Ambu
Ideas that work for life

# Annual Report
# 2006 | 2007

**Mission**

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

**Vision**

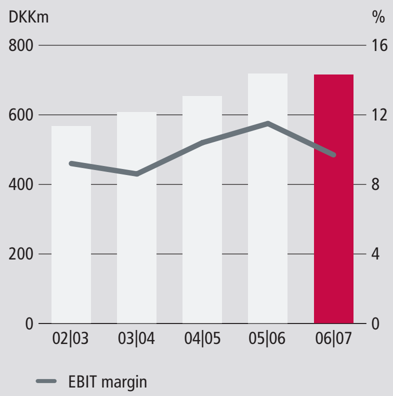
Based on a deeper understanding of customers' needs and behaviours, we will constantly exceed their expectations and build strong, long-lasting relations.

## Contents

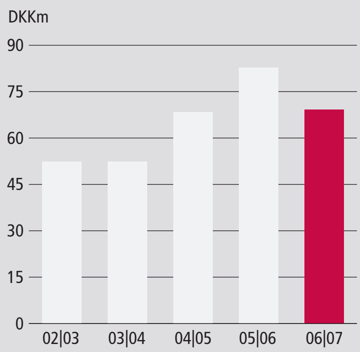
# Highlights

- In 2006/07, Ambu has implemented a number of activities aimed at optimising product development and strengthening sales – the objective being to increase the growth in revenue, which was not satisfactory in FY 2006/07.
- Growth in Europe was satisfactory, while revenue in the US decreased, among other things due to the decision not to go ahead with sales at special discounts.
- Ambu will streamline its portfolio management, development model and a number of internal processes.
- Revenue in 2006/07 totalled DKK 715.0m, which is largely unchanged relative to the previous year. Measured on the basis of unchanged exchange rates from 2005/06, revenue in 2006/07 would have totalled approx. DKK 730m. In local currencies, organic growth totalled 2%.
- Revenue within the business areas Respiratory Care and Neurology increased in all important European markets, whereas revenue within Respiratory Care in the USA declined following the decision not to go ahead with sales at special discounts at the end of the financial year.
- In 2006/07, products launched after October 2003 accounted for 25% of revenue.
- EBIT before other operating expenses (option and employee share programme) amounted to DKK 74.2m against DKK 84.1m in 2005/06.
- Net profit for the year totalled DKK 42.8m against DKK 48.4m the year before.
- Revenue and EBIT are in line with the outlook for 2006/07 most recently announced by the company (29 August 2007), but significantly lower than expected at the beginning of the financial year.
- Free cash flow amounted to DKK 33.4m against DKK 60.8m the year before. The change is primarily attributable to investments and the lower net profit.
- The Board of Directors proposes that a dividend be declared of DKK 1.50 per share for FY 2006/07, amounting to 42% of the profit for the year.
- In FY 2007/08, consolidated revenue is expected to increase by about 8% when reported in local currencies, corresponding to approx. DKK 750m. These expectations are based on an average USD exchange rate of 500.
- In 2007/08, the EBIT margin is expected to be 11.5-12%. Profit before tax is expected to be 10.5-11% of revenue, corresponding to approx. DKK 80m.
- In 2007/08, a free cash flow of approx. DKK 45m is expected, with investments amounting to approx. 7% of revenue.

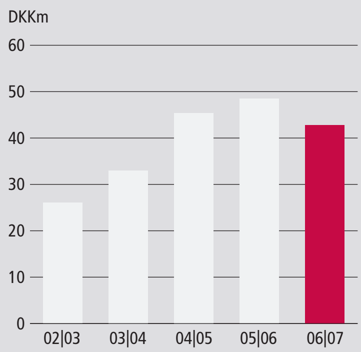
**Revenue and EBIT margin**




**Operating profit (EBIT)**




**Net profit for the year**



# Letter to our shareholders

Ambu develops diagnostic and life-supporting devices for hospitals and rescue services, focusing on single-use products. We are benefiting from an increasing demand for the type of products which we offer. Our products are innovative and differentiated in comparison with competing products, which means that Ambu is not forced to compete on price alone.

At the same time, we see that both in Denmark and abroad, we are successfully attracting and retaining employees who possess just the right competences which are needed for us to continue to offer such innovative and differentiated products.

A combination of innovative products, attractive market conditions and the ability to attract the right competences is a good basis for generating growth, and Ambu has in many ways created a sound platform for further growth. In recent years, we have improved our development processes, launched many new products, streamlined production considerably, not least through the establishment of production facilities in China and Malaysia, and finally strengthened our sales processes.

However, overall growth in the past two years has not met the expectations set out in Strategy 2008, but that Ambu has in several cases generated a growth in revenue which exceeds market growth.

