Ambu

Ideas that work for life

Annual Report 2010 | 2011

Contents

Tuned for Growth

The past two years have seen major changes and modernisation throughout Ambu, and a strong foundation has been created. The result is above-market growth and markedly improved earnings. Ambu is now ready for the next phase, which will be characterised by further growth.

Two years ago, Ambu launched a four-year strategy, GPS Four. The objective was to significantly boost revenue and earnings, while at the same time ensuring efficient operations and reducing the company's working capital. We are now halfway through the strategy period, and the first two years have been an unmitigated success.

During the first year of the strategy period, we developed and improved Ambu's overall platform. A strengthened and more efficient sales function was created through the establishment of well-defined sales regions. A global innovation organisation was set up and charged with developing new products faster and more cost-effectively – as well as being as close to customers and production as possible. At the same time, we implemented new global IT systems and took the first steps towards optimising production by transferring electrode production from Denmark to Malaysia.

In the past year, we have achieved revenue growth in excess of the underlying market growth, while at the same time optimising our cost structure. The remaining part of our Danish production has been transferred to Malaysia, and all production activities now take place there. This has sharpened our competitive edge considerably, while also creating a solid basis for the company's future development. Also, our main office functions have been brought together at our head office in Ballerup. Moreover, we have optimised and strengthened our global innovation organisation, which is now based in Denmark, China and Malaysia. Finally, we have continued investing in our sales organisations, primarily in the USA and the emerging markets. This opens up a number of new opportunities for us and means that we will be able to focus even more strongly on increasing revenue and further strengthening Ambu at a time which is characterised by intensifying competition within the production and sale of single-use products for the healthcare sector.

The year 2010/11 has clearly demonstrated the results of our increased focus on new markets. In these markets, revenue increased from a relatively modest level by an impressive 18%, and we have gained a strong foothold in a number of countries which are currently in the process of developing their healthcare sectors, and where the demand for the types of products offered by Ambu is reasonably strong. We therefore expect the new markets to make a substantial contribution to Ambu's growth in the coming years.

Furthermore, our position in the USA has been strengthened further, and we have won market share while growth in several European markets, including southern Europe and the UK, has been impacted by the budgetary challenges facing the various countries. However, satisfactory growth has been achieved both in the Nordic markets and in Germany, which is one of our biggest markets.

In 2010/11, we also extended our product portfolio to include both new family members and products from brand new platforms. The most recently launched product is aScope2, a single-use videoscope. We are focused on developing a number of interesting and innovative new products which will be launched in the near future. We have a strong pipeline, and one of the important focus areas for our sales function in the past year has been to strengthen our ability to launch new products quickly and efficiently. This is crucial to meeting our growth targets.

The presence of sufficient management power is an important element in realising Ambu's ambitious strategy. The globalisation of Ambu calls for managers who can lead and implement strategies across borders and cultures, while acting according to a shared management culture. Consequently, we have in the past year defined a clear set of management principles called 'Five Star Leadership', and we have implemented phase one of a new management programme based on these principles. Here, the keywords are Authenticity, Inspiration, Empowerment, Customer focus and Business drive, and they are designed to ensure that Ambu's ambition of being an efficient global organisation rests upon strong local management skills anchored in our overall objective of being an organisation which can lead, retain, develop and motivate its employees. As part of the strategy, a number of organisational changes were implemented at the start of FY 2011/12. As a result of these changes, the sales organisation has been divided into three areas – Europe, the USA and Asia/Pacific – while the structure of the innovation organisation has been simplified.

After the first two years of the strategy period, our business foundation is now in place. We are very satisfied at having posted solid growth rates and significantly improved earnings, while at the same time having implemented major structural changes throughout the organisation.

With our GPS Four strategy as a solid springboard, we are now ready for the third year in our four-year strategy period, and a plan has been laid for the next twelve months under the heading 'Tuned for Growth'. The heading signals that, following the implementation of the many changes, Ambu is now better prepared for creating growth. Our targets are clear:

- Growth in revenue in excess of market growth, and revenue exceeding DKK 1 billion
- Improvement of the EBIT margin to exceed the original target for 2013, which was 15%
- Sales of new products launched after 2009 accounting for more than 10% of revenue
- Further streamlining of the production units in Asia
- Establishment of new partnerships within both development and distribution.

We are not lowering our ambitions, even though the world economy is characterised by considerable uncertainty at the present time, while the health sectors are under pressure in several countries which are important Ambu markets. We believe that the targets can be met despite these challenges. First and foremost, because Ambu's products can contribute to increasing the efficiency of hospitals worldwide, thereby helping to reduce healthcare costs, while at the same time improving the treatment of patients. Secondly, we have prepared well over the past couple of years and developed Ambu into a company which is tuned for growth.

We know what it will take to achieve our ambitious targets. We must increase sales of new members of existing product families as well as sales of new and innovative products and of existing and highly regarded products. A strong link has been created between search, innovation and sales, so that the ability to develop products with promising potential is present. We will now improve our ability to launch these products quickly and efficiently in selected markets. The three market areas Europe, the USA and emerging markets are developing in different ways, and we will consequently be taking a differentiated approach. We will continue to invest in the USA and in the emerging markets and maintain our organisations in Europe at the current levels. In the past couple of years, the entire sales organisation has been optimised, and a number of new sales tools have been developed which must make our direct sales efforts more focused. Together with our internal and external sales organisations, the introduction of new media, including apps, the launch of a new branding concept, a new website and e-trading will pave the way for further growth. Finally, we will continue our efforts to enter into new partnerships and actively seek to acquire businesses which can add value to Ambu and strengthen the product portfolio offered to customers.

The management believes that our efforts within these areas will ensure satisfactory growth in Ambu's revenue in the coming years, and that by 2013 we will have achieved our goal of strong revenue growth and earnings as well as having created a stronger Ambu, a global leader within single-use products for hospitals and rescue services.

Lars Marcher
President & CEO

Highlights

Status of the GPS Four strategy

- Two years ago, Ambu launched the four-year strategy GPS Four and is now half-way through the strategy period. The first two years have been an unmitigated success, and the foundation for Ambu's entire business is now in place – both in terms of innovation, sales, production and IT systems.

- The cost structure has been optimised in the past year. Ambu's entire production has been moved to Asia, our main office functions have been brought together at our head office in Ballerup, near Copenhagen, and the establishment of the global innovation organisation has been completed.

- At the same time, Ambu's product portfolio has been expanded, and work has gone into developing a number of new exciting and innovative products which will be launched in the near future.

- An ambitious plan has been made for the coming year under the heading 'Tuned for Growth'. The plan sets out targets for growth in excess of market growth, a significant improvement of the EBIT margin in relation to the original target of the GPS Four strategy (15%), sales of new products launched after 2009 of more than DKK 100m and further efficiency improvements at the factories in Asia. Dedicated efforts will also be made to form strategic partnerships which can contribute to create further growth.

Developments in 2010/11

- Satisfactory growth in revenue in excess of market growth was achieved in 2010/11 as well as significantly improved earnings before special items compared with the previous year.

- Revenue of DKK 983m was posted in 2010/11, corresponding to an increase of 5% on the previous financial year when reported in both Danish kroner and local currencies.

- The growth in revenue reflects high percentage growth in emerging markets, where intensified sales efforts are bearing fruit, as well as continued high growth in the USA, which is significantly higher than the market growth. Several individual markets in Europe have experienced lower growth than in previous years due to the pressure on the healthcare sector in a number of countries. However, continued satisfactory growth has been achieved in the German market, the Nordic markets and European distributor sales.

- The EBIT margin was 14.7%, corresponding to DKK 144m before special items, up 22% relative to 2009/10. The improved EBIT margin is primarily attributable to higher revenue, an improved gross margin and improved cost-effectiveness. After special items of DKK 33m – primarily costs relating to the conclusion of a settlement in a patent case – EBIT came to DKK 111m against DKK 116m in 2009/10. The development in exchange rates had a negative effect on EBIT of approx. DKK 9m.

- Profit before tax amounted to DKK 98m, while net profit for the year totalled DKK 69m against DKK 84m in 2009/10.

- Free cash flow before acquisitions was DKK 64m against DKK 31m the year before. The improvement in the free cash flow is attributable to a higher cash flow from operating activities as well as a lower investment level relative to 2009/10. By contrast, the free cash flow was negatively impacted by special items of DKK 33m.

- In 2010/11, Ambu concluded the pending patent case with LMA International concerning violation of LMA International's patent. At the same time, LMA International concluded the lawsuit brought by Ambu concerning the use of unfair marketing. Ambu paid a net amount of approx. DKK 31m to LMA International and in legal fees. All pending cases have thus been concluded.

- The Board of Directors proposes that a dividend be declared of DKK 2.00 per share for FY 2010/11, amounting to 34% of the profit for the year.

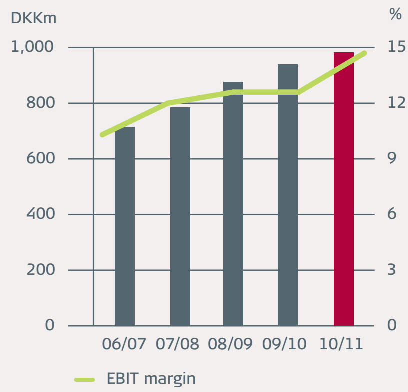
Outlook for 2011/12

- In 2011/12, consolidated revenue is expected to increase to between DKK 1,025m and DKK 1,035m, corresponding to an increase of approx. 5%. The outlook is based on an average USD exchange rate of 540 and a GBP exchange rate of 850.

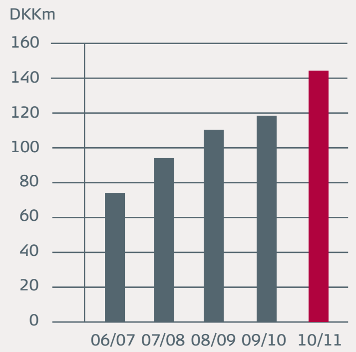
- In 2011/12, the EBIT margin is expected to be about 15-15.5%, while the profit before tax is expected to be about 14.5% of revenue.

- In 2011/12, a free cash flow of about DKK 100m is expected, with investments before acquisitions amounting to approx. 5% of revenue.

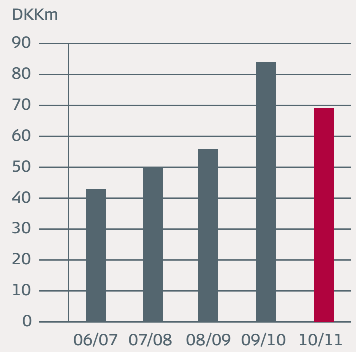
Revenue and EBIT margin before special items



EBIT before special items



Profit after tax for the year



Financial highlights

DKKm	2006/07	2007/08	2008/09	2009/10	2010/11
Key figures					
Revenue	715	784	877	940	983
EBITDA before special items [1]	115	138	167	179	201
Operating profit (EBIT) before special items	74	94	110	118	144
Operating profit (EBIT)	69	86	76	116	111
Net financials	(15)	(18)	(3)	0	(13)
Profit before tax (PBT)	54	68	74	116	98
Net profit for the year	43	50	56	84	69
Total assets at year-end	681	732	782	876	889
Equity at year-end	418	452	480	562	580
Share capital	119	119	119	119	119
Investments in non-current assets and acquisitions	56	49	96	68	44
Depreciation, amortisation and impairment losses on non-current assets	41	45	56	61	56
Cash flows from operating activities	90	84	113	99	102
Free cash flow	33	36	18	31	64
Average no. of employees	1,216	1,397	1,608	1,728	1,637
Ratios					
EBITDA margin before special items, % [2]	16.1	17.6	19.0	19.0	20.4
EBIT margin before special items, % [3]	10.3	12.0	12.6	12.6	14.7
Return on assets, % [4]	10.8	12.8	14.1	13.5	16.2
Return on equity, % [5]	10.6	11.5	12.0	16.1	12.1
Equity ratio, % [6]	61	62	61	64	65
Earnings per DKK 10 share [7]	3.62	4.24	4.73	7.16	5.92
Equity value per share [8]	35	38	40	47	49
Share price at year-end	87	73	110	136	139
CAPEX, % [9]	7.8	6.2	10.9	7.2	4.5
ROIC, % [10]	9.1	11.4	13.4	13.2	14.9
NIBD/EBITDA [11]	1.2	0.9	0.7	0.6	0.5

1) EBITDA: Operating profit before ordinary depreciation, amortisation and special items
2) EBITDA margin: EBITDA before special items in % of revenue
3) EBIT margin: Operating profit before special items in % of revenue
4) Return on assets: Operating profit before special items in % of total assets
5) Return on equity: Ordinary profit after tax in relation to average equity
6) Equity ratio: Equity's share of total liabilities at year-end
7) Profit per DKK 10 share: Profit after tax in relation to average no. of shares less treasury shares
8) Equity value of shares: Total equity in relation to no. of shares at year-end
9) CAPEX: Investments in non-current assets and acquisitions in relation to revenue
10) ROIC: EBIT before special items less tax in relation to assets less non-interest-bearing debt
11) NIBD: Net interest-bearing debt

The ratios have been calculated in accordance with The Danish Society of Financial Analysts' 'Recommendations and Financial Ratios 2010'.
For share-related figures, see p. 28.

Innovation – products and product development

In the past year, Ambu has completed the establishment of a global innovation organisation, which will strengthen the development of new family members for existing products as well as brand new innovative products. A strong pipeline has been established, which is expected to result in the launch of several innovative products with an attractive potential.

Innovation is the core of Ambu's business, and Ambu has a long-standing tradition for and a known ability to discover new ways to improve patient treatment and assist healthcare professionals worldwide.

Innovation is based on the framework defined in connection with the GPS Four strategy. As part of the realisation of the innovation strategy, Ambu focuses on ongoing strengthening and streamlining of the innovation organisation, development of new product platforms, insourcing of selective products and technologies that can strengthen Ambu's product programme and establishment of a strong pipeline.

In the first two years of the strategy period, a number of results have been achieved within the field of innovation:

- A new innovation strategy has been defined and implemented
- A new product platform has been launched with aScope
- Several new growth opportunities have been defined
- New platform projects have been identified, and several of these have begun
- A number of updates of existing products have been launched.

The coming financial year will focus, in particular, on further developing the pipeline of new product platforms, developing new family members for existing products and cutting production costs. Furthermore, the global development organisation will be adjusted and optimised regularly to enable Ambu to develop products faster and cheaper and thus benefit from the innovation departments in China and Malaysia.

The aim is for 30% of revenue in 2013 to stem from new product platforms, new product families and insourced products launched since 1 October 2009. In the past financial year, they accounted for 8% of revenue.

In 2010/11, innovation efforts in Denmark were focused on further developing the latest product platforms.

The innovation organisations in China and Malaysia are responsible for further developing the products that are produced in the respective countries. At the same time, the aim is for the innovation organisations in the two countries to begin building competences in adapting existing products to emerging markets. In step with the establishment of the healthcare sectors on the emerging markets, there will be an increasing demand for tailored products with fewer features at lower prices, and these will primarily be developed by Ambu's innovation departments in China and Malaysia.

At the end of 2010/11, the innovation organisation had just under 50 employees, with approx. 20 employees in Asia and approx. 30 in Denmark. A higher rate of development is expected in the coming financial year as part of the reorganisation and strengthening of innovation activities.

The structure of the innovation organisation has been simplified after the end of the financial year. The aim of the changes is to create a basis for even more targeted and efficient development of new products in order to reach the ambitious growth targets through sales of new products. Several new innovative products have been launched in recent years, but the aim is to launch products faster and at the same time focus on products defending and enhancing Ambu's position within the most important product areas.

Product insourcing

An important part of Ambu's strategy is to identify exciting new products which, via insourcing, can supplement the company's existing product portfolio and contribute to offering the primary customer groups innovative solutions.

In January 2011, Ambu entered into an exclusive agreement with the Israeli company MFS Medical on the distribution of the products SmartInfuser™ Pain Pump and SmartBlock™. These are single-use pumps used in pain management in patients – most often in connection with orthopaedic surgery.

Regional anaesthesia is a growing market as it opens up for more limited use of full anaesthesia, improved pain management and shorter hospital stays. The products are therefore well in line with Ambu's strategy to increase revenue by marketing innovative products that improve patient treatment and reduce costs for the hospitals.

The pumps are typically used by hospital anaesthetists, and thus strengthen Ambu's existing product offering for anaesthesiology departments.

Ideas that work for life

Ideas

Innovation is the core of Ambu. Every step towards better healthcare starts with an idea.

Work

We support doctors, nurses and paramedics worldwide to do a better job.

Life

Our vision is expressed in seven words: To save lives and improve patient care.

AIRWAY MANAGEMENT

Ambu aScope 2

The biggest launch in 2010/11 concerned that of an updated version of aScope in April 2011. The updating entails a significant improvement in image quality, and aScope 2 has been well received by the market.

PATIENT MONITORING & DIAGNOSTICS

Ambu Blue Sensor Neo X

The beginning of 2010/11 saw the launch of a new ECG electrode, Ambu Blue Sensor Neo X, for premature infants. The electrode is used, among other things, in incubators with high humidity, which requires that the electrode has excellent adhesive qualities. Neo X has been well received by the market.

EMERGENCY CARE

Ambu Redi-ACE

Moreover, a new, simpler and more user-friendly neck collar, Redi-ACE, has been introduced to meet demand from customers (mainly paramedics), primarily in the US market.

EMERGENCY CARE

Ambu's training manikins

New international resuscitation guidelines were introduced in October 2010, and Ambu's training manikins have been updated in order to comply with these guidelines.

The agreement gives Ambu the opportunity to buy the product technology.

The products will be marketed in the USA in the last quarter of 2011.

The use of such products has been a success in the USA, and the products are estimated to hold an attractive sales potential.

Collaboration with international experts

Ambu has entered into a collaboration with 15 of the world's leading anaesthetists who serve on an Advisory Board. This gives Ambu access to a panel of experts to discuss trends and opportunities with and who can help target Ambu's innovation activities.

Pipeline

Ambu focuses on developing new products which, from the outset, hold significant market potential, and in respect of which it is deemed that Ambu will be able to achieve a leading market position while generating a significant contribution to revenue.

Focused and structured efforts are therefore going into identifying possible new trends, possible new products, application methods and technologies. Identification is, among other things, based on the following general trends:

- There is an increased need for visualisation. Doctors are increasingly demanding products for visualising the site of surgery and products for conducting examinations.
- An ever-increasing number of patients have serious weight problems, often making intubation difficult.
- There are new possibilities for using electronics which have dropped considerably in price and which can now increasingly be used in single-use products.
- Hospitals are demanding new products which can optimise work routines and reduce costs.

Ambu has been working hard to develop new platform products in the past year, particularly within Airway Management, as well as product updates within Emergency Care.

It is deemed that Ambu has an interesting pipeline at the moment, and several exciting platform products are expected to be marketed in the coming year.

These are products which:
- Build on the experience which Ambu has within, among other things, anaesthesiology
- Expand the current applications for Ambu's products
- Combine the application of single-use and multiple-use products
- Incorporate electronics
- Are based on insourcing of new exciting, complementary products and technologies.

