |
| **Total staff expenses** | **120** | **107** |
| | | |
| Average number of employees | 132 | 132 |
| Number of full-time employees at year-end | 131 | 136 |

DKKm

### 2.2 Depreciation, amortisation and impairment losses on non-current assets

| | 2014/15 | 2013/14 |
|---|---|---|
| Amortisation of intangible development projects and rights | 33 | 30 |
| Depreciation of property, plant and equipment | 10 | 11 |
| Impairment losses on property, plant and equipment and intangible assets | 0 | 0 |
| **Total depreciation, amortisation and impairment losses** | **43** | **41** |

Depreciation, amortisation and impairment losses have been allocated to the following functions:

| | 2014/15 | 2013/14 |
|---|---|---|
| Production costs | 3 | 3 |
| Selling costs | 0 | 0 |
| Development costs | 33 | 30 |
| Management and administration | 7 | 8 |
| **Total depreciation, amortisation and impairment losses** | **43** | **41** |

### 2.3 Other operating expenses

| | 2014/15 | 2013/14 |
|---|---|---|
| Accounting loss on divestment of subsidiary | 1 | 0 |
| **Total other operating expenses** | **1** | **0** |

### 2.4 Tax on profit for the year

| | 2014/15 | 2013/14 |
|---|---|---|
| Current tax on profit for the year | 55 | 48 |
| Deferred tax on profit for the year | 3 | 8 |
| Adjustment, previous years | 0 | -1 |
| **Total tax on profit for the year** | **58** | **55** |
| *Tax on profit for the year comprises (%):* | | |
| Calculated 23.5% (2013/14: 24,5%) tax on income from ordinary activities before tax | 23.5 | 24.5 |
| Income not subject to tax | -1.4 | 0.0 |
| Non-deductible costs | 0.2 | 0.1 |
| Adjustment, change in tax rates | -0.2 | -0.5 |
| Effect of shorter discount period | 0.4 | 0.2 |
| Tax adjustment in respect of previous years | 0.3 | -0.1 |
| **Effective tax rate** | **22.8** | **24.2** |

DKKm

**2.5 Provisions for deferred tax**

| | 30.09.15 | 30.09.14 |
|---|---|---|
| Deferred tax, beginning of year | 26 | 26 |
| Deferred tax on other comprehensive income | -19 | -7 |
| Deferred tax for the year | 3 | 8 |
| Change in respect of previous years | 0 | -1 |
| **Deferred tax at year-end** | **10** | **26** |
| | | |
| Deferred tax relates to: | | |
| Intangible assets | 35 | 33 |
| Property, plant and equipment | 2 | 2 |
| Current assets | 1 | 0 |
| Equity | -26 | 0 |
| Payables | -2 | -9 |
| | **10** | **26** |
| | | |
| *Classified in the balance sheet as follows:* | | |
| Deferred tax asset | 0 | -9 |
| Deferred tax | 10 | 35 |
| | **10** | **26** |
| Deferred tax falling due within 12 months | -1 | -9 |

DKKm

### 3.1 Intangible assets

| 2014/15 | Completed development projects | Rights | Goodwill | Development projects in progress | Total |
|---|---|---|---|---|---|
| Acquisition price, beginning of year | 202 | 98 | 144 | 13 | 457 |
| Translation adjustment | 0 | 2 | 3 | 0 | 5 |
| Additions during the year | 0 | 10 | 0 | 25 | 35 |
| Disposals during the year | 0 | 0 | 0 | 0 | 0 |
| Transferred during the year | 7 | 0 | 0 | -7 | 0 |
| **Acquisition price at year-end** | **209** | **110** | **147** | **31** | **497** |
| | | | | | |
| Amortisation and impairment losses, beginning of year | 143 | 23 | 0 | 0 | 166 |
| Translation adjustment | 0 | 0 | 0 | 0 | 0 |
| Disposals during the year | 0 | 0 | 0 | 0 | 0 |
| Impairment losses for the year | 0 | 0 | 0 | 0 | 0 |
| Amortisation for the year | 17 | 16 | 0 | 0 | 33 |
| **Amortisation and impairment losses at year-end** | **160** | **39** | **0** | **0** | **199** |
| **Carrying amount at year-end** | **49** | **71** | **147** | **31** | **298** |