In the past year, Europe has seen growth of just over 8%, and in several important markets growth in revenue has been even higher. We are pleased with these developments, but believe that Ambu's growth potential is even greater. Special challenges have characterised the US market in the past year, as Ambu learnt in August 2007 that the expected revenue relied on the granting of special discounts. It was decided not to go ahead with the specially discounted sales, and revenue in the USA therefore fell by 10% after an 11% increase the year before.

"A combination of innovative products, attractive market conditions and the ability to attract the right competences is a good basis for generating strong growth, and Ambu has in many ways created a sound platform for further growth"

A question in point is why Ambu has not succeeded in generating stronger growth. This is, of course, something which we have asked ourselves, and we have examined the situation very carefully. We have concluded that our portfolio management, our product development model and our internal processes must be optimised.

Ambu must move even closer to its markets, including users and opinion-makers within the individual business areas. In this way, we can further increase our competitive edge. We must also strengthen our ability to prioritise new ideas and projects in the right way – and considerable emphasis will be on creating a more attractive product portfolio targeted at our most important customer segments.

*Kurt Erling Birk*
*President & CEO*

# Financial highlights and key figures

| DKKm | 2002/03 *) | 2003/04 *) | 2004/05 | 2005/06 | 2006/07 |
|---|---|---|---|---|---|
| **Financial highlights** | | | | | |
| Revenue | 567 | 608 | 654 | 716 | 715 |
| Operating profit before ordinary depreciation and amortisation (EBITDA) | 90 | 95 | 106 | 126 | 111 |
| Operating profit (EBIT) | 52 | 52 | 68 | 83 | 69 |
| Net financials | (18) | (6) | (8) | (12) | (15) |
| Profit before tax (PBT) | 34 | 46 | 61 | 70 | 54 |
| Net profit for the year | 26 | 33 | 45 | 48 | 43 |
| Total assets at year-end | 556 | 591 | 670 | 678 | 681 |
| Equity at year-end | 294 | 320 | 358 | 391 | 418 |
| Share capital | 58 | 59 | 118 | 118 | 119 |
| Investments in non-current assets and acquisitions | 55 | 73 | 55 | 47 | 56 |
| Depreciation and impairment, non-current assets | 38 | 42 | 37 | 44 | 41 |
| Cash flows from operating activities | 63 | 55 | 40 | 99 | 90 |
| Free cash flow | 26 | (14) | (15) | 61 | 33 |
| Average no. of employees | 875 | 1,024 | 1,280 | 1,221 | 1,216 |
| **Ratios** | | | | | |
| EBITDA margin, % [1] | 15.9 | 15.5 | 16.2 | 17.7 | 15.5 |
| EBIT margin, % [2] | 9.2 | 8.6 | 10.4 | 11.5 | 9.7 |
| Return on assets, % [3] | 9.4 | 8.8 | 10.2 | 12.2 | 10.2 |
| Return on equity, % [4] | 9.0 | 10.8 | 13.4 | 12.9 | 10.6 |
| Equity ratio, % [5] | 53 | 54 | 53 | 58 | 61 |
| Earnings per DKK 10 share [6] | 2.26 | 2.86 | 3.87 | 4.12 | 3.62 |
| Equity value per share [7] | 26 | 27 | 30 | 33 | 35 |
| Share price at year-end | 30 | 54 | 106 | 96 | 87 |
| CAPEX, % [8] | 9.8 | 12.0 | 8.4 | 6.5 | 7.8 |
| ROIC, % [9] | 7.7 | 7.6 | 9.2 | 10.4 | 9.1 |

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

1) EBITDA margin: Operating profit before ordinary depreciation and goodwill amortisation in % of revenue
2) EBIT margin: Operating profit in % of revenue
3) Return on assets: Operating profit in % of total assets
4) Return on equity: Ordinary profit after tax rated to average equity
5) Equity ratio: The proportion of total liabilities to equity at year-end
6) Earnings per DKK 10 share: Net profit in relation to average no. of shares
7) Equity value of shares: Total equity in relation to no. of shares at year-end
8) CAPEX: Investments in non-current assets and acquisitions in relation to revenue
9) ROIC: EBIT less tax in relation to assets less non-interest-carrying debt

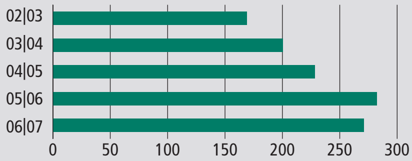
The ratios have been calculated in accordance with The Danish Society of Investment Professionals' "Recommendations and Financial Ratios 2005".
For share-related figures, see p. 26.

# Ambu's business areas

## RESPIRATORY CARE

**Products** | **Revenue, DKKm**

- Bags and masks for artificial ventilation

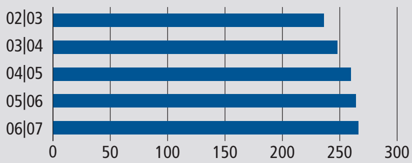



Ambu is an important player within Respiratory Care with a broad product portfolio and a favourable market position, especially within disposable bags for artificial ventilation and laryngeal masks.