Markets and sales

In 2010/11, Ambu once again achieved growth in excess of market growth. This is the result of increasingly efficient sales efforts, the continued launch of new and innovative products, further development of the sales organisation in the USA and increased focus on new growth markets.

Ambu has in the past year worked to establish a foundation for continued growth.

Europe and the USA are Ambu's most important markets, and Ambu is continuously working to strengthen its position in these regions, while at the same time also focusing more strongly on the emerging markets. These markets are generally characterised by high economic growth and the ongoing establishment of healthcare systems and thus a growing demand for the type of products which Ambu offers. Emerging markets are expected to contribute substantially to Ambu's growth in the coming years in step with the development of the healthcare systems in these regions.

In the past year, intensive efforts have gone into strengthening Ambu's general ability to launch new products. Efficiency levels and processes in this field are crucial to the success of Ambu's growth strategy.

Moreover, strong focus has been on promoting sales of new products and product platforms, while sales efforts are becoming ever more structured. The structured approach means that more focus is on obtaining both clinical and financial evidence concerning the individual products in the last part of the development phase, on positioning the individual products via targeted marketing efforts and on training Ambu's own sales people and doctors.

For these purposes, 2010/11 saw the implementation of new and improved marketing tools, while e-learning was established within important product areas together with an e-trading platform. Also, an advisory board was appointed comprising a number of the world's leading anaesthetists. The past year has also seen the adoption of a new customer-focused branding strategy.

In 2010/11, Ambu's consolidated revenue increased to DKK 983m, up 5% when reported in both Danish kroner and local currencies. The growth in revenue varied somewhat in the individual geographical regions in 2010/11. Ambu's position in the USA saw growth of 9%, while 18% growth was achieved in the emerging markets following intensified sales efforts. Satisfactory growth continued in parts of Europe, for example in the Nordic markets, in Germany and in European distributor sales, whereas lower growth was achieved in southern Europe and the UK than in previous years due to pressure on the healthcare sector.

After the end of the financial year, the sales organisation has been restructured with a view to strengthening the foundation for further growth. This means that, in future, Global Sales will be divided into three sales areas (the USA, Europe and Asia/Pacific), and that a manager has been appointed for each of these areas.

Market development

The underlying global demand for single-use medico-technical products is growing, and this trend is expected to continue in the coming years. Market growth is spurred primarily by the ageing population, a proliferation in lifestyle diseases, the introduction of new technologies and improved diagnostics and treatments as well as the establishment of healthcare systems in the emerging markets, for example Asia, the Middle East and a number of countries in South America. The US healthcare reform is regarded as an opportunity for Ambu as it will allow more patients access to hospitals and clinics, thereby boosting the use of the products within Ambu's business areas.

The economic climate and conditions in the healthcare sectors in the individual countries and regions have a bearing on the extent to which the underlying increase in demand is reflected in growth in current demand. Generally speaking, Ambu is deemed to be well positioned for gaining a share of the growth in demand thanks to its global sales platform, close customer relations, production activities in Asia and the launch of new products such as aScope and SmartBlock™ offering documented increases in cost-efficiency.

Turbulent markets

The first half of the past financial year saw clear signs that an economic upturn in the global economy was under way. However, over the summer, considerable economic uncertainty started spreading in Europe and the USA in particular – not least due to challenges concerning public debt levels and the state of the financial sector. In all regions, the current economic situation has led to intensified cost-consciousness and general hesitance among Ambu's customers and thus an increase in demand for products which can contribute to more efficient and less costly processes at hospitals.

In recent years, Europe – especially southern Europe – has been hit by general budgetary cuts at hospitals, lower investment budgets, a demand for lower prices, a reduction in inventories and increased reuse of multiple-use products. However, Ambu has succeeded in winning market share, for example for the laryngeal mask, and not least in retaining customers in a situation characterised by intensifying competition. This will be of particular significance for Ambu's business in future.

In the USA, hospitals and rescue services are focusing increasingly on cost-efficiency. This is creating a favourable position for Ambu as Ambu's products contribute both to increasing efficiency and also to improving treatment economies. Consequently, Ambu has succeeded in generating growth in the US market which is significantly higher than market growth.

In the emerging markets, market growth remains high, and following intensified commercial efforts and the establishment of a sales organisation, Ambu has achieved double-digit growth in revenue in these markets.

All in all, market growth within Ambu's business areas is deemed to be about 1-3%, with regional variations. Market growth in Europe is believed to be 0-2%, in the USA approx. 1-3% and in emerging markets approx. 15%.

Increased competition

Ambu's business areas have generally been characterised by intensifying competition in recent years. Market players are focusing on winning market share, and price competition is therefore intense.

Ambu believes that the ability to innovate, the ability to compete on costs, and the ability to adapt to the needs and requirements of the individual markets are crucial to being able to exploit the opportunities which arise. As customers are becoming increasingly cost-conscious, innovation will also in future mean that Ambu must be able to offer new solutions at lower prices which also document improved treatment economies.

Ambu's growth exceeding market growth

Ambu has for a number of years realised growth in excess of market growth, especially thanks to the launch of new and innovative products, close customer relations, success in the US market and the cultivation of new markets.

Cost-consciousness among customers also means that the sales process has changed in recent years. Previously, focus was primarily on the products, but today Ambu typically has to present a complete business case to the customer in the sales situation in which there is a strong focus, not least, on total treatment economies. At the same time, Ambu must to an ever greater extent be able to highlight the services which are offered over and above products at competitive prices. Consequently, the sales process now more often involves selling solutions comprising several of Ambu's complementary products rather than just individual products, which was previously the case. Ambu is focused in its efforts to educate and train its sales force in the handling of these challenges.

Changed structure in several markets

The market structure of the European markets is not witnessing major changes, but health budgets are under considerable pressure, which is resulting in considerable focus on streamlining and optimising the purchasing of hospital articles. With its experienced and effective sales organisation and its competitive product portfolio, Ambu is expected to continue its positive development in Europe despite intensifying competition for the health budgets.

In the USA, market conditions are expected to change as a result of the healthcare reform, which is expected to be fully implemented in 2018. The healthcare reform means that access to healthcare will be extended to significantly greater numbers of Americans in the long term, and the demand for healthcare is expected to rise. At the same time, the entire structure within financing, purchasing etc. is expected to change. More patients mean a bigger market for Ambu's products, but at the same time the market is already becoming characterised by fiercer competition and a strong focus on savings and efficiency improvements in the treatment of patients. Ambu believes that the healthcare reform will lead to new openings for companies offering innovative and competitively priced single-use products which guarantee improved treatment economies. Ambu is also expecting greater focus on diagnostics with a view to ensuring faster and more effective treatment. This development is believed to be to Ambu's advantage as a number of the company's products within Patient Monitoring & Diagnostics are used for diagnostic purposes.

In Asia and certain other emerging markets, major structural changes are expected in step with the expansion of the healthcare sector in these markets. At the same time, the demand for better treatments is increasing among the well-to-do part of the population. Ambu is actively seeking a position from which it will be possible to make the most of these market opportunities.

Ongoing technological advances

Technological advances are constantly being made within Ambu's business areas, and the need for treatment is being met by ever better and more effective products. One trend is the incorporation of electronics in the single-use products. This is made possible, among other things, by the ever lower pricing of electronic components. The newly developed Ambu aScope is an example of a single-use product with built-in electronics, and the market for these products is expected to grow significantly in the coming years. Other trends concern the development of products based on mobile communication (so-called telemedical products) and wireless products, as well as products enabling visualisation of various functions via cameras.

Acquisitions and partnerships

The acquisition of businesses or products is an important element in Ambu's GPS Four strategy. Following the implementation of a large number of structural initiatives, including the transfer of production to Asia, the implementation of new and stronger IT systems, the focusing of the sales organisation and the general optimisation of the organisation, Ambu is in a favourable position when it comes to acquisitions. For some time, structured endeavours have gone into identifying potential partners and acquisition candidates for Ambu. Ambu is engaged in ongoing dialogue with a number of companies concerning possible acquisitions which can strengthen Ambu's core activities as a supplier of single-use products for hospitals and rescue services. The timing is deemed to be favourable, and Ambu is both financially and organisationally well prepared for one or more acquisitions and the ensuing efficient integration of the acquired activities.

Partnerships are expected to play a greater role for Ambu in future. Partnerships can contribute to supplementing Ambu's portfolio of products for existing customers and within its existing business areas. However, partnerships will also contribute to promoting the use of Ambu's technology in markets where Ambu is not currently present.

Developments in business areas

Ambu focuses primarily on developing and selling products within three business areas:

- Airway Management
- Patient Monitoring & Diagnostics
- Emergency Care.

Airway Management

Ambu's Airway Management products primarily include laryngeal masks, face masks for artificial ventilation and scopes. The target groups for these products are hospitals and ambulance services.

The general market growth within this group of Ambu's product areas is estimated to be 1-3%.

Ambu is an important player within Airway Management, with a broad product portfolio and a favourable market position, especially within face masks for artificial ventilation and laryngeal masks. Ambu sees strong potential for considerable growth within this area in the coming years, not least via the launch of new products, such as the aScope, and the upgrading of existing products.

Ambu has in recent years strengthened its position within anaesthesia, and this focus has been intensified even further, among other things with the launch of Ambu aScope and the insourcing of the products SmartInfuser™ Pain Pump and SmartBlock™.

In 2010/11, considerable resources were devoted to developing and marketing the aScope, and the product is now being used by more than 600 hospitals. Sales of aScope have increased in the past year, and the product is attracting considerable interest. We have further improved aScope as far as the lens and the timer function are concerned, and experience has also shown that it takes time for a brand new product to make a breakthrough. Thus, total sales of aScope are so far somewhat lower than originally estimated, but sales are expected to increase considerably in the coming period. aScope is an important element in Ambu's endeavours to supply more complete solutions to hospitals, thus ensuring increased sales of existing core products.

Sales of laryngeal masks still saw double-digit growth rates in much of Europe in 2010/11, while the growth in revenue in the USA stagnated due to intensifying price competition. However, sales volumes continued to grow in the USA. Competition within laryngeal masks is intensifying in step with the emergence of new suppliers in the market and the maturing of the market. In 2010/11, revenue within Airway Management increased by 3% when reported in Danish kroner, and by 4% when reported in local currencies. Growth was highest within laryngeal masks and aScope, while sales of multiple-use face masks declined.

Patient Monitoring & Diagnostics

The Patient Monitoring & Diagnostics products comprise single-use electrodes for cardiological and neurological examinations. The target groups for these products are hospitals, clinics, ambulance services and sleep labs.

Market growth within Ambu's ECG electrodes is deemed to be approx. 1-2%, while market growth within electrodes for neurological examinations and sleep studies is deemed to be approx. 2-4%. Neurology/Sleep is thus an important area for Ambu's future growth. The market is attractive, with regard to both size and potential.

Ambu enjoys a strong position in Europe within quality electrodes for cardiological examinations, while the market structure in the USA means that in this market Ambu primarily sells electrodes for diagnostic examinations and outpatient treatment, for example to hospital ambulance services. In the past couple of years, a number of activities have been launched to boost growth and improve competitiveness within single-use electrodes for cardiological examinations. The transfer of electrode production from Denmark to Malaysia, which was completed in 2010/11, has been one step towards strengthening Ambu's competitive edge within this product area.

In the past year, revenue within Patient Monitoring & Diagnostics grew by 4% when reported in Danish kroner, and by 5% when reported in local currencies. Within ECG electrodes, the increase in revenue matches market growth, except in three

Ambu's three business areas

Airway Management

Products

Primarily laryngeal masks, face masks for artificial ventilation and scopes

Users

Hospitals and ambulance services

Patient Monitoring & Diagnostics

Products

Single-use electrodes for neurological and cardiological examinations

Users

Hospitals, clinics, ambulance services and sleep laboratories

Emergency Care

Products

Ventilation bags, neck collars and manikins for first-aid training

Users

Hospitals, ambulance services, aid organisations and the armed forces sales regions, NEM (Nordic), Asia and the USA, where growth was significantly higher than market growth. Sales of neurology products strongly exceeded market growth in the main markets.

Emergency Care

Emergency Care products comprise ventilation bags, neck collars and manikins for first-aid training.

In 2010/11, revenue within Emergency Care increased by 6% when reported in Danish kroner, and by 7% when reported in local currencies.

Sales of single-use ventilation bags and neck collars saw strong growth, with Ambu winning market share, while sales of manikins for first-aid training and other multiple-use products within this product area remain affected by the low economic growth in a number of important markets.

Developments in individual markets

USA

In the USA, which is Ambu's largest single market, revenue increased by 6% in 2010/11 when reported in Danish kroner, and by 9% when reported in the local currency. Emergency Care saw double-digit growth rates, and developments within Patient Monitoring & Diagnostics and Airway Management were also satisfactory.

Growth in the USA strongly exceeded market growth, and market share has thus been won, among other things within GPO contracts for ventilation bags. Double-digit growth rates were achieved within needles and electrodes for neurological examinations.

The US sales force primarily targets customers with considerable potential – including Group Purchasing Organisations (GPOs) – with a view to ensuring increased growth with the existing sales resources.

A number of steps have been taken in the past year to strengthen sales and improve future product launches. The sales management has been reorganised with a view to ensuring closer and better support for the sales force, clinical specialists have been taken on, and the marketing function has been expanded.

At times of economic cutbacks and intensifying competition, building strong relations with relevant customer groups is very important, and much effort has gone into doing so with a view to retaining existing customers and ensuring the best possible basis for accelerating the growth in sales of new products.

Ambu expects that a large number of the existing products and new products will be attractive to the US healthcare sector as these products can both ensure improved patient treatment and improved treatment economies. One example is the insourced product SmartInfuser™ Pain Pump. The pump is used for improved pain management and meets the hospitals' wish to be able to discharge surgical patients faster – thereby reducing costs.

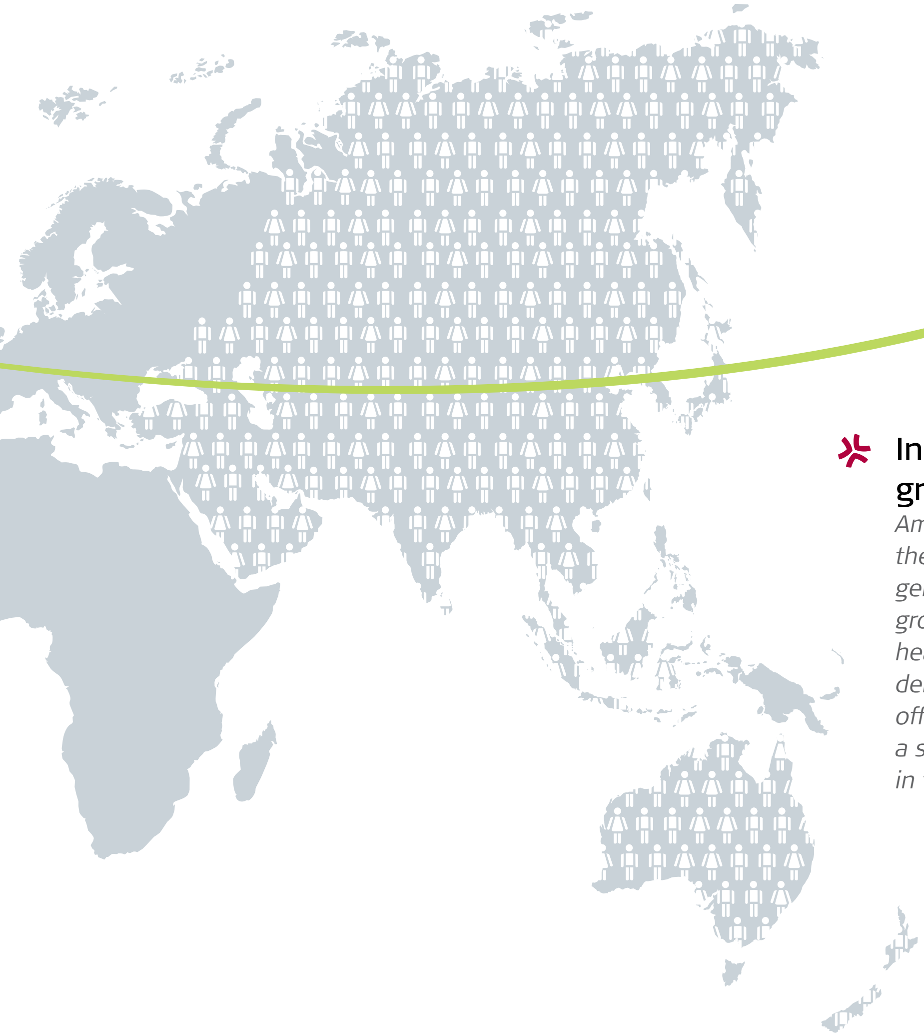
Ambu is expected to see a noticeable effect of its more efficient sales efforts and the penetration of new products in the coming year, but existing products will still require considerable sales support in the coming period.

Europe

In 2010/11, revenue in Europe was up 1%, when reported in both Danish kroner and local currencies. Growth totalled 7% in sales region Central, and 3% in the European part of sales region NEM, while revenue in the other sales regions declined by between 1% and 3%.

The reason for the positive growth rates in sales region Central and in the European part of sales region NEM is that Ambu has achieved satisfactory sales of the newly launched products in these areas, while the healthcare sectors in these countries have not faced the same budgetary challenges as has been the case in many of the other European countries.

The decline in revenue in several European markets is attributable not least to the fact that several European countries, espe-



Increased focus on new growth markets

Ambu is increasingly devoting its energy to the emerging markets. These markets are generally characterised by high economic growth and the ongoing establishment of healthcare systems – and thus a growing demand for the type of products which Ambu offers. The new markets are expected to make a substantial contribution to Ambu's growth in the coming years.

cially in southern Europe, have been hit by serious problems in the past year due to high levels of public debt. This has impacted purchasing patterns and budgets in the healthcare sector. There is thus generally a strong focus on price and a demand for products which can contribute to cutting costs and increasing efficiency at hospitals. At the same time, focus is on reducing inventories.

Satisfactory growth rates were realised within Airway Management, where market share is still being won within laryngeal masks. Satisfactory growth was also recorded within Neurology/Sleep. Within Emergency Care, revenue was generally negatively impacted by a lower demand for multiple-use products.

Sales efforts have now been streamlined in all the European sales regions, and focus is on forging and strengthening relations with existing and potential customers and on positioning the new products. Ambu is strongly favoured by its direct sales, and efficient sales are decisive to realising the agreed growth targets.

In the coming year, Ambu expects to see a positive effect of the sales activities launched in recent years. The stronger product portfolio, not least for anaesthetists, and the positioning of these products is expected to lead to increased growth in revenue, which will, however, also be negatively impacted by the economic challenges facing a number of European countries.

Rest of the world

Ambu is currently increasing its focus on the emerging markets, which are deemed to hold considerable growth potential in the coming years. These markets include Brazil, China and India as well as Asia in general. The focus on emerging markets has clearly borne fruit in 2010/11, with revenue up 18%. The highest growth contribution is generated in Asia, Brazil and Australia where Ambu established a sales company almost two years ago.