| 2013/14 | Completed development projects | Rights | Goodwill | Development projects in progress | Total |
|---|---|---|---|---|---|
| Acquisition price, beginning of year | 167 | 57 | 143 | 29 | 396 |
| Translation adjustment | 0 | 1 | 1 | 0 | 2 |
| Additions during the year | 0 | 40 | 0 | 19 | 59 |
| Disposals during the year | 0 | 0 | 0 | 0 | 0 |
| Transferred during the year | 35 | 0 | 0 | -35 | 0 |
| **Acquisition price at year-end** | **202** | **98** | **144** | **13** | **457** |
| | | | | | |
| Amortisation and impairment losses, beginning of year | 124 | 12 | 0 | 0 | 136 |
| Translation adjustment | 0 | 0 | 0 | 0 | 0 |
| Disposals during the year | 0 | 0 | 0 | 0 | 0 |
| Impairment losses for the year | 0 | 0 | 0 | 0 | 0 |
| Amortisation for the year | 19 | 11 | 0 | 0 | 30 |
| **Amortisation and impairment losses at year-end** | **143** | **23** | **0** | **0** | **166** |
| **Carrying amount at year-end** | **59** | **75** | **144** | **13** | **291** |

DKKm

### 3.2 Property, plant and equipment

| 2014/15 | Land and buildings | Plant and machinery | Other plant, fixtures and fittings, tools and equipment | Prepayments and plant under construction | Total |
|---|---|---|---|---|---|
| Acquisition price, beginning of year | 83 | 5 | 76 | 2 | 166 |
| Translation adjustment | 0 | 0 | 0 | 0 | 0 |
| Additions during the year | 0 | 0 | 0 | 7 | 7 |
| Disposals during the year | 0 | -1 | 0 | 0 | -1 |
| Transferred during the year | 1 | 1 | 4 | -6 | 0 |
| **Acquisition price at year-end** | **84** | **5** | **80** | **3** | **172** |
| | | | | | |
| Depreciation and impairment losses, beginning of year | 62 | 4 | 64 | 0 | 130 |
| Translation adjustment | 0 | 0 | 0 | 0 | 0 |
| Disposals during the year | 0 | 0 | 0 | 0 | 0 |
| Impairment losses for the year | 0 | 0 | 0 | 0 | 0 |
| Depreciation for the year | 3 | 0 | 7 | 0 | 10 |
| **Depreciation and impairment losses at year-end** | **65** | **4** | **71** | **0** | **140** |
| **Carrying amount at year-end** | **19** | **1** | **9** | **3** | **32** |

| 2013/14 | Land and buildings | Plant and machinery | Other plant, fixtures and fittings, tools and equipment | Prepayments and plant under construction | Total |
|---|---|---|---|---|---|
| Acquisition price, beginning of year | 83 | 5 | 72 | 0 | 160 |
| Translation adjustment | 0 | 0 | 0 | 0 | 0 |
| Additions during the year | 0 | 0 | 0 | 8 | 8 |
| Disposals during the year | -2 | 0 | 0 | 0 | -2 |
| Transferred during the year | 2 | 0 | 4 | -6 | 0 |
| **Acquisition price at year-end** | **83** | **5** | **76** | **2** | **166** |
| | | | | | |
| Depreciation and impairment losses, beginning of year | 61 | 4 | 56 | 0 | 121 |
| Translation adjustment | 0 | 0 | 0 | 0 | 0 |
| Disposals during the year | -2 | 0 | 0 | 0 | -2 |
| Impairment losses for the year | 0 | 0 | 0 | 0 | 0 |
| Depreciation for the year | 3 | 0 | 8 | 0 | 11 |
| **Depreciation and impairment losses at year-end** | **62** | **4** | **64** | **0** | **130** |
| **Carrying amount at year-end** | **21** | **1** | **12** | **2** | **36** |

DKKm

### 3.3 Investments in subsidiaries

| | 2014/15 | 2013/14 |
|---|---|---|
| Acquisition price, beginning of year | 235 | 222 |
| Additions | 662 | 13 |
| Disposals | -12 | 0 |
| **Acquisition price at year-end** | **885** | **235** |
| Carrying amount at year-end | 885 | 235 |

During the year, debt conversion was made of a balance of DKK 649m with a US subsidiary which is classified as an addition in investments in subsidiaries.

| Subsidiaries<br>Wholly owned | Reg. office | Established/<br>acquired | Share capital<br>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 | Japan | 2000 | JPY 20,000,000 |
| Ambu B.V. | Netherlands | 2006 | EUR 22,700 |
| Ambu (Xiamen) Trading Co., Ltd. | China | 2008 | CNY 479,885 |
| Ambu Australia Pty. Ltd. | Australia | 2010 | AUD 1 |
| Ambu United Kingdom Ltd. | UK | 2013 | GBP 104,000 |
| Ambu Mexico, S.A. DE C.V. | Mexico | 2014 | MXN 1,000 |
| Ambu India | India | 2015 | INR 5,000,000 |

**§ Accounting policies**

Investments in subsidiaries are measured at cost including goodwill. If there is any indication of impairment, an impairment test is carried out. Where the cost exceeds the recoverable amount, impairment is made to the lower value.