## CARDIOLOGY

**Products** | **Revenue, DKKm**

- Single-use electrodes for mapping cardiac rhythm

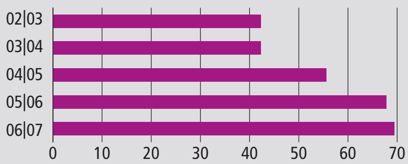



Ambu enjoys a strong position and has a broad product programme in the market for electrodes of a high quality. The electrodes are used for simple mappings of cardiac rhythm as well as for advanced diagnostic measurements and tests.

## NEUROLOGY

**Products** | **Revenue, DKKm**

- Single-use electrodes for diagnosing diseases in nerves and muscles

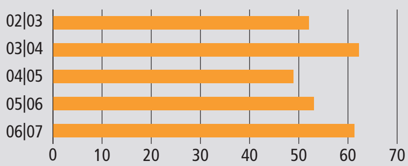



Ambu has established a position as a specialist within disposable electrodes for neurological tests. The measurements are used for diagnostic purposes in relation to diseases of the motor apparatus, such as sclerosis and sleeping disorders.

## TRAINING

**Products** | **Revenue, DKKm**

- Manikins for basic and advanced first-aid training

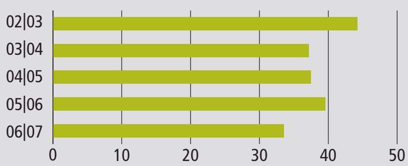



Ambu has, for a number of years, enjoyed an attractive market position within manikins for first-aid training and is now the second-largest player in the market, which is dominated by one large and a few small suppliers.

## IMMOBILIZATION

**Products** | **Revenue, DKKm**

- Collars to support neck and head to protect patients having sustained injuries




Sales of collars are concentrated in the US market, where it is normal procedure to use collars in connection with the transportation of injured people. Ambu is a leading player within this area in the USA.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# Management's review

## Ambu's consolidated revenue is not at the desired level. In autumn 2007, an assessment has been made of the barriers to increased growth. With reference to this assessment, portfolio management, our development model and a number of internal processes will be optimised.

**Follow-up on Strategy 2008**

Strategy 2008, which is an ambitious growth strategy, provides the overall framework for Ambu's development. Ambu has successfully realised a number of the objectives laid down in Strategy 2008 and has been pursuing the general principles described in the strategy. This has, among other things, resulted in the ongoing launch of new products and new versions of existing products, the considerable streamlining of production and a change of priorities in sales. The result has been continuous growth in revenue, but in the past two financial years, the combined growth has not reached the desired level. In the past year, it is primarily the decrease in revenue in the US market which has disappointed.

In the course of 2006/07, a number of activities were implemented which are aimed at increasing growth, including an optimisation of product development and a strengthening of sales. However, these activities have still not led to the desired growth in revenue. Consequently, an analysis was conducted in September 2007 which has identified the barriers to stronger growth.

With reference to the findings, the following measures will be introduced:

- Portfolio management will be optimised with a view to ensuring that Ambu is at all times able to offer the product portfolio expected by customers.
- The product development model will be optimised with a view to increasing the development rate considerably. In this context, it has been decided that, in future, development will not only take place in Denmark, but also at our development centre in China.
- The internal processes will be optimised with a view to introducing material improvements to customer services, while at the same time making processes leaner.

*Updating financial targets*

As a follow-on from the lack of growth in revenue, the financial targets for 2007/08 have been reduced relative to the figures previously announced. For 2007/08, the outlook is now revenue in the region of DKK 750m (at a USD exchange rate of 500), an EBIT margin of 11.5-12%, a free cash flow in the region of DKK 45m and a return on invested capital including goodwill (ROIC) of approx. 12%.

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

Ambu has in 2006/07 considered a number of possible acquisitions, but the owners have either been unwilling to sell, or the price has been too high. Ambu is still seeking to make one or more acquisitions, but it is essential that the price of such new activities is financially viable. The criteria for acquisitions are still that candidates must be capable of becoming part of a consolidation process within the existing product programme, or that they must give obvious synergies between existing and acquired products. Also, it is decisive that value is created for Ambu's shareholders.

**Global market developments**

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

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

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

**Management's review**

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

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

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

Within all product segments there are typically one or two dominant players. Ambu's strategy therefore involves trying to ensure that the company's products are distinguishable from those of its competitors.

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

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

## Growing markets

All Ambu's business areas are seeing a growth in demand. Estimated market growth is about 5%, but within several product segments, market growth is somewhat higher – not least during periods following the launch of new and value-adding products.