The emerging markets are at very different stages of development, and the markets are structured very differently. A differentiated approach must therefore be taken to the individual markets, where the experience gained is constantly evaluated and the strategy adapted accordingly. Ambu effects both direct sales and distributor sales in the emerging markets by applying the experience which Ambu has gained in the Asian countries over a number of years via its production units in China and Malaysia. In the coming year, Ambu will be devoting further resources in this region, especially in the large potential markets in China and India.

Constantly ensuring that the product portfolio matches the requirements of the emerging markets is a special challenge as they are not necessarily the same as in the more mature markets. Ambu is therefore constantly working to tailor its products to these requirements, and it is believed that this will become an important competition parameter.

Efficiency – operations and systems

All Ambu's production activities were moved to China and Malaysia during the past year, which considerably sharpens Ambu's competitive edge. However, the efforts to optimise and streamline production do not stop here. Activities are continuously being carried out to improve production efficiency and output, while the production units in China and Malaysia are also developing their competences.

Ambu's production has undergone considerable changes in recent years – becoming both more globalised and streamlined.

The streamlining has included:

- Transfer of all production activities to Asia
- Strengthening of local organisations and expertise
- Optimising the entire supply chain
- Optimised purchasing
- Implementation of global systems.

Lean global operations

Ambu has for a number of years had production in Denmark, China and Malaysia, which has significantly boosted its competitive edge. Following the transfer of the remaining Danish electrode production to Malaysia in the past year, all Ambu's production activities now take place in Asia. The products responsible for approx. 49% of revenue are produced in China, with approx. 45% being produced in Malaysia and approx. 6% being purchased from subsuppliers. The last phase of the production transfer, corresponding to just under 6% of the annual revenue, was completed in Q4 2010/11, and the last 40 employees in production and the support functions in Denmark left the company at the end of the financial year. The transfer has progressed according to plan thanks to the detailed planning of the move, training and running-in period. The production of the products most recently transferred from Denmark takes place in a rented building neighbouring the original production building, and this is a setup which will make it possible to expand production capacity further as and when required.

In the course of the year, all activities in Denmark were also moved to Ambu's premises in Ballerup.

In step with more production being transferred to Asia, the role of the production units has changed significantly. From primarily being in charge of manufacturing products at low cost, the two production units in China and Malaysia now share a large part of the responsibility for product innovation, developing technological know-how, regulatory matters and overall planning. China is a competence centre for spray moulding and assembly, while Malaysia is a centre for electrodes and electronic products. The number of employees in China is approx. 750, while approx. 500 work in Malaysia.

In the next period, the competences in the production units in China and Malaysia will be strengthened on an ongoing basis to enable them to assume increasing responsibility and handle increasingly complex tasks – and thus come to play an even more important role in Ambu's strategic development.

In China, a number of lean activities were implemented in 2010/11 with a view to optimising production further. These activities have now been completed with satisfactory results, including for example the running-in of robots for handling some of the most manually demanding and repetitive processes. Such optimisations are helping to reduce the impact of increasing pay levels in China and increasing commodity prices.

The lean principles are now being introduced in Malaysia, drawing on the experience already gained by Ambu in China.

Supply chain optimisation

The past couple of years have seen the implementation of new systems which ensure greater transparency within the entire logistics area.

For example, a forecasting system has been implemented to improve sales prognoses and ensure more efficient production planning and inventory management. The system is now up and running and has created a strong link between the overall processes and the independent planning of the individual production units.

At the same time, new management tools have been introduced which allow constant monitoring of selected KPIs (Key Performance Indicators) focusing, among other things, on the company's ability to deliver and precision.

The targets defined in connection with the new system have largely been achieved; one result being a reduction in global inventories. However, it is still possible to improve the forecasting and production planning processes, and work is going into doing so.

The coming year will see the launch of a number of activities which will contribute to further streamlining the global supply chain. These activities include:

- Strengthening of sales and production planning
- Implementing phase 1 of a new European distribution setup involving, among other things, a centralisation of warehousing in Central Europe.
- Analysing the possibilities for changing the US distribution setup
- Strengthening the supply chain organisation.

Up to next level

This is the headline for the activities which Ambu is busy implementing to strengthen operations. The idea is to strengthen the entire supply chain, to strengthen Ambu's organisation and expertise, to become even more lean and to manufacture products of an even higher quality.

Optimised purchasing

Ambu is working systematically to optimise its purchasing with a view to achieving further savings. For example, a global purchasing structure has been established, which means that more and more purchases are placed with the local units, that many more calls for tenders are made, and that the company's collaboration with selected suppliers is being developed further.

Among other things, the global purchasing structure means that Ambu has been well prepared for handling the increasing commodity prices and countering the effect of these in so far as has been possible.

Following the transfer of the Danish electrode production to Malaysia, efforts are currently going into establishing new contracts on local sourcing for the production transferred.

Increased focus on quality and regulatory matters

The ability to manufacture high-quality products is crucial for Ambu obtaining a 'licence to sell'. At the same time, the regulatory requirements are becoming ever stricter as Ambu's products become even more technologically complex, while the approval requirements for medico-technical products in general are also becoming stricter. Ambu is therefore placing even more emphasis on quality management and developing competences within product approval. A customer survey conducted in spring

Production units: From production to competence centre

Ambu's production units are playing an increasingly important role. Whereas they previously handled low-cost manufacture of products, the two production units in China and Malaysia are now playing a considerably broader role. They have developed into local competence centres handling a wide range of tasks – from product innovation, and developing technological know-how to regulatory matters and overall planning.

2011 highlights the importance of this area as customers rank high quality as the most important reason for buying Ambu's products.

A number of steps have been taken, and more activities will be launched in the coming period to strengthen Ambu's position within quality and regulatory matters. These activities include:

- Building a stronger global QA (Quality Assurance) organisation
- Strengthening competences in Asia
- Introducing new common global quality policies and procedures and establishing a common system for product documentation and information on global quality processes.

These activities are to contribute to ensuring that Ambu is a market leader in terms of its ability to deliver high-quality products in a quick and cost-effective manner – also in a number of new markets.

Implementation of global systems and standards

Establishing common global systems and standards is an important element in optimising Ambu. All important systems are now global.

The most important group systems are the ERP (Enterprise Resource Planning) system, the CRM (Customer Relations Management) system, the BI (Business Intelligence) system and the PLM (Product Lifecycle Management) system. The PLM system will help increase efficiency in the global development function and ensure easy access to product documentation. These systems are constantly being optimised, and in 2010/11 a new version of the ERP system was implemented which features new and improved functions within e-trading, an improved user interface and improved performance, and which is more scalable. The implementation of phase two of the PLM system is in progress, and the implementation of phase three is being prepared. Phase two comprises, for example, project management and a common QA system.

The standard systems help increase efficiency in the global organisation and ensure easy access to information and data.

Ongoing lean activities are being implemented at the factories in China and Malaysia, which has resulted in improved production efficiency and output. Also, a set of common principles has been introduced on how to achieve improvements.

Quality assurance and documentation are crucial to obtaining approval of Ambu's products. In the new financial year, a common global quality manual will be implemented along with a set of standardised documentation procedures.

Financial report

The 2010/11 annual report of Ambu A/S is presented in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

Income statement

Revenue

In 2010/11, the group posted revenue of DKK 982.8m compared to revenue of DKK 939.7m in 2009/10, up 5% when reported in both Danish kroner and local currencies. Changes in exchange rates, most notably USD and GBP, had an adverse effect on revenue of DKK 7.1m.

Adjusted for the development in exchange rates, growth was strongest in the USA where revenue grew by 9%, and in Asia/Pacific and Latin America where overall growth was 18%, albeit from a lower starting point. Revenue in Europe was up 1%.

Revenue in Europe accounted for 58% of total revenue, while revenue in the USA accounted for 32%. Revenue in the other markets accounted for the remaining 10%.

In keeping with previous years, revenue posted by sales companies is recognised at average exchange rates for the year.

Gross profit and development in gross margin

Gross profit increased by 7% from DKK 510.5m to DKK 546.0m reported at current exchange rates. The gross profit ratio rose from 54.3% in 2009/10 to 55.6% in 2010/11.

Indirect production costs relative to revenue were reduced by approx. 2 percentage points in 2010/11 compared to the year before, due to the continued moving of production to Asia, which was completed during the financial year.

The contribution ratio was reduced by just under 1 percentage point. This can be attributed to several factors such as changes in the product mix and geography, a minor fall in average selling prices and rising commodity prices, including rising silver prices in particular.

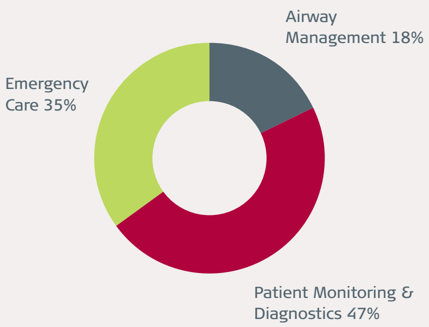
Costs

The group's selling, development and management costs and administrative expenses were DKK 7.5m higher than in 2009/10, up 1.9%. The reason for the increase in costs is higher selling and marketing costs, which increased by DKK 11.4m, while development costs were down DKK 6.6m, and management costs and administrative expenses increased by DKK 2.7m.

The increase in selling and marketing costs is attributable to an increase in sales resources in the sales companies, including strengthened strategic focus on sales in Asia.

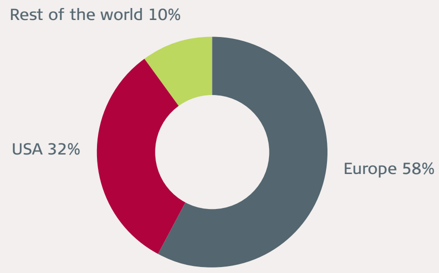
Revenue by business area

DKKm	2009/10	2010/11
Airway Management	174.5	179.7
Patient Monitoring & Diagnostics	443.3	463.0
Emergency Care	321.9	340.1
Total	939.7	982.8



Revenue by geographical region

DKKm	2009/10	2010/11
USA	298.8	316.9
Europe	557.9	566.0
Rest of the world	83.0	99.9
Total	939.7	982.8



The reduced development costs are primarily due to two factors. The capitalisation of costs of development projects in progress increased by DKK 1.9m as a result of increased project activity. Moreover, the costs were reduced as a result of the moving of parts of the innovation organisation to the Asian production locations. The development activities have been on a par with last year.

The increase in management and administration costs is most pronounced in the parent company Ambu A/S. The rise is attributable to general increases in capacity costs and the contribution of competences to the quality area and resources to acquisitions. Furthermore, costs were incurred for the development of a new branding concept for Ambu's products.

Other operating expenses

Other operating expenses include the accounting effect of an option scheme, warrant scheme and employee share scheme. In 2010/11, other operating expenses amounted to DKK 6.5m against DKK 4.5m the previous year. The increase is attributable to the implementation of an employee share programme with an accounting effect of DKK 2.6m.

Special items

Special items came to DKK 33.0m and comprise legal fees of DKK 10.9m, costs for organisational changes of DKK 1.9m and, predominantly, net payment of compensation in connection with the settlement with LMA in the now concluded patent case of DKK 20.2m. In 2009/10, legal fees for this case totalled DKK 2.5m.

EBITDA and EBIT

The EBITDA margin, defined as operating profit before depreciation, amortisation and special items in relation to revenue, was 20.4% in 2010/11, which is 1.4 percentage points higher than in 2009/10.

The EBIT margin, defined as operating profit before special items in relation to revenue, was 14.7% in 2010/11 against 12.6% in 2009/10. After special items, the EBIT margin was 11.3% in 2010/11 against 12.3% in 2009/10.

EBIT before special items amounted to DKK 144.3m, an increase of DKK 26.0m relative to 2009/10. EBIT before special items was up 22.0%. After special items, EBIT was DKK 111.3m in 2010/11 against DKK 115.8m in 2009/10.

Changes in exchange rates compared to last year impacted EBIT negatively by approx. DKK 9m. The relatively significant impact on EBIT from changes in exchange rates is due to the strengthening of the Malaysian currency MYR and the Chinese currency CNY relative to USD, which affected the production costs.

Financial expenses

The group's net financial expenses, which comprise interest and foreign currency translation adjustments, amounted to DKK 13.3m in 2010/11 against income of DKK 0.2m the year before. Net interest expenses fell by DKK 1.0m in 2010/11 to DKK 4.4m relative to the year before. Net foreign currency translation adjustment costs amounted to DKK 8.8m in 2010/11 against income of DKK 5.5m in 2009/10, up DKK 14.3m. The foreign currency translation adjustment is mainly due to foreign currency translation adjustments of balance sheet items.

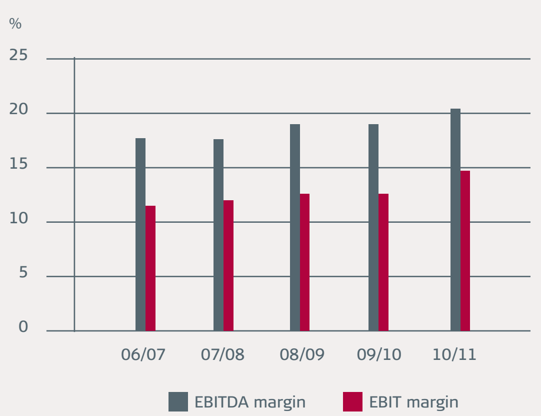
Profit before tax

Profit before tax after special items amounted to DKK 98.1m in 2010/11 against DKK 116.1m in 2009/10, down 15.5%. This is due to an increase in special items of DKK 30.5m as described above.

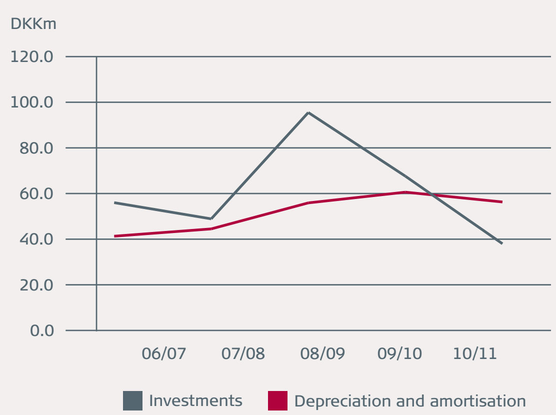
Tax

Tax on profit for the year totalled DKK 28.9m or 29.4% of the profit before tax compared with DKK 32.0m or 27.6% of the

EBITDA and EBIT margin before special items



Investments and depreciation/amortisation



profit before tax in 2009/10. The tax rate in 2010/11 was 4.4 percentage points higher than the Danish tax rate of 25%, of which 0.5 percentage points are attributable to a tax adjustment in respect of previous years, 2.9 percentage points are attributable to a tax adjustment in foreign group enterprises relative to the Danish tax rate of 25%, and 1.0 percentage point is attributable to tax on non-deductible costs. The operating margin in Ambu's subsidiaries is determined on the basis of the group's transfer pricing policy, which is based on OECD guidelines.

Net profit for the year

Net profit for the year came to DKK 69.2m against DKK 84.1m last year. The fall is attributable to an increase in special items.

Balance sheet

At the end of the financial year, the balance sheet total came to DKK 889.2m, up DKK 13.3m compared to the end of FY 2009/10. The most important changes concern an increase in trade receivables of DKK 20.8m, an increase in inventories of DKK 7.0m and a fall in property, plant and equipment and intangible assets of DKK 17.6m in total.

Non-current assets

Investments in development projects amounted to DKK 20.3m for the year. Development projects amounting to DKK 7.9m were completed in 2010/11.

Amortisation and impairment of intangible assets amounted to DKK 18.4m against DKK 22.3m the year before.

Investments in property, plant and equipment amounted to DKK 23.9m and primarily comprised an expansion of production capacity in Asia, production equipment for newly developed products, among other things, and the implementation of global IT systems. Depreciation of property, plant and equipment amounted to DKK 37.4m against DKK 38.9m the year before.

Inventories

Inventories amounted to DKK 208.1m at the end of the financial year, which is DKK 7.0m higher than last year. Reported in unchanged exchange rates, inventories increased by DKK 6.1m. Inventories increased as a result of the longer lead time arising from moving production to Asia, and the higher revenue.

Trade receivables

Consolidated trade receivables totalled DKK 237.4m at year-end, up DKK 20.8m compared with year-end 2009/10. Adjusted for the effect of exchange rates, trade receivables increased by DKK 20.4m. The increase in trade receivables is the result of the growth in revenue as well as high revenue in the last quarter of the financial year.

Other receivables

Other receivables totalled DKK 12.8m at year-end and were thus reduced by DKK 1.2m relative to 2009/10.

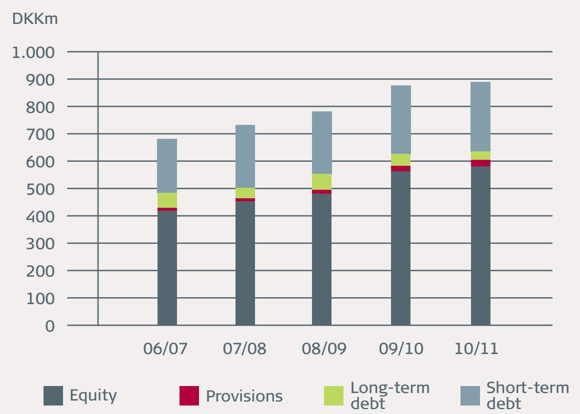
Liquidity

The group's total liquidity at year-end came to DKK 25.7m, up DKK 2.2m from last year. To this should be added unutilised non-committed bank credit drawing facilities amounting to DKK 112.7m at the end of the financial year.

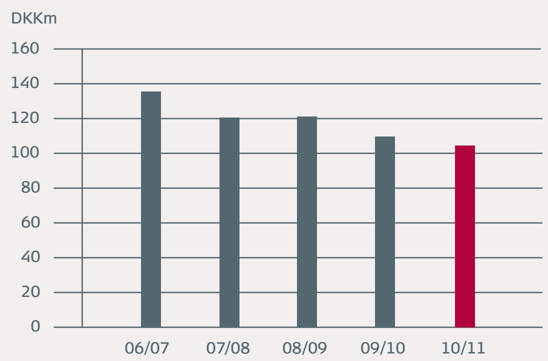
Equity

In 2010/11, equity was increased by net profit for the year and value adjustments of unsettled financial instruments and amounted to DKK 579.9m at the end of the financial year. To the equity are added foreign currency translation adjustments in respect of capital interests in subsidiaries and adjustments concerning the dividend paid for 2009/10 and the effect of share-based remuneration.

Capital structure



Net Interest-bearing debt



Non-current liabilities

Total non-current liabilities at year-end came to DKK 68.8m, of which DKK 14.2m falls due for payment in the coming financial year, and DKK 25.1m is deferred tax.

Current liabilities

Total current liabilities less non-current liabilities came to DKK 240.5m at the end of 2010/11, up DKK 5.3m. The most important changes concern an increase in short-term bank debt of DKK 12.0m, a fall in income tax payable of DKK 3.9m and a fall in other payables of DKK 9.6m. Trade payables increased by DKK 6.8m.

Other liabilities

Ambu A/S has signed a 15-year operating lease for the property in Ballerup. The term to maturity at the end of the financial year is five years. The lease was extended in 2010/11 by an amount corresponding to the investment in the completed rebuilding of the property, which has resulted in all Danish employees being brought together at the location in Ballerup.