### 3.4 Inventories

| | 30.09.15 | 30.09.14 |
|---|---|---|
| Commodities and consumables | 2 | 2 |
| Finished goods | 65 | 73 |
| | **67** | **75** |
| Cost of sales for the year | 1,012 | 657 |
| Write-down of inventories included in production costs for the year | 1 | 1 |

DKKm

### 3.5 Trade receivables

| | 30.09.15 | 30.09.14 |
|---|---|---|
| Not due | 55 | 57 |
| 1-90 days | 3 | 2 |
| 91-180 days | 14 | 1 |
| > 180 days | 1 | 0 |
| **Trade receivables** | **73** | **60** |
| At year-end, trade receivables were written down by | 0 | 0 |

### 3.6 Adjustment of items with no cash flow effect

| | 2014/15 | 2013/14 |
|---|---|---|
| Depreciation and amortisation | 43 | 41 |
| Share-based payment | 4 | 3 |
| Net financials and similar items | -9 | -55 |
| Tax on profit for the year | 58 | 55 |
| | **96** | **44** |

### 3.7 Changes in working capital

| | 2014/15 | 2013/14 |
|---|---|---|
| Changes in inventories | 8 | -20 |
| Changes in receivables | -29 | 2 |
| Changes in balances with group companies | -135 | -240 |
| Changes in trade payables etc. | 7 | 41 |
| | **-149** | **-217** |

DKKm

### 4.1 Categories of financial instruments

The parent company has recognised the following financial instruments:

| | 30.09.15 | 30.09.14 |
|---|---|---|
| Receivable from subsidiaries | 647 | 1.140 |
| Trade receivables | 73 | 60 |
| Other receivables | 6 | 1 |
| **Receivables and cash and cash equivalents** | **726** | **1.201** |
| Credit institutions | 4 | 8 |
| Corporate bonds | 698 | 698 |
| Other provisions | 48 | 33 |
| Bank debt | 77 | 119 |
| Trade payables | 24 | 23 |
| Payables to subsidiaries | 252 | 232 |
| Other payables | 46 | 38 |
| **Financial liabilities recognised at amortised cost** | **1.149** | **1.151** |
| Earn-out obligation (level 3)* | 6 | 5 |
| Derivative financial instruments (level 2)* | 36 | 1 |
| **Financial liabilities stated at fair value in the income statement** | **42** | **6** |
| Derivative financial instruments (level 2)* | 5 | 6 |
| **Financial liabilities stated at fair value in other comprehensive income** | **5** | **6** |

The parent company's earn-out obligation amounts to DKK 6m (2014: DKK 5m) out of the group's combined level-3 obligations in the fair value hierarchy. Reference is made to note 4.2 in the consolidated financial statements.

The parent company's payables fall due as follows:

| **2014/15** | **0-1 year** | **1-5 years** | **> 5 years** | **Total** |
|---|---|---|---|---|
| Credit institutions | 2 | 2 | 0 | 4 |
| Corporate bonds | 0 | 698 | 0 | 698 |
| Other provisions | 6 | 48 | 0 | 54 |
| Bank debt | 77 | 0 | 0 | 77 |
| Other financial liabilities | 322 | 0 | 0 | 322 |
| Derivative financial instruments | 1 | 40 | 0 | 41 |
| | **408** | **788** | **0** | **1.196** |

| **2013/14** | **0-1 year** | **1-5 years** | **> 5 years** | **Total** |
|---|---|---|---|---|
| Credit institutions | 4 | 4 | 0 | 8 |
| Corporate bonds | 0 | 698 | 0 | 698 |
| Other provisions | 3 | 35 | 0 | 38 |
| Bank debt | 119 | 0 | 0 | 119 |
| Other financial liabilities | 293 | 0 | 0 | 293 |
| Derivative financial instruments | 1 | 6 | 0 | 7 |
| | **420** | **743** | **0** | **1.163** |

DKKm

### 4.2 Net financials

| | 2014/15 | 2013/14 |
|---|---|---|
| *Interest income:* | | |
| Interest income, loans to subsidiaries | 16 | 47 |
| Interest income, swap | 0 | 8 |
| | | |
| *Other financial income:* | | |
| Dividend from subsidiaries | 15 | 0 |
| Foreign exchange gains, net | 47 | 49 |
| **Financial income** | **78** | **104** |

| | 2014/15 | 2013/14 |
|---|---|---|
| *Interest expenses:* | | |
| Interest expenses, banks | 4 | 5 |
| Interest expenses, swap | 0 | 9 |
| Interest expenses, bonds | 24 | 24 |
| | | |
| *Other financial expenses:* | | |
| Effect of shorter discount period, acquisition of technology | 4 | 2 |
| Fair value adjustment, swap | 37 | 9 |
| **Financial expenses** | **69** | **49** |

**§ Accounting policies**

Dividend from subsidiaries is recognised under financial income at the time the dividend is declared.