Cash flow statement

Cash flows from operating activities totalled DKK 102.1m in 2010/11 against DKK 98.7m last year. The change can be attributed to the changes in working capital, which have had a negative impact of DKK 27.9m in 2010/11 against DKK 65.1m in 2009/10.

The funds tied up in inventories had a negative impact on cash flows of DKK 6.1m in 2010/11. The increase in inventories is primarily due to the longer lead time following the move of the Danish production to Asia.

Funds tied up in receivables increased by DKK 19.2m, primarily due to the increase in activities. The changes in trade payables etc. had a negative impact on liquidity of DKK 2.7m.

The funds tied up in working capital, net, as a percentage of revenue, amounted to 32.5% against 30.4% last year. Work will go into reducing funds tied up in working capital in 2011/12, among other things by improving funds tied up in debtors, by focusing on optimising payment terms and payment flows and streamlining inventories relative to revenue by focusing on centralisation of warehousing.

In 2010/11, net investments of DKK 38.0m were made in intangible assets and property, plant and equipment against DKK 67.6m the year before. Among other things, the lower net investments are due to the sale of non-current assets relating to outsourcing of certain subcomponents for electrode production and recent years' investments in expanding production capacity in China and Malaysia.

In 2010/11, free cash flow amounted to DKK 64.1m, which is DKK 33.1m higher than the free cash flow of DKK 31.0m in 2009/10. Special costs of DKK 33m, essentially related to the patent case against LMA, affected the free cash flow negatively.

Cash flows from financing activities amounted to DKK -62.3m. Net long-term debt was reduced by DKK 14.8m, while short-term debt of DKK 11.9m was arranged, and dividend of DKK 29.2m was paid. Furthermore, treasury shares of DKK 32.7m were acquired. Payments from employee shares amounted to DKK 2.5m.

The total change in liquidity thus amounted to DKK 1.8m, and cash amounted to DKK 25.7m as at 30 September 2011.

Subsequent events

There have been no subsequent events of significance to the annual report 2010/11 after the end of the financial year on 30 September 2011.

Patent infringement case

LMA patent case in the USA and Europe

In April 2011, Ambu A/S and LMA International N.V. reached a global settlement for all pending lawsuits, including Ambu's counterclaims in the USA and Europe. All cases have thus been finalised.

As part of the settlement, Ambu has agreed not to sell certain laryngeal masks with reinforced tips in the USA. Ambu's agreement does not affect the company's possibility of selling its existing product programme of laryngeal masks. Ambu will thus continue to sell products with non-reinforced tips in the USA and reinforced tips outside the USA, respectively.

LMA has accepted a permanent order prohibiting the use of the advertising material and statements from LMA which Ambu's counterclaims concerned.

Costs relating to the patent cases

Under the settlement, both LMA and Ambu must make certain cash payments to the other party. The overall net cost of closing the settlement is reported under special items in the income statement and amounts to about DKK 31m.

Outlook for 2011/2012

Relatively low market growth in several of Ambu's markets is expected for the coming period due to the prospect of low economic growth and pressure on the healthcare sector in several countries. However, growth is expected to vary considerably from market to market. Ambu is also seeing intensifying price competition in the individual markets, and this trend is expected to continue in the coming financial years.

In the past two years, Ambu has completed a number of projects under the GPS Four strategy which are to ensure growth in revenue, reduce costs and increase efficiency and earnings. The process of strengthening and developing the company continues, and new interim targets for the coming financial year have been defined in a plan called 'Tuned for Growth'. Against this background, Ambu still expects to achieve growth in revenue in excess of market growth.

Within Ambu's four strategic areas, the plan for 2011/12, 'Tuned for Growth', includes the following targets and activities:

1. Innovation

- Utilisation of the potential of the global development function in Denmark, China and Malaysia
- Launch of several new products
- Revenue of over DKK 100m for products launched after 1 October 2009
- Efficient launch of new products.

2. Markets and sales

- Larger market share in North and South America and development of the collaboration with large purchasing organisations
- Focus on exploiting growth opportunities in the European markets
- Increased market penetration in emerging markets
- Further focusing and streamlining of sales efforts in the individual regions
- Focus on forming partnerships.

3. Efficiency

- Further optimisation of production in Asia
- Continued implementation and development of global systems
- Implementation of the 'Five Star Leadership' management programme and the new global HR system.

4. Acquisitions

- Continued efforts to search the market in order to identify attractive candidates for acquisition – large as well as small companies – and investigating the opportunities for acquiring product lines supplementing the product portfolio within existing product areas.

Outlook

The outlook as regards the EBIT margin is sensitive, among other things, to changes in the foreign exchange rates listed below. The biggest impact comes from an isolated change in the Chinese currency CNY or the Malaysian currency MRY.

	2011/12	Assumptions
Revenue	In the region of DKK 1,025-1,035m	Increased revenue in emerging markets and success with new products
Growth	Approx. 5%	Reported in DKK and local currency Increased market share and growth in excess of market growth Formation of partnerships USD exchange rate: 540 GBP exchange rate: 850
EBIT margin	In the region of 15.0-15.5%	Increased revenue Reduced cost prices Continued focus on streamlining Pressure on prices
Profit before tax, in % of revenue	In the region of 14.5%	
Investments, % of revenue	Approx. 5%	Investments in product development, process equipment, expanding production capacity and IT
Free cash flow	Minimum DKK 100m	Continued focus on reducing working capital

Foreign exchange sensitivity

In the event of a -5% change in exchange rate relative to Danish kroner:

DKKm	USD	GBP	CNY	MYR	Total
Revenue	(18)	(4)	0	0	(22)
EBIT	2	(3)	6	8	13

Forward-looking statements

Forward-looking statements, especially such as relate to future sales and operating profit, 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, changes in the world economy, the success of new products and changes in exchange rates.

See also the section on risks on page 33.

Shareholders and investor relations

The Ambu share

At the end of the financial year, Ambu's share capital consisted of a total of 11,908,080 shares of DKK 10 each, corresponding to a nominal share capital of DKK 119,080,800. The share capital is divided into 1,716,000 Class A shares and 10,192,080 Class B shares.

In 2010/11, the share capital was increased by 31,782 Class B shares in connection with the issue of employee shares (see 'Incentive schemes' below).

Ambu's Class B shares are listed on NASDAQ OMX Copenhagen A/S under ISIN code DK0010303619 and shortname AMBU B. Ambu is part of the MidCap index.

The opening price quoted for the Ambu share at the beginning of the financial year was 135.5, rising to a closing level at the end of the financial year of 138.5, up 2.2%. By comparison, the Health Care index on NASDAQ OMX Copenhagen rose by 2% in the same period, while the MidCap index fell by 22%.

As a result of the change in the share price in the financial year, Ambu's market capitalisation (defined as the value of both Class A and Class B shares recognised at the price quoted for the Class B share) totalled DKK 1,649m in late September 2011 against DKK 1,609 a year earlier.

In the course of the financial year, a total of 1,772,721 Class B shares were traded via NASDAQ OMX Copenhagen, corresponding to 17% of the total number of Class B shares at the end of the year (2009/10: 21%).

The Ambu share is covered by:

- ABG Sundal Collier
- Carnegie
- Danske Market Equities
- Enskilda Securities

Shareholders

At the beginning of October 2011, the total number of shareholders in Ambu having arranged name registration of their holding was approx. 2,400, who owned a combined 96% of the total share capital.

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

As at 30 September 2011, members of Ambu's Board of Directors and Executive Board owned a total of 0.3% of the share capital. As at 30 September 2011, Ambu held a total of 223,938 treasury shares, corresponding to 1.9% of the share capital.

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

	Share of share capital (%)	Share of votes (%)
Inga Kovstrup, Fredericia	10.1	23.2
Dorrit Ragle, Lyngby	8.7	22.6
Tove Hesse, Virum	7.2	21.9
N.P. Louis Hansen Aps, Nivå	15.6	6.8
Chr. Augustinus Fabrikker A/S, Copenhagen	10.3	4.5
ATP, Hillerød	9.0	3.9

Dividend

It follows from Ambu's dividend policy that about 30% of the profit is generally distributed as annual dividend.

In view of the company's dividend policy, profit performance in 2010/11 and the outlook for the coming year, the Board of Directors has decided to propose to the annual general meeting that a dividend be declared of DKK 2.00 per share (2009/10: DKK 2.50 per share), corresponding to 34% of the net profit for the year.

Payment of the dividend for FY 2010/11 will be effected automatically via VP Securities immediately after the annual general meeting.

Incentive schemes

Ambu's strategy includes establishing incentive schemes for the purpose of promoting value creation in the company, fulfilling the group strategy and ensuring shared interests among the management, employees and the company's shareholders. The overall incentive pay programme for members of the Board of Directors and the Executive Board was approved by the annual general meeting in December 2008.

Ambu's incentive schemes currently comprise:

- Share option and warrant programme for the Executive Board and senior employees
- Bonus programme for the Executive Board and senior employees
- Employee shares

Share option and warrant programmes

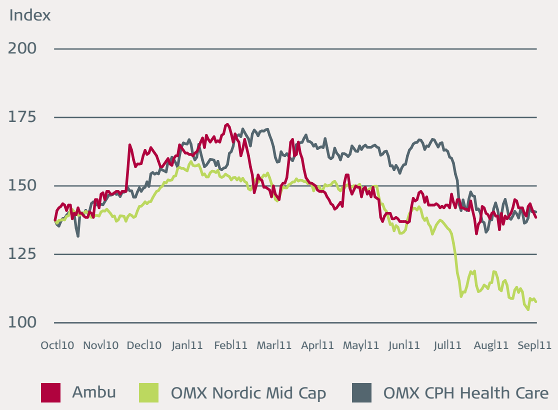
Members of Ambu's Executive Board have been allocated 189,000 share options which are allocated successively over three years by one-third each year. The first allocation took place in FY 2009/10 at a price of 83.75, the second allocation took place in FY 2010/11 at a price of 90.45 and the third allocation will take place in 2011/12. The allocations are subject to an annual price increase of 8% for the first allocation. The total market value of the share options granted is approx. DKK 4m calculated according to the Black-Scholes model.

In June 2007, Ambu's Board of Directors decided to establish a share option programme for senior employees in Ambu and its subsidiaries. The share option programme comprises 17 employees in the Ambu group. Share options have been allocated in four rounds – the first time in connection with the establishment of the programme in June 2007 (at a price of 104), the second time at the end of FY 2006/07 (at a price of 112), the third time at the end of FY 2007/08 (at a price of 121) and the last time at the end of FY 2008/09 (at a price of 131). The total number of share options allocated during this period was 977,013, corresponding to 8.2% of Ambu's share capital. The total market value of the share options allocated is approx. DKK 25m calculated according to the Black-Scholes model. The entire share option programme will be accrued and expensed over the seven-year vesting period. No particular vesting conditions have to be met by those participating in the share option programme, except continued employment and ownership of a number of Ambu Class B shares.

In April 2011, Ambu's Board of Directors decided to exercise its authority to issue share subscription rights (warrants) for the subscription of Class B shares with a nominal value of DKK 1,100,000, corresponding to 110,000 Class B shares of DKK 10 each to be subscribed by the group's senior employees and without pre-emption rights of subscription for the company's shareholders. The warrant programme comprises 49 employees in the Ambu group and is subscribed at an exercise price of DKK 160.5 per share. The price is determined as the average price the first five days after the publication of the annual report 2009/10. The warrants can be exercised in the period 4 April 2014 - 4 April 2016. The capital increase will take place immediately after the warrant holder has exercised the warrants. The increase will then be registered and the shares listed on NASDAQ OMX Copenhagen. The total market value of the warrants allocated is approx. DKK 4.5m calculated according to the Black-Scholes model. The warrant programme will be accrued and expensed over the three-year vesting period. No particular vesting conditions have to be met by those participating in the share option programme, except continued employment.

In FY 2010/11, the impact of the above programmes on the financial statements is approx. DKK 3.9m compared to approx. DKK 4.5m in 2009/10. Further details about the share option and warrant programmes can be seen in note 3.

Development in share price



The Board of Directors does not participate in option and warrant programmes.

Bonus programme
Ambu establishes a bonus programme for the Executive Board and senior employees for one year at a time. The annual cash bonus for the Executive Management Team is based on the fulfilment of the agreed financial targets for the company as a whole, while bonus payments to other senior employees are based on fulfilling overall financial and business area-specific targets for each participant. The size of the bonus depends on the degree of fulfilment of the agreed targets.

Employee share programme
In February 2011, the Board of Directors decided to exercise its authority to increase the share capital by issuing employee shares. During the period 28 February - 4 March 2011, employees were able to subscribe for shares at a price of DKK 80 per share on special terms. A total of 31,782 Class B shares were subscribed. 58% of those employees who were able to buy employee shares chose to do so. The Chinese employees did not take part in the employee share programme due to local Chinese legislation in this area.

In 2010/11, the impact of the employee share programme on the financial statements was DKK 2.6m compared to DKK 0 in 2009/10.

Investor relations

Ambu strives to maintain a high and uniform level of information to shareholders and other stakeholders. The company wishes to engage in an active dialogue with shareholders, share analysts, the media and the general public. Communication with stakeholders takes the form of the regular issue of company announcements, investor presentations and individual meetings. The aim is to ensure a fair share price which reflects Ambu's underlying values.

The company's website, www.ambu.com, is the primary source of information for stakeholders. It is updated on an ongoing basis and contains up-to-the-minute, relevant information about Ambu's performance, activities and strategy. Enquiries concerning Ambu from shareholders, analysts, investors, stockbrokers and others should be addressed to:

Ambu A/S
Baltorpbakken 13
DK-2750 Ballerup

Contacts
President & CEO Lars Marcher or CFO Anders Arvai
Tel.: (+45) 72 25 20 00

Email
Lars Marcher: lm@ambu.com
Anders Arvai: aa@ambu.com

Annual general meeting

Ambu's annual general meeting will be held on 15 December 2011 at 4 pm at The Black Diamond, Søren Kierkegaards Plads 1, 1016 Copenhagen K, Denmark.

Board resolutions and proposals to the annual general meeting

Dividend and appropriation of profit

The Board of Directors proposes to the annual general meeting that the consolidated profit for the year, DKK 69.2m, be appropriated as follows:

Dividend of DKK 2.00 per share	23.8
Retained earnings	45.4
Total	69.2

Other proposals

A proposal is presented for the Board of Directors to be authorised to acquire treasury shares on behalf of Ambu amounting to up to 10% of the company's share capital.

Also, a proposal is made for the authorisation of the issue of warrants for the company's global management team.

Financial calendar

2011 I 2012	
15 December 2011	Annual general meeting
21 December 2011	Payment of dividend
9 February 2011	Interim report for Q1 2011/12
3 May 2011	Interim report for Q2 2011/12
23 August 2011	Interim report for Q3 2011/12
30 September 2011	End of FY 2011/12

2012 I 2013	
15 November 2012	Annual report 2011/12
13 December 2012	Annual general meeting

Share-related key figures

	2006/07	2007/08	2008/09	2009/10	2010/11
Earnings per DKK 10 share [1)]	3.62	4.24	4.73	7.16	5.92
Cash flow per DKK 10 share [2)]	7.54	7.11	9.51	8.31	8.57
Equity value per share [3)]	35	38	40	47	49
Share price at year-end	87	73	110	136	139
Listed price/equity value	2.5	1.9	2.7	2.9	2.8
Dividend per share [4)]	1.50	1.50	1.50	2.50	2.00
Pay-out ratio, % [5)]	42	36	32	35	34
P/E ratio [6)]	24	17	23	19	23

[1)] Profit per DKK 10 share: Profit after tax in relation to average no. of shares less treasury shares

[2)] Cash flow per DKK 10 share: Cash flows from operating activities relative to no. of shares at year-end

[3)] Equity value of shares: Total equity in relation to no. of shares at year-end

[4)] Dividend per share: Dividend in relation to no. of shares at year-end

[5)] Pay-out ratio: Dividend declared as a percentage of profit for the year

[6)] P/E ratio: Listed price/earnings per share.

The key figures have been calculated in accordance with The Danish Society of Financial Analysts' 'Recommendations and Financial Ratios 2010'.

Announcements to NASDAQ OMX Copenhagen in 2010/11

8 November 2010	Request for re-assessment of decision in LMA patent case
24 November 2010	Annual report 2009/10
26 November 2010	Chr. Augustinus Fabrikker A/S increases its shareholding in Ambu
16 December 2010	Annual general meeting in Ambu A/S
5 January 2011	Ambu concludes regional anaesthesia agreement
6 January 2011	Ambu's request for a re-assessment of the LMA patent case is denied by The United States Court of Appeals
7 February 2011	Interim report for Q1 2010/11
7 February 2011	Employee share programme start-up
5 April 2011	Incentive programme – share subscription rights (warrants)
7 April 2011	Employee share issue completed
19 April 2011	Ambu reaches global settlement in lawsuits with LMA
9 May 2011	Interim report for Q2 2010/11
25 August 2011	Interim report for Q3 2010/11

Corporate social responsibility

Ambu has always focused on corporate social responsibility, and the aim is to create value both for the company and for society at large through the manufacture of the company's products and through working with corporate social responsibility. Ambu has stepped up its efforts in a number of areas, and the work to strengthen the connection between responsible and value-creating corporate behaviour continues.

Ambu's business is inextricably linked to social responsibility. This is not solely due to the fact that it is Ambu's vision to save lives and improve patient care. Working with corporate social responsibility also contributes to forging good relations with customers and suppliers, increasing productivity and reducing waste, reducing non-financial risks and strengthening the company's identity and culture.

Ambu's work with business-driven corporate social responsibility is based on the principles of the UN's Global Compact initiative and can be divided into three overall focus areas which are particularly relevant for Ambu's efforts:

- People and society
- Surroundings and products
- Business ethics

With reference to the three overall focus areas, a Corporate Guideline has been prepared, setting out nine common guidelines for the work on business-driven corporate social responsibility in Ambu.

People and society

Guidelines

1. We work to promote diversity, and we do not accept discrimination of employees.
2. We work for a safe and healthy working environment.
3. We ban the use of forced and child labour.
4. We support local education.

Actions and results in 2010/11

- Ambu continuously works to improve safety in all processes and registers injuries and accidents and follows up on them on a regular basis. About 10 injuries were registered globally in 2010/11. This represents a fall compared to last year, and the injuries are considered minor injuries in the category accidents.
- Ambu has decided to establish a whistleblowing scheme where employees, among others, can report any violations of laws, Ambu policies and other significant irregularities.
- Local training is provided and knowledge is shared globally to build qualifications and competences.
- Supplier assessments are conducted on a regular basis to ensure that forced and child labour are not used in the supply chain. The ban on the use of forced and child labour is an integral part of Ambu's Code of Conduct, which must be signed by the company's suppliers.
- In Malaysia, it is common practice to require that employees from countries outside Malaysia hand over their passport when they enter the country. Ambu has successfully put pressure on the local authorities which ensures that foreign employees at Ambu are exempt from this rule and can keep their freedom and mobility.

Surroundings and products

Guidelines

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 reduce waste.
7. We work to reduce energy consumption.

Actions and results in 2010/11

- Ambu's existing environmental policy has been updated.
- Ambu focuses on identifying and using non-harmful materials, and in the past year Ambu has been working to develop 'green' versions of existing products, several of which are expected to be launched during the coming financial year.
- Efforts are constantly made to reduce the environmental impact of new products by considering the choice of materials and disposal as early as the first stages of the development process.
- The use of videoconferencing equipment has been increased to reduce environmental impacts in connection with travelling.
- Efforts are continuously made to reduce waste in Ambu's production processes, and in 2010/11 the introduction of robots, among other things, has created better opportunities for recycling and recirculating waste from production.

- In 2010/11, Ambu joined the Danish Carbon 20 partnership which offers participating companies tools and knowledge that can help to calculate CO2 emissions, carbon footprint and implement CO2 reductions. Through this partnership, Ambu expects to gain experience and eventually be able to measure CO2 emissions and take additional measures to reduce them.

Business ethics

Guidelines

8. We are obliged to comply with legislation and rules in the countries in which we operate. In cases where no legislation or rules exist, we comply with international standards and industrial norms.
9. We do not accept bribery or any form of corruption.

Actions and results in 2010/11

- Global guidelines have been established for Ambu's business ethics.
- A common Code of Conduct has been established for Ambu's existing suppliers, which has been distributed to all suppliers. A process is currently ongoing where responses from suppliers are collected.

Organisation of CSR work

A CSR unit has been set up to work with business-driven corporate social responsibility in Ambu comprising employees from Sales and Marketing, Finance, HR, Communications, R&D and Operations. The unit reports to the Executive VP for Finance, IT and Business Systems. The CSR unit is responsible for ensuring that Ambu is at the forefront of developments in the area and for reporting to the Executive Board on an ongoing basis. Once a year, action plans are made for the coming year based on a workshop for the CSR unit and representatives of the other organisational units in Ambu as well as representatives of Ambu's subsidiaries. Moreover, the CSR unit meets every quarter and as and when required.

The CSR work is becoming ever more structured and broadly rooted in the global organisation.

Initiatives in 2011/12

- Work will go into implementing the environmental policy globally. The environmental policy includes guidelines on the use of certain substances, waste and energy consumption.
- Global guidelines will be established for handling suppliers which either refuse to sign Ambu's Code of Conduct for suppliers or which sign it, but deviate from it in certain respects. Ambu will thus seek to clarify why a particular supplier will not sign the Code of Conduct, and any alternative suppliers will be considered.
- Common guidelines are established for supplier audits.

Further information on Ambu's Corporate Guideline for its work with business-driven corporate social responsibility can be found at www.ambu.com/CSR.

Organisation and employees

It is important for Ambu to motivate its employees to use their full potential and contribute to realising overall goals. The development of a shared management culture and shared management principles contributes to this. A new global system will help to strengthen the global integration in Ambu and tie the company even closer together.

Ambu is an innovative company and depends on talented and dedicated employees. Ambu therefore wants to be an attractive company that is able to attract and retain innovative employees who can contribute to Ambu's continued development. As a global company, it is also important to have a strong corporate culture that ties the company together.

Strengthening global integration

Integration, streamlining and optimisation of the global organisation are high on Ambu's agenda, and this requires managers who can lead and implement strategies across borders and cultures. It is therefore important that Ambu's managers act on the same principles wherever they work. Ambu has an overall objective of practising professional management based on a management culture that can move the business forward. In the past year, Ambu has defined a clear set of management principles called 'Five Star Leadership'.

Five Star Leadership

'Five Star Leadership' is based on the following principles: Authenticity, Inspiration, Empowerment, Customer focus and Business drive. Ambu must deliver quality products and service that exceed customer expectations. It is necessary for all employees to take responsibility and come up with innovative ideas through a global collaboration and mutual respect.

At the same time, focus is on performance. It is important to formulate clear objectives and plot a course for Ambu so that everyone at Ambu is working towards the same overall goal, whether they work in Denmark, China, Malaysia or elsewhere.

This helps to create one management culture that can set Ambu apart from its competitors and help retain and attract competent managers – which is vital for realising Ambu's growth plans.

'Five Star Leadership' is implemented in several phases. Phase one has been completed and involved the senior management. The other phases are initiated continuously until all managers have completed the process.

One global HR system

Ambu wants to create the best environment for its employees and at the same time optimise the internal processes. It has therefore been decided to introduce one global HR system. The primary objective of the system is to create a common platform that can support the realisation of Ambu's overall strategy.

Five Star Leadership

1. Authenticity
   Ambu wants to be known as a reliable supplier of quality products and solutions developed through a global collaboration and mutual respect.

2. Inspiration
   Passion, ambition and an innovative mindset are necessary in order to achieve the best results.

3. Empowerment
   Ambu encourages its employees to take responsibility by creating opportunities, delegating responsibility and rewarding good work.

4. Customer focus
   It is vital that Ambu understands the customers' needs and delivers solutions and service that exceed their expectations.

5. Business drive
   It is essential to set a clear goal, to have talented employees and to focus on execution and follow-up in order to ensure the best financial performance.

The HR system creates a visible link between the overall strategy and the individual employee's goals. The system also provides an overview of the individual employee's performance which is linked to the annual pay adjustment. A clear link between performance and pay is thus ensured.

The system supports the recruitment processes and can also be used proactively in relation to organisation and talent development.

The implementation of the HR system is expected to begin in early 2012.

New technological opportunities

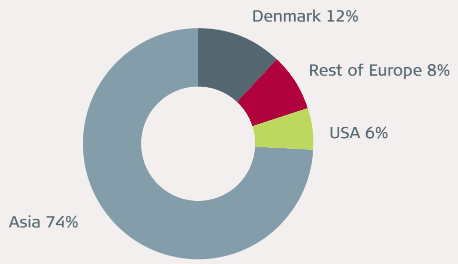
The technological development creates new opportunities for accessing knowledge and using mobile solutions.

The global intranet is the focal point of the internal communication and knowledge sharing. The intranet is being developed continuously, and several national intranets were launched recently so that local information can be provided directly to the relevant employees. The platform has also been developed further, making e-learning a part of the internal offering as well. This means that the employees can acquire new knowledge quickly and create value for Ambu. The next step is to develop apps for smartphones enabling employees to access information anytime, anywhere.

Collaboration with students

Ambu is generally working to attract and retain talented young employees and take social responsibility for their education. Consequently, Ambu has established three programmes that give young students the opportunity to combine their academic skills with practical experience:

Geographical breakdown of employees



- Using Ambu as a case company
- Doing a work placement at Ambu
- Working as a student assistant at Ambu

Ambu is also working with DTU, Technical University of Denmark, where Ambu is used as a case company in teaching materials for engineering students.

2011/2012

In the coming year, focus will be on rooting the 'Five Star Leadership' principles in the entire organisation and creating one global management framework.

The implementation of the global HR system will also play a significant role in the further work on defining clear goals for the employees and optimising employee development.

One global HR system

One system

The system ensures that information about employees is transparent and accessible in one global system.

Link with overall strategy

A direct link is created between Ambu's overall strategy and the individual employee's goals.

Employee performance

An overview is obtained of performance, which helps to ensure that all employees use their full potential and are motivated to create the best results.

Efficiency

The system streamlines employee processes to focus efforts where value creation is strongest.

Mergers and acquisitions

The system will simplify the processes relating to future mergers and acquisitions.

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.

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 is constantly working to identify these risks and seeks to counteract and minimise the risks to the widest possible extent insofar as they are risks that can be impacted by the company's own actions. Some of the company's risk factors are described below. The description is not necessarily exhaustive, however, and the risk factors are not presented in any order of priority.

Moreover, Ambu has established internal control and risk management systems in connection with its financial reporting.

Commercial risks

Competition and market conditions

Hospitals and rescue services increasingly purchase medico-technical products through purchasing organisations and via public tenders. At the same time, there is a general demand for higher efficiency within the healthcare sector. Such structural changes are putting pressure on the prices of all medico-technical products. At the same time, low-priced copy products are often introduced in the market.

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

The healthcare sector is affected by the low economic growth and the public debt problems of several countries, but in 2010/11 Ambu only saw the effects of these problems in some markets. This is expected to continue in 2011/12, and the situation is monitored closely, particularly with a view to identifying any changes in trading patterns.

During 2010/11, Ambu moved the rest of the Danish production to Malaysia, and all production took place in China and Malaysia at the end of 2010/11. This will reduce production costs and improve Ambu's ability to respond to future price competition.

Product development

Ambu's ability to realise its strategic targets depends on its ability to develop unique, high-quality products sufficiently fast, while at the same time obtaining differentiated prices. An innovation department was established in Malaysia in 2010/11, and product development now takes place in Denmark, China and Malaysia. Ambu is working in a targeted way to improve existing products and develop new products and to generally strengthen the company's ability to create innovation. Thus, considerable investments are continuously being made in product development and the marketing of new products, and it is a prerequisite for meeting the agreed targets that these products are successful in the market.

Ability to attract and retain employees

In order to develop innovative products and ensure satisfactory financial results, it is necessary to be able to attract and develop the right employees globally. So far, Ambu has been able to attract the employees it wants. In order to attract and retain employees with the right competences in future, Ambu focuses on developing individual employees, on continuous career development and on delegating a considerable degree of responsibility to its employees.

Trademarks, branding and patents

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

It is company policy to patent products with a high market value which are essential to Ambu's future growth. Within the medico-technical sector, different opinions often exist as to whether a given product is patented or not, for which reason any patent cases may result in considerable costs to protect Ambu's rights or to defend Ambu against alleged infringements of patents. Ambu's ambition to launch more brand new products in the years to come will increase the risk of patent violation cases. 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 a new project.

Production and quality

There is a risk of operating disturbances or stoppages at Ambu's production facilities, which could affect the company's ability to deliver. A number of activities – including fire protection and building up minimum inventories – are helping to minimise this risk.

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

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

Ambu's products are most often used in critical situations, and product quality is vital to the company's future commercial success. With a view to meeting user needs and minimising patient risks, risk assessments, clinical trials and process validation are carried out in connection with product development and production. Ambu lives up to the FDA and CE requirements, for which reason the company considers these standards on a regular basis.

Insurance

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

Insurance matters 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.

In 2010/11, Ambu and its insurance partner conducted a liability risk management review. The general conclusion of the review is that Ambu has a good grip on its liability risks. Improvements were suggested in a few areas, and these improvements were launched and essentially implemented.

Environment

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

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

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

The production units in China and Malaysia generally follow the guidelines contained in the environmental legislation to which Danish production units are subject.

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

Financial 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.

Ambu seeks to hedge financial risks to the greatest possible extent. For this purpose, Ambu uses derivative financial instruments, primarily foreign exchange and interest rate swaps as well as forward contracts and currency option contracts to hedge a number of the financial risks attributable to the group's commercial activities. Generally speaking, the least complicated type of hedging is chosen. The group does not engage in speculative transactions.

Financial risks and financial risk management are described in further detail in notes 13, 16 and 20.

Control and risk management systems

Ambu's internal control and risk management systems in connection with its financial reporting can be described as follows:

Control environment

The Board of Directors has established an auditing committee, the primary purpose of which is to assist the Board of Directors in monitoring the financial reporting and the effectiveness of the internal control and risk management systems. The auditing committee reports to the entire Board of Directors. The Executive Board is responsible for maintaining, at all times, an effective control environment and internal control and risk management system in connection with the financial reporting. Managers at various levels are responsible within their respective areas.

Responsibilities and powers have been defined in the Board of Directors' instructions for the Executive Board, policies and procedures. The Board of Directors approves Ambu's foreign exchange and financial policy, the risk management framework and the company's code of business conduct. The Executive Board approves other policies and procedures, and the responsible functions issue guidelines and monitor the application of all policies and procedures.

Ambu's accounting policies and financial reporting procedures can be seen in the Corporate Accounting Manual, which is available to relevant finance employees. The organisational structure and the internal guidelines constitute the control environment together with legislation and other rules.

Risk assessment

There is a relatively greater risk of error in connection with those entries in the financial statements which are based on estimates or which are generated through complex processes than with other entries. A risk assessment aimed at identifying these entries is coordinated with the company's internal controlling.

A risk management project was previously implemented, the purpose being to identify the most important operational risks and risks relating to human resources. Activities were subsequently completed to reduce or eliminate the most important potential risks. The risk overview is updated annually, and action plans are drawn up to minimise risks within the most important risk areas.

In 2010/11, a system was also introduced where market risks, financial risks and risks within human resources and other areas are assessed on the basis of the size of the risk in the short as well as the long term. Risks are regularly discussed on the Board of Directors.

Checks

The purpose of the checks is to prevent, uncover and correct any errors or irregularities. These activities are integrated into Ambu's accounting and reporting procedures and include, among other things, procedures for attestation, authorisation, approval, reconciliation, analyses of results, separation of irreconcilable functions, checks concerning IT applications and the general IT checks.

Ambu has introduced internal control standards, i.e. standards for checks in connection with its financial reporting. The purpose of these standards is to guarantee and maintain a uniform level of internal checks and controls in connection with the financial reporting throughout Ambu. Ambu has a clear organisational structure which means that all the subsidiaries' finance functions report to the group's CFO. Moreover, a central function is responsible for controlling the financial reporting from the subsidiaries.

Information and communication

Ambu maintains information and communication systems to ensure the correctness and completeness of its financial reporting. The Corporate Accounting Manual and other reporting instructions are updated as necessary, including budgeting and month-end accounting procedures, and are reviewed at least once a year. These, along with other policies which are relevant for the internal controlling of the financial reporting, such as policies concerning the granting of credit and capital investments, are available on Ambu's intranet for relevant employees.

Monitoring

Ambu is using a comprehensive financial management system to monitor the company's results, making it possible to identify and correct any errors and irregularities in the financial reporting at an early stage, including any weaknesses observed in the internal controls, non-compliance with procedures and policies etc. As set out in the company's Corporate Accounting Manual, Ambu applies uniform IFRS rules. The Corporate Accounting Manual comprises accounting and assessment principles as well as reporting instructions and must be complied with by all group companies. The manual is updated and reviewed on a regular basis. Formal confirmations are obtained from the subsidiaries each year concerning their compliance with the Corporate Accounting Manual and all other group policies, the so-called corporate accounting compliance declarations.

Extensive financial data are reported monthly by all group companies. These financial data are analysed and checked at group and company level and also at other operational levels.

Corporate governance

The Ambu management attaches importance to exercising high corporate governance standards and seeks at all times to develop and tailor these standards to reflect changing statutory requirements, business development and stakeholder expectations.

The recommendations of NASDAQ OMX Copenhagen regarding corporate governance, current stock exchange rules, administrative requirements, best practice in the area and internal rules constitute the framework for Ambu's corporate governance.

The recommendations of NASDAQ OMX Copenhagen are followed with very few exceptions. A complete report of Ambu's corporate governance can be found on the company's website www.ambu.com under 'Investor Relations', 'Corporate Governance', Statutory corporate governance statement (www.ambu.com/corpgov). The report was prepared on the basis of the recommendations of 8 April 2010 and therefore does not contain any statement about the specific diversity goals.

Shareholder rights

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

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

The Board of Directors also discussed the existing ownership structure with the holders of Class A shares in 2010/11. Both the holders of Class A shares and the Board of Directors have so far found that the current ownership structure has been and continues to be expedient for all the company's stakeholders as it helps create a sound framework for the implementation of the company's strategy and thereby safeguards the interests of all shareholders.

The shareholders own the company and exercise their right to make decisions concerning Ambu at the general meetings, which see the adoption of the annual report together with any amendments to the Articles of Association, the election of members of the Board of Directors and the appointment of auditors etc. The notice convening the general meeting is published and sent out to all registered shareholders no later than three weeks and no sooner than five weeks prior to the date of the meeting. All shareholders are entitled to attend and vote at the general meeting in accordance with the Articles of Association. Shareholders may also issue a proxy to the Board of Directors or to others in respect of each item on the agenda, and voting by post is also possible. The general meetings provide an opportunity for shareholders to ask questions of the Board of Directors and the Executive Board. Shareholders can also, subject to compliance with a certain deadline, submit resolutions for consideration by the general meeting.

All documents about general meetings are published on Ambu's website within three weeks of the general meeting in question.

The company's Articles of Association contain no limitations on ownership or voting rights.

The company's Articles of Association contain no special rules with regard to amending its Articles of Association. In this regard, the provisions of the Danish Companies Act (*Selskabsloven*) apply.

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 handles 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 has a duty to perform overall supervision of the company's activities and to check that it is managed in a responsible manner and with due regard to Danish legislation and the Articles of Association.

According to Ambu's Articles of Association, the Board of Directors must have four to eight members elected by the annual general meeting. To this will be added board members elected in pursuance of the provisions of Danish legislation on employee directors. The Board currently has eight members, of whom six have been elected by the annual general meeting and two by the group's employees. Board members elected by the annual general meeting sit for a term of one year and may be re-elected. Employee directors sit for a term of four years defined in pursuance of the provisions of the Danish Public Companies Act. The Board of Directors appoints a Chairman and a Vice-Chairman. Information about the individual members of the Board of Directors is listed on page 38 in the annual report.

In 2010/11, eight board meetings were held, of which one was held at Ambu's factory in Malaysia. On one occasion, a member was unable to attend the meetings. The Executive Management Team attends the meetings of the Board of Directors, which ensures that the Board of Directors is well informed about the company's operations.

In connection with the nomination of new board members, a careful assessment is made of the knowledge and professional experience which is required to ensure the presence on the Board of the necessary competences. At the same time, the Board of Directors is working to ensure that the members of the Board of Directors supplement each other in the best possible way in terms of their age, background, gender etc., thereby being able to provide a competent and versatile contribution to the work of Ambu's Board of Directors.

The age limits for new appointments and re-elections are 65 and 70, respectively.

Three of the six board members elected by the general meeting are considered to be independent, while three board members are not independent as per NASDAQ OMX Copenhagen's recommendations. Chairman N.E. Nielsen, Vice-Chairman Bjørn Ragle and John Stær have been members of the Board of Directors for 12 years or more.

Each year, Ambu's Board of Directors evaluates the performance and achievements of the Board of Directors and its individual members. The Chairman is in charge of the ongoing evaluation and discusses it with the Board of Directors. In continuation of the most recent self-evaluation, it was decided to intensify the risk management efforts as an increasing share of Ambu's activities take place in Asia. The cooperation between the Board of Directors and the Executive Board is also planned to best support the execution of the established strategy and its follow-up.

Management committee

An audit committee has been set up consisting of two members of the Board of Directors, John Stær (Chairman) and Mikael Worning. The purpose of the committee is to support the work of the Board of Directors in ensuring the quality and integrity of the company's presentation of its financial statements, auditing and financial reporting. At the same time, the committee monitors all accounting and reporting processes, the auditing of the company's financial reporting and the work and independence of external auditors. The audit committee held two meetings in 2010/11.

Furthermore, a nomination and remuneration committee has been set up. Ambu has thus decided to set up a joint committee and not two separate committees as this is deemed to be more efficient given Ambu's size and complexity. The members of this committee are N.E. Nielsen (Chairman), Jens Bager and Bjørn Ragle. The nomination and remuneration committee held three meetings in 2010/11.