### 5.1 Other provisions

| | 2014/15 | 2013/14 |
|---|---|---|
| Provisions as at 1 October | 38 | 4 |
| Additions during the year | 10 | 40 |
| Used during the year | -5 | -11 |
| Value adjustment | 4 | 2 |
| Foreign currency translation adjustment | 7 | 3 |
| **Other provisions as at 30 September** | **54** | **38** |
| | | |
| **Provisions expected to fall due:** | | |
| Current liabilities | 6 | 3 |
| Non-current liabilities | 48 | 35 |
| **Other provisions as at 30 September** | **54** | **38** |

DKKm

### 5.2 Operating leases

| | 2014/15 | 2013/14 |
|---|---|---|
| Payments due within 0-1 year | 7 | 7 |
| Payments due within 1-5 years | 31 | 32 |
| Payments due after 5 years | 66 | 75 |
| **Total operating leases** | **104** | **114** |
| | | |
| Operating leases expensed in the income statement | 10 | 10 |

### 5.3 Fee to auditors appointed by the annual general meeting

| | 2014/15 | 2013/14 |
|---|---|---|
| Audit fee | 1 | 1 |
| Other assurance engagements | 0 | 0 |
| Tax consultancy services | 0 | 0 |
| Other services | 0 | 0 |
| **Total fees** | **1** | **1** |

### 5.4 Related parties

The parent company'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:

| | 2014/15 | 2013/14 |
|---|---|---|
| Sale to subsidiaries | 1,325 | 798 |
| Purchase from subsidiaries | 968 | 601 |

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

Outstanding balances and receivables in 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, reference is made to note 4.2.

The parent company has extended long-term loans to a number of subsidiaries. The loans carry interest on market terms. Furthermore, the parent company has issued a declaration of support to the subsidiary Ambu Sdn. Bhd.

Guarantees have been provided to banks in respect of the subsidiaries. The subsidiaries have not furnished security for their debt to the parent company.

| | 2014/15 | 2013/14 |
|---|---|---|
| Guarantees and security furnished on behalf of subsidiaries | 25 | 23 |

# Company announcements in 2014/15

| | |
|---|---|
| No. 1 | Announcement of financial statements 2013/14 |
| No. 2 | Hiring of a Global Chief Innovation Officer |
| No. 3 | Launch of Global Incentive Programme |
| No. 4 | Capital increase in connection with exercise of warrants issued |
| No. 5 | Disclosure requirement concerning share capital |
| No. 6 | Annual General Meeting 2013/14: Report of the Board of Directors and Management |
| No. 7 | Information from Annual General Meeting in Ambu A/S |
| No. 8 | Ambu A/S – share split |
| No. 9 | Interim report for Q1 2014/15 |
| No. 10 | Interim report for Q2 2014/15 |
| No. 11 | Capital increase in connection with exercise of warrants issued |
| No. 12 | Disclosure requirement concerning share capital |
| No. 13 | Ambu hires new global Chief Commercial Officer |
| No. 14 | Interim report for Q3 2014/15 |
| No. 15 | Capital increase in connection with exercise of warrants issued |
| No. 16 | Disclosure requirement concerning share capital |
| No. 17 | Financial calendar 2015/16 |
| No. 18 | Ambu and Tri-anim in US distribution partnership |

# Financial calendar 2015/16

| | |
|---|---|
| 28/10/2015 | Deadline for the inclusion of specific items on the agenda of the annual general meeting 2014/15 |
| 21/10/2015 | Silent period ending 11 November 2015 |
| 11/11/2015 | Annual report 2014/15 |
| 10/12/2015 | Annual general meeting 2014/15 |
| 08/01/2016 | Silent period ending 29 January 2016 |
| 29/01/2016 | Interim report for Q1 2015/16 |
| 12/04/2016 | Silent period ending 3 May 2016 |
| 03/05/2016 | Interim report for Q2 2015/16 |
| 29/07/2016 | Silent period ending 19 August 2016 |
| 19/08/2016 | Interim report for Q3 2015/16 |
| 30/09/2016 | End of FY 2015/16 |

Ambu

Ideas that work for life