Executive Board and Executive Management Team

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

After the end of the financial year, a number of organisational adjustments were made as part of Ambu's strategy and the continued streamlining of the company, and as a result two members of Ambu's Executive Management Team will leave Ambu. Ambu's Executive Management Team now consists of the President & CEO and two members who are both Executive Vice Presidents.

Remuneration, Board of Directors and Executive Board

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

Each member of the Board of Directors receives fixed annual remuneration which is approved by the annual general meeting in connection with the adoption of the annual report. In FY 2010/11, remuneration to the Board of Directors totalled DKK 2,422,000 of which the Chairman received DKK 500,000.

The members of the Board of Directors are not covered by any incentive schemes or other bonus schemes.

The emoluments for the Executive Board are decided by the Board of Directors. The emoluments are fixed so as to reflect market levels and the results achieved. In 2010/11, the emoluments for the Executive Board (one person) consisted of a basic pay, including the usual benefits such as a company car and telephone, share option scheme and cash bonus scheme. The remuneration to the Executive Board totalled DKK 7.5m in 2010/11.

The terms of employment of the Executive Board, including emoluments and severance programme, are deemed to be in accordance with the normal standard for positions of this nature and do not entail any special commitments on the part of the company.

Whistleblowing scheme

Ambu has decided to establish a whistleblowing scheme and is currently preparing the implementation of such a scheme.

Board of Directors, Executive Board and Executive Management Team

Board of Directors

N.E. Nielsen, born 1948
Attorney-at-law
Chairman of the Board
Member of the Board since 1999,
re-elected in 2010

Chairman of the board of
Charles Christensen A/S
Danica-Elektronik A/S
Gammelrand Holding A/S
InterMail A/S
MK af 2010 A/S
Pele Holding A/S
P.O.A. Ejendomme A/S
SCF Technologies A/S
Torm A/S

Board member of
Weibel Scientific A/S with all affiliated companies

Special competences
General management, among other things as chairman of listed companies with an international outlook and corporate law issues.

Bjørn Ragle, born 1945
Vice-Chairman of the Board
Member of the Board since 1987,
re-elected in 2009

Chairman of the board of
Kimet Invest A/S

Jens Bager, born 1959
President and CEO of ALK-Abelló A/S
Member of the Board since 2010

Board member of
DBV Technologies S.A. (France)
Odin Equity Partners

Special competences
General management with focus on international sales and marketing as well as acquisitions within the ingredients industry and pharmaceuticals.

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

Anne Blanksø Pedersen, born 1965
Category Manager
Member of the Board since 2009
Elected by the employees

John Stær, born 1951
President and CEO of Satair A/S
Member of the Board since 1998,
re-elected in 2009

Board member of
Several companies in the Satair group
DLH A/S

Special competences
General management, including management of international activities, the acquisition and divestment of companies and financial management.

Anders Williamsson, born 1954
Managing Director
Member of the Board since 2006,
re-elected in 2010

Chairman of the board of
Aerocrine AB
Biomain AB
Danske Bank in Helsingborg
Nano Bridging Molecules S.A.
Dreamwork AB
Fade Hook & Draw AB

Board member of
HTL-Strefa S.A.
Tigran Technologies AB
HIF (Helsingborgs Idrottsförening)

Special competences
General management and long-standing experience with international life science companies, especially in the US market.

Mikael Worning, born 1962
Executive Vice President, Oticon A/S
Member of the Board since 2010

Board member of
Various companies in the William Demant group

Special competences
General management experience with focus on international sales and marketing of medico-technical articles and management of international sales organisations.

Executive Board

Lars Marcher, born 1962
President & CEO
Joined Ambu in October 2008

Board member of
Danish-American Business Forum (Vice-Chairman)
Confederation of Danish Industry – Committee on International Market Policy
Confederation of Danish Industry – Committee on Health Policy

Chairman of the board of
Subsidiaries of the Ambu group

Executive Management Team

Lars Marcher
President & CEO

Anders Arvai
Executive Vice President, Finance, IT and Business Systems

Bjarne Nørgaard Sørensen
Executive Vice President, Global Operations

Shareholdings of the Board of Directors and the Executive Board

	No. of shares as at 30 September 2011	Sales in 2010/11	Acquired in 2010/11
Board of Directors			
N.E. Nielsen	6,640	0	0
Bjørn Ragle	0	0	0
Jens Bager	20,000	0	0
Anne-Marie Jensen	992	0	86
Mikael Worning	0	0	0
Anne Blanksø Pedersen	465	0	121
John Stær	700	0	0
Anders Williamsson	1,000	0	0
Executive Board			
Lars Marcher	5,124	0	1,793

Management's statement and independent auditor's report

Management's statement

On this day, the Board of Directors and the Executive Board have considered and approved the annual report of Ambu A/S for the financial year 1 October 2010 - 30 September 2011.

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 additional Danish disclosure requirements for the annual reports of listed companies. The management's review is prepared in accordance with Danish disclosure requirements for listed companies.

In our opinion, the consolidated financial statements and the financial statements therefore give a true and fair view of the group's and the company's assets, liabilities and financial position at 30 September 2011 and of the results of the group's and the company's operations and cash flows for the financial year 1 October 2010 to 30 September 2011 in accordance with the accounting policies applied.

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 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.

Ballerup, 18 November 2011

Executive Board	Board of Directors		
Lars Marcher President & CEO	N.E. Nielsen Chairman	Bjørn Ragle Vice-Chairman	Jens Bager
	Anne-Marie Jensen	Mikael Worning	Anne Blanksø-Petersen
	John Stær		Anders Williamsson

Independent auditor's report

To the shareholders of Ambu A/S

We have audited the consolidated financial statements, the financial statements and the management's review of Ambu A/S for the financial year 1 October 2010 to 30 September 2011. The consolidated financial statements and the financial statements comprise the income statement, statement of comprehensive income, balance sheet, cash flow statement and statement of changes in equity and notes 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 additional Danish disclosure requirements for listed companies. The management's review is also prepared in accordance with Danish disclosure requirements of listed companies.

Management's responsibility

The management is responsible for the preparation and fair presentation of the consolidated financial statements and financial statements in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated financial statements and financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Furthermore, the management is responsible for preparing a management's review which includes a true and fair review in accordance with Danish disclosure requirements for listed companies.

Auditor's responsibility and basis of opinion

Our responsibility is to express an opinion on the consolidated financial statements, the financial statements and the management's review based on our audit. We conducted our audit in accordance with Danish auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the consolidated financial statements, financial statements and the management's review are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements, the financial statements and the management's review. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement in the consolidated financial statements, the financial statements and the management's review, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the company's preparation and fair presentation of consolidated financial statements and financial statements as well as to the preparation of a management's review that includes a true and fair review, 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 controls. 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, the financial statements and the management's review.

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 2011 as well as of the results of their activities and cash flows for the financial year 1 October 2010 to 30 September 2011 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies. We also find that the management's review contains a true and fair account of the development in the group's and the company's activities and financial affairs, the results for the year and the group's and the company's financial position as well as a description of the main risks and uncertainties facing the group and the company in accordance with Danish disclosure requirements for listed companies.

Copenhagen, 18 November 2011

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab

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

Financial statements

FINANCIAL STATEMENTS

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Income statement 1 October - 30 September

		Group		Parent company	
DKK '000	Note	2010/11	2009/10	2010/11	2009/10
Revenue	2	982,812	939,688	677,373	697,869
Production costs	3, 12	(436,837)	(429,201)	(437,323)	(455,472)
Gross profit		545,975	510,487	240,050	242,397
Selling costs	3	(216,182)	(204,818)	(47,549)	(48,810)
Development costs	3	(26,265)	(32,817)	(25,904)	(32,817)
Management and administration	3, 4	(152,679)	(149,970)	(89,957)	(83,829)
Other operating expenses	3, 21	(6,536)	(4,541)	(5,718)	(3,398)
Operating profit (EBIT) before special items		144,313	118,341	70,922	73,543
Special items	25	(32,979)	(2,517)	(32,979)	(2,517)
Operating profit (EBIT)		111,334	115,824	37,943	71,026
Financial income	5	370	6,912	20,224	4,907
Financial expenses	6	(13,640)	(6,668)	(5,328)	(5,319)
Profit before tax (PBT)		98,064	116,068	52,839	70,614
Tax	7	(28,851)	(32,013)	(10,095)	(14,920)
Net profit for the year		69,213	84,055	42,744	55,694
Distribution of profit					
Proposed dividend for the year		23,816	29,691	23,816	29,691
Retained earnings		45,397	54,364	18,928	26,003
		69,213	84,055	42,744	55,694
Earnings per share in DKK	11				
Earnings per share (EPS)		5.92	7.16		
Diluted earnings per share (EPS-D)		5.83	7.08		

Statement of comprehensive income 1 October - 30 September

Net profit for the year	69,213	84,055	42,744	55,694
Translation adjustment in foreign subsidiaries	5,674	16,049	320	2,360
Tax on translation adjustment in foreign subsidiaries	(1,403)	(1,292)	(1,403)	(1,292)
Adjustment to fair value for the period				
Disposals included in net financials	(524)	(645)	(524)	(645)
Additions concerning hedging instruments	(2,687)	2,025	(2,687)	2,025
Tax on hedging transactions	803	(345)	803	(345)
Comprehensive income	71,075	99,847	39,253	57,796

Balance sheet as at 30 September

Assets		Group		Parent company	
DKK '000	Note	30.09.2011	30.09.2010	30.09.2011	30.09.2010
Non-current assets					
Intangible assets	9				
Completed development projects		38,612	46,355	38,612	46,355
Rights		18,104	20,672	16,607	19,026
Goodwill		146,196	146,007	143,317	143,128
Development projects in progress		18,281	5,802	18,281	5,802
		221,193	218,836	216,817	214,311
Property, plant and equipment	10				
Land and buildings		64,112	69,382	27,103	31,630
Plant and machinery		69,922	79,575	935	17,925
Other plant, fixtures and fittings, tools and equipment		26,297	29,334	19,523	20,978
Prepayments and plant under construction		18,535	20,571	2,280	1,701
		178,866	198,862	49,841	72,234
Other non-current assets					
Shares in subsidiaries	8	-	-	65,996	65,996
Receivables from subsidiaries		-	-	5,022	5,022
Deferred tax asset	14	3,026	2,755	0	0
		3,026	2,755	71,018	71,018
Total non-current assets		403,085	420,453	337,676	357,563
Current assets					
Inventories					
Inventories	12	208,098	201,088	48,020	67,340
Receivables	13				
Trade receivables		237,365	216,559	36,858	38,950
Receivables from subsidiaries		-	-	279,162	245,013
Other receivables		12,824	13,994	1,710	2,944
Income tax receivable	15	2,055	277	0	0
		252,244	230,830	317,730	286,907
Cash		25,729	23,500	0	0
Total current assets		486,071	455,418	365,750	354,247
TOTAL ASSETS		889,156	875,871	703,426	711,810

Balance sheet as at 30 September

Equity and liabilities		Group		Parent company	
DKK '000	Note	30.09.2011	30.09.2010	30.09.2011	30.09.2010
Equity					
Share capital		119,081	118,763	119,081	118,763
Share premium		8,897	4,046	8,897	4,046
Reserve for hedging transactions		(4,216)	(1,807)	(4,217)	(1,807)
Reserve for foreign currency translation adjustments		1,731	(17,311)	0	0
Proposed dividend		23,816	29,690	23,816	29,690
Retained earnings		430,547	428,214	226,630	237,896
Total equity	11	579,857	561,596	374,208	388,588
Liabilities					
Non-current liabilities					
Credit institutions	16	29,546	44,149	29,546	43,788
Provision for deferred tax	14	25,104	20,546	25,514	25,886
Current liabilities					
Current portion of non-current liabilities	16	14,199	14,423	14,199	14,423
Bank debt		86,598	74,579	76,883	64,322
Trade payables		48,084	41,259	13,897	23,106
Payables to subsidiaries		0	0	110,286	88,497
Income tax	15	10,496	14,412	8,907	11,948
Other payables		95,273	104,907	49,986	51,252
Total liabilities		309,300	314,275	329,218	323,222
TOTAL EQUITY AND LIABILITIES		889,156	875,871	703,426	711,810

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Cash flow statement 1 October - 30 September

DKK '000	Note	Group 2010/11	Group 2009/10	Parent company 2010/11	Parent company 2009/10
Net profit for the year		69,213	84,055	42,744	55,694
Adjustments	A	105,002	96,863	33,440	59,026
Changes in working capital	B	(27,936)	(65,065)	(4,643)	(81,829)
Cash flows from operating activities before net financials		146,279	115,853	71,541	32,891
Interest income and similar items		370	6,912	20,224	4,907
Interest expenses and similar items		(13,640)	(6,668)	(5,328)	(5,319)
Cash flows from ordinary activities		133,009	116,097	86,437	32,479
Income tax paid		(30,938)	(17,442)	(14,108)	(2,358)
Cash flows from operating activities		102,071	98,655	72,329	30,121
Purchase of non-current assets	23	(44,366)	(67,619)	(33,079)	(31,389)
Sale of non-current assets		6,370	0	22,005	25,578
Acquisitions		0	0	0	0
Cash flows from investing activities		(37,996)	(67,619)	(11,074)	(5,811)
Free cash flow		64,075	31,036	61,255	24,310
Raising/repayment of long-term debt		(14,826)	(11,296)	(14,242)	(14,529)
Changes in short-term bank debt		11,879	8,546	12,337	12,762
Sale of employee shares		2,543	0	2,543	0
Purchase of Ambu A/S shares		(32,737)	(4,729)	(32,737)	(4,729)
Dividend paid		(29,156)	(17,814)	(29,156)	(17,814)
Cash flows from financing activities		(62,297)	(25,293)	(61,255)	(24,310)
Changes in cash and cash equivalents		1,778	5,743	0	0
Cash and cash equivalents, beginning of year		23,500	17,308	0	0
Translation adjustment of cash and cash equivalents		452	449	0	0
Cash and cash equivalents at year-end		25,730	23,500	0	0
Note A: Adjustments					
Depreciation and amortisation		56,345	60,553	32,523	40,296
Adjustment, option schemes		6,536	4,541	5,718	3,398
Interest and similar items, net		13,270	(244)	(14,896)	412
Tax on profit for the year		28,851	32,013	10,095	14,920
		105,002	96,863	33,440	59,026
Note B: Changes in working capital					
Changes in inventories		(6,079)	(36,179)	19,320	(3,595)
Changes in receivables		(19,193)	(20,500)	3,326	2,022
Changes in balances with group companies		0	0	(12,361)	(61,967)
Changes in trade payables etc.		(2,664)	(8,386)	(14,929)	(18,289)
		(27,936)	(65,065)	(4,643)	(81,829)

Statement of changes in equity

Group

DKK '000	Share capital	Share premium	Reserve for hedging trans-actions	Reserve for foreign currency translation adjustment	Retained earnings	Proposed dividend	Total
Equity as at 1 October 2009	118,763	4,046	(2,842)	(17,311)	359,151	17,814	479,621
Net profit for the year					84,055		84,055
Translation adjustment in foreign subsidiaries				13,689	2,360		16,049
Tax on translation adjustment in foreign subsidiaries					(1,292)		(1,292)
Adjustment to fair value for the period							-
Disposals included in net financials			(645)				(645)
Additions concerning hedging instruments			2,025				2,025
Tax on hedging transactions			(345)				(345)
Total comprehensive income	-	-	1,035	13,689	85,123	-	99,847
Transactions with the owners, recognised directly in equity							
Share options					4,541		4,541
Purchase of treasury shares					(4,729)		(4,729)
Distributed dividend						(17,814)	(17,814)
Dividend, treasury shares					131		131
Proposed dividend					(29,691)	29,691	-
Equity as at 30 September 2010	118,763	4,046	(1,807)	(3,622)	414,526	29,691	561,597
Net profit for the year					69,213		69,213
Translation adjustment in foreign subsidiaries				5,353	320		5,674
Tax on translation adjustment in foreign subsidiaries					(1,403)		(1,403)
Adjustment to fair value for the period							-
Disposals included in net financials			(524)				(524)
Additions concerning hedging instruments			(2,687)				(2,687)
Tax on hedging transactions			803				803
Total comprehensive income	-	-	(2,409)	5,353	68,130	-	71,075
Transactions with the owners, recognised directly in equity							
Capital increase – employee share scheme	318	4,851					5,169
Exercise of options					39,884		39,884
Share options					3,910		3,910
Purchase of treasury shares					(72,621)		(72,621)
Distributed dividend						(29,691)	(29,691)
Dividend, treasury shares					535		535
Proposed dividend					(23,816)	23,816	-
Equity as at 30 September 2011	119,081	8,897	(4,216)	1,731	430,547	23,816	579,857

Statement of changes in equity

Parent company

DKK '000	Share capital	Share premium	Reserve for hedging trans-actions	Reserve for foreign currency translation adjustment	Retained earnings	Proposed dividend	Total
Equity as at 1 October 2009	118,763	4,046	(2,842)	-	212,025	17,814	349,806
Net profit for the year					55,694		55,694
Translation adjustment in foreign subsidiaries					2,360		2,360
Tax on translation adjustment in foreign subsidiaries					(1,292)		(1,292)
Adjustment to fair value for the period							-
Disposals included in net financials			(645)				(645)
Additions concerning hedging instruments			2,025				2,025
Tax on hedging transactions			(345)				(345)
Total comprehensive income	-	-	1,034	-	56,762	-	57,796
Transactions with the owners, recognised directly in equity							
Share options					3,398		3,398
Purchase of treasury shares					(4,729)		(4,729)
Distributed dividend						(17,814)	(17,814)
Dividend, treasury shares					131		131
Proposed dividend					(29,691)	29,691	-
Equity as at 30 September 2010	118,763	4,046	(1,808)	-	237,896	29,691	388,588
Net profit for the year					42,744		42,744
Translation adjustment in foreign subsidiaries					320		320
Tax on translation adjustment in foreign subsidiaries					-1,403		(1,403)
Adjustment to fair value for the period							-
Disposals included in net financials			(524)				(524)
Additions concerning hedging instruments			(2,687)				(2,687)
Tax on hedging transactions			803				803
Total comprehensive income	-	-	(2,409)	-	41,661	-	39,253
Transactions with the owners, recognised directly in equity							
Capital increase – employee share scheme	318	4,851					5,169
Exercise of options					39,884		39,884
Share options					3,092		3,092
Purchase of treasury shares					(72,621)		(72,621)
Distributed dividend						(29,691)	(29,691)
Dividend, treasury shares					535		535
Proposed dividend					(23,816)	23,816	-
Equity as at 30 September 2011	119,081	8,897	(4,217)	-	226,630	23,816	374,208

Notes

Note 1. Accounting policies

Ambu A/S is a public limited company domiciled in Denmark. The annual report for the period 1 October 2010 - 30 September 2011 comprises the consolidated financial statements of Ambu A/S and its subsidiaries (the group) as well as separate financial statements of the parent company.

The consolidated financial statements and the financial statements 2010/11 of Ambu A/S is presented in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

Basis of preparation

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

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

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

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

New accounting regulation

Ambu has implemented all relevant new and updated accounting standards issued by the IASB and effective as of 1 October 2010. The implementation of these new and updated accounting standards has not had a material financial effect on the statement of Ambu's results, assets and liabilities as well as equity in connection with the preparation of the financial statements for the financial years presented.

No accounting standards need to be implemented in FY 2011/12, which will have a material financial effect on the statement of Ambu's results, assets and liabilities or equity in connection with the presentation of the financial statements 2011/12.

Estimates made by the management

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

Material estimates and assumptions are associated with the recognition of:
- Goodwill
- Development projects

Development costs are recognised under assets when such costs pertain to the development of products which our customers consider to be new products and when such projects are clearly defined and identifiable. Development costs not recognised under assets are recognised in the income statement as incurred. Continuous impairment tests are made in respect of both completed development projects and development projects in progress.

Goodwill and development projects are described in note 9.

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.

Description of accounting policies

Consolidated financial statements

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

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

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

Business combinations

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

For business combinations, the positive balances (goodwill) between the cost of the enterprise and the fair value of the acquired identifiable assets, liabilities and contingent liabilities are recognised as goodwill under intangible assets. Goodwill is not amortised, but is subject to an annual impairment test. The first impairment test is carried out by the end of the year of acquisition. Upon acquisition, goodwill is attributed to the cash-generating units, which will subsequently form the basis of an impairment test. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with another functional currency than Danish kroner (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.

For business combinations up to and including FY 2008/09, the cost of an enterprise consists of the fair value of the agreed consideration plus expenses directly attributable to the acquisition. If parts of the consideration are subject to future events, such parts are recognised in the cost to the extent that the events are likely to occur and the consideration can be measured reliably.

Leases

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

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

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

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

Foreign currency translation

For each of the reporting group enterprises, a functional currency is specified. The functional currency is the currency used in the primary economic environment, in which the individual reporting enterprise operates.

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

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

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

Foreign currency translation adjustment of balances which are considered to be part of the total net investment in foreign enterprises are recognised directly in equity under a separate reserve for foreign currency translation adjustments and under net financials in the income statement of the parent company.

Derivative financial instruments are recognised as from the transaction date and are measured at fair value in the balance sheet. Positive and negative fair values of derivative financial instruments are included in other receivables and other payables, respectively. The fair value of derivative financial instruments is calculated on the basis of current market data as well as accepted valuation methods.

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

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

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

Segment information

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

Ambu has thus only identified one operating segment and has therefore only shown the activities' geographical distribution.

Income statement

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

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

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

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

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

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

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

Special items
Special items comprise significant amounts from matters, which cannot be attributed to normal operations, e.g. legal costs in connection with important patent cases, restructuring costs and non-recurring costs.

Net financials
Financial income and expenses comprise interest, exchange gains and losses, write-downs of payables and transactions in foreign currencies, amortisation of financial assets and liabilities, including finance lease commitments, as well as supplementary payments and allowances under the on-account tax scheme etc. Dividend from investments in subsidiaries is recognised as income in the income statement of the parent company in the financial year in which the dividend is declared.

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

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

Balance sheet

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

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

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

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

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

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

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

Property, plant and equipment

Land and buildings, investment properties, technical 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	25 years
Building installations	10 years
Technical plant and machinery	2-10 years
Other plant, fixtures and fittings, tools and equipment	3-5 years

Land is not depreciated.

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

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

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

Shares in subsidiaries

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

Impairment losses on non-current assets

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

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

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

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 flow-generating unit. Impairment losses are recognised in the income statement under production costs, selling costs, development costs and administrative expenses, respectively.

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

Inventories

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

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

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

Receivables

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

Prepayments

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

Equity

Dividend

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

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

Treasury shares

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

Reserve for foreign currency translation adjustments

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

Employee contributions

Pension obligations and similar non-current liabilities

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

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

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

Share-based remuneration

Senior employees in the group participate in a share option scheme in the form of an equity scheme.

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

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

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

Tax payable and deferred tax

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

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

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

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

Provisions

Provisions are recognised when the group, as a result of an event having occurred before or on the balance sheet date, has incurred a legal or actual liability, and it is probable that economic benefits will flow from the group in order to settle the liability.

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

Financial liabilities

Credit institutions

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

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

Other liabilities are measured at amortised cost.

Deferred income

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

Cash flow statement

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

Cash flows from operating activities

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

Cash flows from investing activities

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

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

Cash flows from financing activities

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

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

Cash and cash equivalents

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

Ratios

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

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

	Group	
DKK ’000	2010/11	2009/10
Note 2. Information about the geographical distribution of the activities		
Geographical distribution based on purchasing country		
Europe	566,011	557,928
USA	316,890	298,787
Rest of the world	99,911	82,973
Total revenue	**982,812**	**939,688**

	Group 30.09.2011		Group 30.09.2010	
DKK ’000	Assets	Investments in property, plant and equipment	Assets	Investments in property, plant and equipment
Europe	538,018	12,917	542,304	13,624
USA	127,752	577	132,902	407
Rest of the world	223,386	10,421	200,665	35,155
	889,156	**23,915**	**875,871**	**49,186**

	Group		Parent company	
DKK ’000	2010/11	2009/10	2010/11	2009/10
Note 3. Staff expenses, share-based remuneration and depreciation/amortisation				
Staff expenses are included in functional costs as follows:				
Production costs	99,512	128,219	44,365	79,495
Selling costs	115,474	109,994	10,275	10,884
Development costs	12,857	13,354	12,479	13,354
Management and administration	97,200	89,148	61,370	59,498
Other operating expenses	6,536	4,541	5,718	3,398
Total staff expenses	**331,579**	**345,256**	**134,207**	**166,629**
Staff expenses comprise:				
Remuneration, Executive Board	6,617	6,090	6,617	6,090
Pension contributions, Executive Board	39	112	39	112
Share options	883	883	883	883
Staff expenses, Executive Board	**7,539**	**7,085**	**7,539**	**7,085**
Wages and salaries	283,669	297,460	109,269	141,589
Pension contributions	10,659	13,055	7,945	10,399
Social security costs	21,637	21,748	2,197	2,791
Share options and warrants	3,027	3,658	2,209	2,515
Employee shares	2,626	0	2,626	0
Remuneration, Board of Directors	2,422	2,250	2,422	2,250
Total staff expenses	**331,579**	**345,256**	**134,207**	**166,629**
Average number of employees	1,637	1,728	189	284

Note 3. Staff expenses, share-based remuneration and depreciation/amortisation (continued)

Pension plans:

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

Share option scheme, Executive Board:

At the general meeting in December 2008, it was decided to award share options to the group’s Executive Board. The Executive Board will be awarded a total of 189,000 share options to be allocated successively over a period of three years by one third each year. The share options will be allocated for the first time on 1 October 2010 at a price of 83.75. The share options can be exercised for a period starting three years after the respective share options have been allocated and ending six years after the share options have been allocated. Each option entitles the holder to buy one Class B share with a nominal value of DKK 10 at a price per share corresponding to the listed price at the initial allocation date plus 8% p.a.

Share option scheme, senior employees:

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

Warrant scheme, senior employees:

A warrant scheme comprising 49 of the group’s senior employees in Denmark and abroad was established in April 2011. The purpose of the warrant scheme is to promote the creation of value in Ambu by achieving the company’s strategic objectives and creating identical interests among the participants in the warrant scheme and the company’s shareholders. The allocation of warrants in connection with which each warrant entitles the holder to buy one Class B share with a nominal value of DKK 10 at a price of 160.5 took place upon establishment of the scheme in April 2011. A total of 110,000 warrants were allocated, corresponding to 0.9% of Ambu’s share capital. The incentive programmes are accrued and expensed over the vesting period. No particular requirements have to be met by those participating in the programmes, except continued employment and, for senior employees, ownership of a number of Ambu Class B shares.

The vesting period of the incentive programmes is three years, after which the exercise period runs for two years.

Share options/warrants in Ambu A/S	No. of options/ warrants	Exercise price per option/ warrant in DKK	No. of options/ warrants which can be exercised	Term to maturity in years	Market value in DKK ’000
Executive Board, share options:					
Outstanding balance as at 1 October 2009	0	0	0	0	0
Additions during the year (no.)	63,000	84	0	5	1,436
Options exercised during the year	0	0	0	0	0
Market value adjustment	-	-	0	0	2,083
Senior employees, share options:					
Outstanding balance as at 1 October 2009	816,275	115	118,149	3	16,924
Additions during the year (no.)	160,738	131	0	5	3,143
Options exercised during the year	0	0	0	0	0
Market value adjustment	-	-	0	0	5,409
Outstanding balance as at 30 September 2010	**1,040,013**	**-**	**118,149**	**-**	**28,995**

Note 3. Staff expenses, share-based remuneration and depreciation/amortisation (continued)

Share options/warrants in Ambu A/S	No. of options/ warrants	Exercise price per option/ warrant in DKK	No. of options/ warrants which can be exercised	Term to maturity in years	Market value in DKK ’000
Executive Board, share options:					
Outstanding balance as at 1 October 2010	63,000	84	0	4	3,519
Additions during the year (no.)	63,000	91	0	5	1,432
Options exercised during the year	0	0	0	0	0
Market value adjustment	-	-	0	0	2,383
Senior employees, share options:					
Outstanding balance as at 1 October 2010	977,013	-	118,149	1	25,476
Matured during the year (no.)	-	-	323,626	-	-
First-portion options exercised during the year	(105,800)	104	(105,800)	1	(3,032)
Second-portion options exercised during the year	(257,894)	112	(257,894)	1	(6,788)
Market value adjustment	-	-	0	0	123
Senior employees, warrants:					
Outstanding balance as at 1 October 2010	0	0	0	0	0
Additions during the year (no.)	110,000	161	0	5	4,449
Options exercised during the year	0	0	0	0	0
Market value adjustment	-	-	0	0	(1,374)
Outstanding balance as at 30 September 2011	849,319	-	78,081	-	26,188

The market value of share options and warrants is calculated according to the Black-Scholes model for the valuation of options/warrants. The valuation of the options and warrants at the end of the year is based on the historical volatility. The risk-free interest rate is based on a CIBOR interest rate with a term corresponding to the expected term to maturity of the schemes. The expected term to maturity of the schemes is fixed at one year after the end of the vesting period.

The options have been exercised between December 2010 and June 2011, during which period the weighted share price was 160.

The calculation of the market value at the end of the period is based on the following assumptions:

Dividend per share: DKK 2.00
Volatility: 32%
Average risk-free interest rate of between 0.64% and 1.28%, depending on the term to maturity of the schemes
Listed price: 138.5

	Group		Parent company	
DKK '000	2010/11	2009/10	2010/11	2009/10

Note 3. Staff expenses, share-based remuneration and depreciation/amortisation (continued)

The depreciation, amortisation and impairment of intangible assets and property, plant and equipment are included in functional costs as follows:

Depreciation, amortisation and impairment losses				
Production costs	25,592	27,995	4,299	9,989
Selling costs	498	568	471	355
Development costs (intangible assets)	15,596	19,595	15,596	19,595
Development costs (property, plant and equipment)	140	197	126	197
Management and administration	14,519	12,198	12,031	10,160
Total depreciation, amortisation and impairment losses	56,345	60,553	32,523	40,296

Note 4. Fee to auditors appointed by the annual general meeting

Fee for PWC	1,307	1,318		
Other assurance engagements	55	88		
Tax consultancy services	313	482		
Other services	129	153		
Total fees	1,804	2,041		

Note 5. Financial income

Dividend from subsidiaries	-	-	19,050	3,725
Interest income from loans to subsidiaries	-	-	1,050	820
Foreign exchange gains, net	0	6,567	0	239
Interest income	370	345	124	123
	370	6,912	20,224	4,907

Note 6. Financial expenses

Interest expenses on loans to subsidiaries	-	-	219	150
Interest expenses	4,801	5,740	4,514	5,170
Foreign exchange losses, net	8,839	928	595	0
	13,640	6,668	5,328	5,319

	Group		Parent company	
DKK '000	2010/11	2009/10	2010/11	2009/10
Note 7. Tax on profit for the year				
Current tax	24,370	27,444	11,451	14,010
Adjustment, previous years	456	1,658	797	(563)
Deferred tax	4,026	2,911	(2,153)	1,473
Total tax on profit for the year	28,851	32,013	10,095	14,920
Tax on profit for the year comprises:				
Tax liability of 25% on profit for the year	24,516	29,017	13,210	17,653
Adjustment, previous years	456	1,658	797	(563)
Adjustment of calculated tax in foreign group enterprises in relation to 25%	2,882	1,570	12	20
Tax effect of:				
Other non-deductible costs	997	(232)	839	(1,259)
Other non-taxable income	0	0	(4,762)	(931)
	28,851	32,013	10,095	14,920

Note 8. Shares in subsidiaries		
Acquisition price, beginning of year	65,996	65,996
Disposals	0	0
Additions	0	0
Acquisition price at year-end	65,996	65,996
Carrying amount as at 30 September	65,996	65,996

Shares in subsidiaries Subsidiaries – Wholly owned	Reg. office	Established/ acquired		Share capital, nominal
Ambu Inc.	USA	1983	USD	250,000
Ambu S.A.R.L	France	1989	EUR	170,245
Ambu Ltd.	UK	1991	GBP	1,000
Ambu GmbH	Germany	1992	EUR	51,129
Ambu S.r.l.	Italy	1992	EUR	68,200
Ambu S.L.	Spain	1993	EUR	200,113
Ambu Sdn. Bhd.	Malaysia	1995	MYR	2,400,000
Ambu (China) Ltd.	China	1998	CNY	6,623,760
Ambu Japan KK (inactive company)	Japan	2000	JPY	20,000,000
Ambu BV	Netherlands	2006	EUR	22,700
Ambu (China) Trading Ltd.	China	2008	USD	70,000
Ambu Australia Pty	Australia	2010	AUD	1

In addition to the above, Ambu has branches in both Sweden and Finland.

DKK ’000

Note 9. Intangible assets

Group	Completed development projects	Rights	Goodwill	Development projects in progress	Total
Acquisition price, beginning of year	126,621	26,178	146,007	5,802	304,608
Translation adjustment	0	(15)	189	0	174
Additions during the year	0	119	0	20,332	20,451
Disposals during the year	0	0	0	0	0
Transferred during the year	7,853	0	0	(7,853)	0
Acquisition price at year-end	134,474	26,282	146,196	18,281	325,233
Amortisation and impairment losses, beginning of year	80,266	5,507	0	0	85,772
Translation adjustment	0	(147)	0	0	(147)
Disposals during the year	0	0	0	0	0
Impairment losses for the year	0	0	0	0	0
Amortisation for the year	15,596	2,819	0	0	18,415
Amortisation and impairment losses at year-end	95,862	8,179	0	0	104,040
Carrying amount at year-end	38,612	18,104	146,196	18,281	221,193
Amortisation period	5 years	10-20 years	-	-	-

Parent company	Completed development projects	Rights	Goodwill	Development projects in progress	Total
Acquisition price, beginning of year	126,621	23,501	143,128	5,802	299,052
Translation adjustment	0	132	189	0	321
Additions during the year	0	0	0	20,332	20,332
Disposals during the year	0	0	0	0	0
Transferred during the year	7,853	0	0	(7,853)	0
Acquisition price at year-end	134,474	23,633	143,317	18,281	319,705
Amortisation and impairment losses, beginning of year	80,266	4,475	0	0	84,741
Disposals during the year	0	0	0	0	0
Impairment losses for the year	0	0	0	0	0
Amortisation for the year	15,596	2,551	0	0	18,147
Amortisation and impairment losses at year-end	95,862	7,026	0	0	102,888
Carrying amount at year-end	38,612	16,607	143,317	18,281	216,817
Amortisation period	5 years	10-20 years	-	-	-

Goodwill in the group of DKK 146m primarily concerns goodwill in connection with the acquisition of the Medicotest group in 2001 and the acquisition of the activities of Sleepmate Inc. in 2008. The Medicotest group and Sleepmate Inc. 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 2011, 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 2011/12 budget and on growth of 0% in the terminal period (2009/10: 0%). In connection with the discounting, the weighted cost of capital, corresponding to 8.0% after tax, has been applied (2009/10: 8.7%).

The key assumptions for the impairment test is the weighted cost of capital and the EBIT margin.

The management believes that even material changes in these assumptions will not result in an impairment of goodwill.

DKK ’000

Note 9. Intangible assets (continued)

Group	Completed development projects	Rights	Goodwill	Development projects in progress	Total
Acquisition price, beginning of year	88,280	25,104	144,614	25,710	283,708
Translation adjustment	0	1,074	1,393	0	2,467
Additions during the year	0	0	0	18,433	18,433
Disposals during the year	0	0	0	0	0
Transferred during the year	38,341	0	0	(38,341)	0
Acquisition price at year-end	**126,621**	**26,178**	**146,007**	**5,802**	**304,608**
Amortisation and impairment losses, beginning of year	60,671	2,780	0	0	63,450
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	19,595	2,727	0	0	22,322
Amortisation and impairment losses at year-end	**80,266**	**5,507**	**0**	**0**	**85,772**
Carrying amount at year-end	**46,355**	**20,672**	**146,007**	**5,802**	**218,836**
Amortisation period	5 years	10-20 years	-	-	-

Parent company					
Acquisition price, beginning of year	88,280	22,079	141,735	25,710	277,804
Translation adjustment	0	1,075	1,393	0	2,468
Additions during the year	0	347	0	18,433	18,780
Disposals during the year	0	0	0	0	0
Transferred during the year	38,341	0	0	(38,341)	0
Acquisition price at year-end	**126,621**	**23,501**	**143,128**	**5,802**	**299,052**
Amortisation and impairment losses, beginning of year	60,671	2,008	0	0	62,679
Disposals during the year	0	0	0	0	0
Impairment losses for the year	0	0	0	0	0
Amortisation for the year	19,595	2,467	0	0	22,062
Amortisation and impairment losses at year-end	**80,266**	**4,475**	**0**	**0**	**84,741**
Carrying amount at year-end	**46,355**	**19,026**	**143,128**	**5,802**	**214,311**
Amortisation period	5 years	10-20 years	-	-	-

2010/11

DKK '000

Note 10. Property, plant and equipment

Group	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	141,027	216,796	76,701	20,571	455,095
Translation adjustment	625	1,890	293	58	2,866
Additions during the year	2,194	11,747	7,794	2,180	23,915
Disposals during the year	(3,106)	(27,507)	(4,235)	0	(34,848)
Transferred during the year	0	2,826	1,448	(4,274)	0
Acquisition price at year-end	140,740	205,752	82,001	18,535	447,028
Depreciation and impairment losses, beginning of year	71,645	137,221	47,367	0	256,233
Translation adjustment	617	1,593	130	0	2,340
Reversal upon sale	(1,666)	(22,304)	(3,850)	0	(27,820)
Depreciation for the year	6,032	19,320	12,057	0	37,409
Depreciation and impairment losses at year-end	76,628	135,830	55,704	0	268,162
Carrying amount at year-end	64,112	69,922	26,297	18,535	178,866
Of which assets held under finance leases	0	0	307	0	307
Depreciation period	10-25 years	2-10 years	3-5 years	-	-

Parent company	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	84,826	62,050	56,250	1,701	204,827
Additions during the year	0	0	0	12,747	12,747
Disposals during the year	(3,106)	(59,989)	(3,338)	0	(66,433)
Transferred during the year	27	4,044	8,097	(12,168)	0
Acquisition price at year-end	81,747	6,105	61,009	2,280	151,141
Depreciation and impairment losses, beginning of year	53,196	44,125	35,272	0	132,593
Reversal upon sale	(1,666)	(40,839)	(3,164)	0	(45,669)
Depreciation for the year	3,114	1,884	9,378	0	14,376
Depreciation and impairment losses at year-end	54,644	5,170	41,486	0	101,300
Carrying amount at year-end	27,103	935	19,523	2,280	49,841
Of which assets held under finance leases	0	0	307	0	307
Depreciation period	10-25 years	2-10 years	3-5 years	-	-

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

DKK ’000

Note 10. Property, plant and equipment (continued)

Group	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	124,781	213,655	62,007	11,245	411,688
Translation adjustment	5,545	12,215	972	962	19,694
Additions during the year	8,956	10,360	4,163	25,707	49,186
Disposals during the year	(1,099)	(21,261)	(3,113)	0	(25,473)
Transferred during the year	2,844	1,827	12,672	(17,343)	0
Acquisition price at year-end	**141,027**	**216,796**	**76,701**	**20,571**	**455,095**
Depreciation and impairment losses, beginning of year	64,770	130,567	38,764	0	234,101
Translation adjustment	1,517	5,493	553	0	7,563
Reversal upon sale	(1,017)	(20,638)	(2,722)	0	(24,377)
Depreciation for the year	6,375	21,799	10,772	0	38,946
Depreciation and impairment losses at year-end	**71,645**	**137,221**	**47,367**	**0**	**256,233**
Carrying amount at year-end	**69,382**	**79,575**	**29,334**	**20,571**	**198,862**
Of which assets held under finance leases	1,836	0	1,790	0	3,626
Depreciation period	10-25 years	2-10 years	3-5 years	-	-

Parent company	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	82,173	128,229	44,675	6,088	261,165
Additions during the year	0	0	0	12,956	12,956
Disposals during the year	(191)	(68,006)	(1,097)	0	(69,294)
Transferred during the year	2,844	1,827	12,672	(17,343)	0
Acquisition price at year-end	**84,826**	**62,050**	**56,250**	**1,701**	**204,827**
Depreciation and impairment losses, beginning of year	49,399	87,502	28,040	0	164,941
Reversal upon sale	(140)	(49,292)	(897)	0	(50,329)
Depreciation for the year	3,937	5,915	8,129	0	17,981
Depreciation and impairment losses at year-end	**53,196**	**44,125**	**35,272**	**0**	**132,593**
Carrying amount at year-end	**31,630**	**17,925**	**20,978**	**1,701**	**72,234**
Of which assets held under finance leases	0	0	1,790	0	1,790
Depreciation period	10-25 years	2-10 years	3-5 years	-	-

DKK '000

Note 11. Share capital and treasury shares

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

	Class A shares		Class B shares	
	2010/11	2009/10	2010/11	2009/10
No. of shares issued as at 1 October	1,716,000	1,716,000	10,160,298	10,160,298
Additions	0	0	31,782	0
Disposals	0	0	0	0
No. of shares issued as at 30 September	1,716,000	1,716,000	10,192,080	10,160,298

During the year, the management increased Ambu's share capital by 31,782 Class B shares of DKK 10 each. The premium on the new issue of shares amounted to DKK 4,851k. The share capital has been fully paid in.

Treasury shares – Class B shares	No. of shares		Nominal value (DKK '000)		In % of share capital	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
1 October	131,560	87,320	1,316	873	1.1	0.7
Additions	456,072	44,240	4,561	442	3.8	0.4
Disposals	(363,694)	0	(3,637)	0	(3.1)	0
Class B treasury shares as at 30 September	223,938	131,560	2,239	1,316	1.9	1.1

Treasury shares have been purchased to cover the option scheme.

	Group	
Earnings per share	2010/11	2009/10
Net profit for the year	69,213	84,055
Average no. of outstanding Class A and B shares	11,684,142	11,744,738
Average no. of diluted Class A and Class B shares	11,878,570	11,866,359
Earnings per DKK 10 share (EPS) in DKK	5.92	7.16
Diluted earnings per DKK 10 share (EPS-D) in DKK	5.83	7.08

	Group		Parent company	
DKK '000	30.09.2011	30.09.2010	30.09.2011	30.09.2010
Note 12. Inventories				
Commodities and consumables	66,195	58,090	2,991	9,823
Finished goods	141,903	142,998	45,029	57,517
	208,098	201,088	48,020	67,340
Cost of sales for the year	314,590	292,978	373,830	372,865
Inventory write-down				
Write-down as at 1 October	5,154	5,415	1,196	1,115
Translation adjustment	(366)	231	0	0
Additions	1,733	367	600	81
Disposals	(810)	(859)	(810)	0
Write-down as at 30 September	5,711	5,154	986	1,196

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

	Group		Parent company	
Note 13. Receivables				
Trade receivables	237,365	216,559	36,858	38,950
Receivables from group enterprises	0	0	279,162	245,013
Other receivables	14,879	14,271	1,710	2,944
Total receivables	252,244	230,830	317,730	286,907
Write-down as at 1 October	3,125	2,502	1,010	666
Translation adjustment	9	58		
Write-downs of receivables for the year	101	617	0	0
Reversal for the year of previous write-downs	0	(52)	0	344
Write-downs included in the receivables mentioned above as at 30 September	3,235	3,125	1,010	1,010

Credit risks

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

Outstanding receivables are monitored on a regular basis in accordance with the company's debtor policy which is based on concrete debtor assessments of private customers. Public-sector customers are an important part of the company's receivables, and it is believed that no debtor risks are associated with public-sector customers. In the event of uncertainty as to a customer's ability or willingness to pay a receivable and it is deemed that the claim is subject to risk, a write-down is made to hedge such risk. Public-sector customers account for 40% of the outstanding debtors, which reduces the risk of loss.

Sales of Ambu's products to customers worldwide are settled primarily on open-account terms, either by letter of credit or prepayment from distributors.

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

	Group		Parent company	
DKK '000	30.09.2011	30.09.2010	30.09.2011	30.09.2010
Note 13. Receivables (continued)				
Trade receivables				
0-30 days	144,077	124,665	33,493	25,737
31-60 days	24,608	30,881	441	410
61-90 days	11,746	13,990	95	1,975
91-120 days	8,484	10,829	683	2,916
121-180 days	14,906	13,099	(21)	2,983
> 180 days	33,544	23,095	2,167	4,929
Value written down as at 30 September	237,365	216,559	36,858	38,950
Note 14. Provision for deferred tax				
Deferred tax as at 1 October	17,791	13,251	25,886	25,016
Translation adjustment	(81)	178	0	0
Deferred tax on other comprehensive income	(111)	345	(111)	345
Deferred tax for the year	4,026	2,911	(2,153)	1,472
Change in respect of previous years	452	1,106	1,892	(947)
Deferred tax as at 30 September	22,078	17,791	25,514	25,886
Deferred tax relates to:				
Intangible assets	19,222	6,949	18,577	15,578
Property, plant and equipment	9,643	9,081	7,011	6,452
Current assets	(5,023)	3,980	18	4,102
Payables	(1,764)	(2,218)	(91)	(246)
Tax losses allowed for carryforward	0	0	0	0
	22,078	17,791	25,514	25,886
Deferred tax comprises:				
Deferred tax asset	(3,026)	(2,755)	0	0
Deferred tax	25,104	20,546	25,514	25,886
Deferred tax falling due within 12 months	(6,787)	1,761	(73)	3,856
Note 15. Income tax				
Income tax payable as at 1 October	14,135	2,109	11,948	(1,380)
Translation adjustment	228	177	0	0
Paid during the year	(30,938)	(17,442)	(14,108)	(2,358)
Adjustment in respect of previous years	1,337	(392)	308	(563)
Tax on other comprehensive income	(692)	2,239	(692)	2,239
Tax on profit for the year	24,370	27,444	11,451	14,010
Net payable/receivable	8,441	14,135	8,907	11,948
Classified in the balance sheet as follows:				
Income tax receivable	(2,055)	(277)	0	0
Income tax payable	10,496	14,412	8,907	11,948

DKK '000					Group 30.09. 2011	Group 30.09. 2010	Parent company 30.09. 2011	Parent company 30.09. 2010

Note 16. Credit institutions

Carrying amount:

Loan	Maturity	Type	Fixed/ floating	Interest rate	Group 30.09. 2011	Group 30.09. 2010	Parent company 30.09. 2011	Parent company 30.09. 2010
USD	2014	Bank	Floating	2.5%	20,667	28,666	20,667	28,666
EUR	2014	Bank	Fixed	3.5%	6,563	8,749	6,563	8,749
DKK	2015	Bank	Fixed	3.5%	9,455	11,675	9,455	11,675
DKK	2015	Bank	Fixed	6.7%	445	556	445	556
DKK	2018	Bank	Floating	3.5%	6,305	7,087	6,305	7,087
DKK	2013	Finance leases		5.2%	310	475	310	475
EUR	2011	Finance leases		4.3%	0	360	0	0
DKK	2011	Finance leases		4.4%	0	1,004	0	1,004
Total credit institutions as at 30 September					**43,745**	**58,572**	**43,745**	**58,212**
Effective rate of interest					3.1%	3.1%		
Of the total debt, the following falls due:								
			0-1 year		14,199	14,783	14,199	14,423
			1-5 years		27,584	40,338	27,584	40,338
			> 5 years		1,962	3,451	1,962	3,451
					43,745	**58,572**	**43,745**	**58,212**
Liabilities relating to assets held under finance leases are thus included in payables to credit institutions:								
			0-1 year		173	1,528	173	1,169
			1-5 years		137	310	137	310
			> 5 years		0	0	0	0
Liabilities relating to finance leases as at 30 September					**310**	**1,839**	**310**	**1,479**

Finance leases as at 30 September 2011	Group Min. lease payments	Group Interest rate	Group Carrying amount	Parent company Min. lease payments	Parent company Interest rate	Parent company Carrying amount
0-1 year	185	12	173	185	12	173
1-5 years	140	3	137	140	3	137
> 5 years	0	0	0	0	0	0
	326	**15**	**310**	**326**	**15**	**310**
Finance leases as at 30 September 2010	1,890	51	1,839	1,528	50	1,479

DKK '000

Note 16. Credit institutions (continued)

Liquidity risks

Ambu's financial resources consist of bank loans.

	0-1 year	1-5 years	> 5 years	Total*)	Fair value	Carrying amount
Credit institutions	15,415	29,077	2,042	46,534	43,772	43,745
Bank debt	86,598	0	0	86,598	86,598	86,598
Trade payables	48,084	0	0	48,084	48,084	48,084
Other payables	95,273	0	0	95,273	95,273	95,273
Total financial liabilities	245,370	29,077	2,042	276,489	273,727	273,700
Cash	25,729	0	0	25,729	25,729	25,729
Trade receivables	237,365	0	0	237,365	237,365	237,365
Other receivables	14,879	0	0	14,879	14,879	14,879
Total financial assets	277,973	0	0	277,973	277,973	277,973
Liquidity risks, net 30.09.2011	(32,604)	29,077	2,042	(1,485)	(4,247)	(4,274)
Liquidity risks, net 30.09.2010	(16,737)	43,974	3,696	30,933	25,010	24,987

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

	Group		Parent company	
	30.09.2011	30.09.2010	30.09.2011	30.09.2010
Unutilised credit facilities				
Unutilised credit maximums	112,710	119,596	93,906	108,244

Interest rate risks

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

The group's net interest-bearing debt is calculated as debt to credit institutions and bank debt less cash and cash equivalents. Based on the company's net debt as at 30 September 2011, which partly carries a fixed and partly a floating rate of interest, a 1% increase/fall in the general interest rate level will have the following effect on the income statement and equity as far as the development in interest rate swaps is concerned.

	Group 30.09.2011	Group 30.09.2010	Parent company 30.09.2011	Parent company 30.09.2010
Interest-bearing net debt	104,614	109,651		
Increase/fall in the interest rate level of 1 percentage point - impact on results +/-	878	868		
Increase/fall in the interest rate level of 1 percentage point - impact on equity +/-	(4,752)	(915)		

DKK '000

Note 17. Charges

No charges exist as at 30 September 2011. As at 30 September 2010, mortgage deeds registered to the mortgagor with a nominal value of DKK 25,383k secured upon properties in Denmark with a carrying amount of DKK 31,630k were provided as security in respect of payables to credit institutions.

	Group		Parent company	
	2010/11	2009/10	2010/11	2009/10
Note 18. Operating leases				
Payments due within 0-1 year	19,662	14,505	7,517	2,770
Payments due within 1-5 years	52,996	33,212	26,306	7,962
Payments due after 5 years	105,043	76,072	98,954	68,555
Total operating leases	177,701	123,789	132,777	79,287
Operating leases expensed in the income statement	20,841	20,302	7,745	7,975

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

Note 19. Related parties

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

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

	Parent company	
	2010/11	2009/10
Sale to subsidiaries	509,794	541,719
Purchase from subsidiaries	325,734	274,376
Purchase of Class B treasury shares from holders of Class A shares	13,855	0

During the year, no transactions, except for intercompany transactions eliminated in the consolidated financial statements and payment of the management's remuneration, have been carried out with the Board of Directors, Executive Board, senior employees, major shareholders or other related parties. During 2010/11, Ambu A/S purchased 85,000 Class B shares from holders of Class A shares at market price.

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

Long-term loans have been granted by the parent company to cover building investments in Malaysia. The loans carry market interest. Furthermore, the parent company has issued a declaration of support to the subsidiary in Malaysia.

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

	Parent company	
	2010/11	2009/10
Guarantees and security furnished on behalf of subsidiaries	16,010	15,886

DKK '000

Note 20. Financial instruments

Approx. 90% of Ambu's revenue is invoiced in foreign currencies, but a large share of the company's purchases of materials are made in the same foreign currencies. Ambu's most important invoicing currencies are EUR, USD and GBP. Furthermore, a number of net assets are stated in these currencies. Wide fluctuations in the exchange rates of the company's major currencies will nevertheless affect both its financial position and its competitiveness.

To hedge the short-term foreign exchange risk relating to current cash flows, Ambu has laid down a foreign exchange policy which focuses on hedging open positions and the estimated future net cash flow for up to six months. At the end of the financial year, Ambu chose not to hedge USD and EUR.

Ambu hedges only commercial risks and does not enter into derivative financial transactions for trading or speculative purposes.

	Group		Parent company	
	30.09.2011	30.09.2010	30.09.2011	30.09.2010
Recognised financial instruments				
Loans and receivables				
Trade receivables	237,365	216,559	316,020	283,963
Cash	25,729	23,500	0	0
Other receivables	12,744	13,470	1,630	2,420
Assets stated at fair value in the income statement				
Hedging instruments (level 2)*)	80	524	80	524
Carrying amount as at 30 September	275,918	254,053	317,730	286,907
Financial liabilities recognised at amortised cost				
Credit institutions	(43,745)	(58,572)	(43,745)	(58,211)
Bank debt	(86,598)	(74,579)	(76,883)	(64,322)
Trade payables	(48,084)	(41,259)	(13,897)	(23,106)
Other payables	(89,573)	(101,974)	(44,286)	(48,319)
Liabilities stated at fair value in the income statement				
Hedging instruments (level 2)*)	(5,700)	(2,933)	(5,700)	(2,933)
Carrying amount as at 30 September	(273,700)	(279,317)	(184,512)	(196,891)

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

DKK '000

Note 20. Financial instruments (continued)

Hedging of expected future transactions

In order to hedge future net cash flows denominated in foreign currencies, primarily comprising the sale and purchase of goods and corresponding to up to six months as of the balance sheet date, the following contracts have been entered into.

		Gross value		Contract value		Fair value	
Forward exchange contracts	Payment/maturity	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
Sale of GBP	< 1 year	20,616	13,883	20,696	14,407	80	524
		20,616	13,883	20,696	14,407	80	524

Forward transactions in GBP comprise the expected cash flow for six months after the balance sheet date.

	Principal amount		Fair value	
	2010/11	2009/10	2010/11	2009/10
Fair value of financial instruments				
Forward exchange contracts				
GBP translated into DKK '000			80	524
Interest rate and currency swaps				
DKK/DKK, floating to fixed rate	9,455	11,675	(448)	(542)
EUR/EUR, floating to fixed rate	6,563	8,744	(5,252)	(2,391)
Total financial liabilities	16,018	20,419	(5,620)	(2,409)

Interest rate swaps comprise variable interest payments over an average period of five years.

Sensitivity analysis

Foreign exchange risk – impact on revenue and EBIT

	2010/11		2009/10	
	Revenue	EBIT	Revenue	EBIT
	-5 points	-5 points	-5 points	-5 points
USD	-2%	-6%	-2%	-6%
GBP	0%	-2%	0%	-2%
MYR	0%	4%	0%	3%
CNY	0%	4%	0%	4%

Note 21. Other operating expenses

In 2009/10 and 2010/11, other operating expenses comprise the effect of the option and warrant schemes established. For 2010/11, this item also covers the effect of the employee share scheme. For further information, please refer to note 3.

DKK '000

Note 22. Contingent liabilities

The patent case relating to the laryngeal mask was completed in 2010/11 through a settlement between Ambu and LMA. The patent case is described on page 24. In addition to this, Ambu is a party to a small number of lawsuits in Denmark and abroad.

Bid and performance bonds totalling DKK 2.5m have been issued in respect of some of Ambu's customers. The bonds expire once delivery is made and approved by the customer.

	Group		Parent company	
DKK '000	2010/11	2009/10	2010/11	2009/10
Note 23. Financing of non-current assets				
Purchase of property, plant and equipment, cf. note 10	23,915	49,186	12,747	12,956
Purchase of intangible assets, cf. note 9	20,451	18,433	20,332	18,433
of which assets held under finance leases	0	0	0	0
Amounts paid concerning the purchase of property, plant and equipment	44,366	67,619	33,079	31,389
Proceeds from the arrangement of financial liabilities	0	0	0	0
of which lease debt	0	0	0	0
Proceeds from the arrangement of financial payables	0	0	0	0

Note 24. Subsequent events

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

Note 25. Special items

	Group 2010/11	Group 2009/10	Parent company 2010/11	Parent company 2009/10
Legal fees and settlement costs in relation to patent cases	31,129	2,517	31,129	2,517
Non-recurring expenses in connection with organisational changes	1,850	0	1,850	0
	32,979	2,517	32,979	2,517

Ambu in brief

Ambu develops, produces and markets diagnostic and life-supporting devices to hospitals and rescue services. Ambu has three business areas: Airway Management, Patient Monitoring & Diagnostics and Emergency Care.

Ambu's high-quality products are innovative and unique. Ambu has a favourable market position in its chosen focus areas.

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

Headquartered in Ballerup, Denmark, Ambu has production facilities in Xiamen, China, and in Penang, Malaysia.

At the end of 2010/11, Ambu had just over 1,600 employees, of whom just over 150 work in Denmark and 1,450 abroad.

Ambu is listed on NASDAQ OMX Copenhagen.

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