The increase in demand is, among other things, driven by an increased use of single-use items, by the desire to raise the quality of treatments in the health sector and by the need for more efficient and simplified procedures. At the same time there is generally greater focus on prevention and timely diagnosis.

The building-up of the health sectors in a number of countries in, for example, Asia and Eastern Europe in the coming years is also expected to boost demand within Ambu's business areas.

**Product development and new products**

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

According to Strategy 2008, the target is for 25% of consolidated revenue in 2007/08 to come from products launched after 1 October 2003. This strategic objective was fulfilled in 2006/07.

Considerable improvements have in recent years been seen in Ambu's development processes, and a number of new products have been launched within the strategic business areas. However, the innovation processes must be strengthened further, as must the company's ability to generate more new ideas, to select the right ideas and to develop these ideas efficiently. The development model will be optimised further in 2007/08.

In the past year, a search function has been established, and the product management function has been strengthened.

The new search function is intended to ensure that Ambu seeks out and evaluates new product opportunities within the known business areas, which will create added value for Ambu's customers and which hold attractive market potential.

The product management function handles, among other things, activities within portfolio management, pricing, follow-up on new projects and the development of sales concepts and services.

As part of the optimisation of development processes, Ambu also started the establishment of development facilities in China in 2006/07. The department in China is, among other things, handling the development of variants of existing products. This leads to greater flexibility, lower costs and faster completion of development projects. The product development department at the Chinese plant has started work to improve several of the existing products within Respiratory Care and Training.

In 2006/07, development resources have been concentrated on the development of new products and on improving existing products within Respiratory Care and Neurology.

## Management's review

In FY 2006/07, Ambu launched the following products:
- A flexible laryngeal mask, AuraFlex
- A straight laryngeal mask, AuraStraight
- Single-use face masks for operating theatres, UltraSeal
- Improved needle electrodes for EMG measurements
- Two ECG electrodes for the low end of the market

AuraFlex is a flexible laryngeal mask which is specially designed for use in connection with ear, nose and throat operations. Existing single-use products for such uses do not meet the requirements of doctors. The straight laryngeal mask, which is primarily used in connection with standard operations, supplements the existing range of laryngeal masks. Both products have been welcomed by the market and increase the number of situations for which Ambu can offer a laryngeal mask. Ear, nose and throat operations account for approx. 10% of the market for laryngeal masks.

UltraSeal is a series of face masks specially designed for use in operating theatres. The masks are characterised by their anatomical shape, which makes it easy to achieve a close fit to the patient's face. The launch of UltraSeal is part of the strategy to add to the product programme aimed at anaesthetists.

The programme of needles for the EMGs carried out by neurophysiological departments has been improved, which means that the force needed to penetrate the skin has been reduced significantly. This means less pain for patients.

The launch of the two ECG electrodes for the low end of the market helps complete the programme, and Ambu now has a competitive programme for both the high and low ends of the market.

Ambu expects to launch a number of new products in the coming years to complement the existing product portfolios.

### Production

An important aspect of Ambu's strategy is to continuously optimise production of the company's products. It is a precondition for being able to ensure competitive product pricing. As part of its optimisation efforts, Ambu has in recent years significantly expanded production capacity and competences in China and Malaysia. In 2006/07, approx. 62% of Ambu's products were produced at the plants in China and Malaysia. The aim set out in Strategy 2008 of approx. 70% of total production taking place at Ambu's two plants in China and Malaysia is expected to be fulfilled as planned. The rate at which production has been relocated has been higher than expected, reflecting Ambu's expertise at establishing production outside Denmark.

Continuous efforts are going into streamlining production in China and Malaysia. As part of these efforts, the implementation of lean principles started in 2006/07, while local sourcing is also being used to an increasing extent. Thanks, among other things, to these activities, production in China developed more positively than expected in 2006/07. This is attributable to a lower level of materials consumed and lower pay costs.

Concurrently with the relocation of production to China and Malaysia, the remaining production in Denmark has undergone very considerable streamlining. In the first half of the financial year, the production unit in Ølstykke implemented a major automation project to reduce pay costs for the Danish production of electrodes. The rationalisation process meant that, for a period of time, inventories were not particularly large, and in the second half of the financial year there was therefore a need to focus on ensuring suffi-

**Products launched in 2006/07:**

- **RESPIRATORY CARE**
  A flexible laryngeal mask, AuraFlex

- **RESPIRATORY CARE**
  A straight laryngeal mask, AuraStraight

- **RESPIRATORY CARE**
  Single-use face masks for operating theatres, UltraSeal

## Innovation – the road to growth

The ability to develop innovative products is crucial to our ability to achieve continued growth and to exploit the attractive market conditions within Ambu's business areas. The company is therefore seeking actively to promote a culture which is effective at fostering and testing ideas and developing them into new products. Dynamics, speed and risk assessment are important elements.

We have in recent years focused increasingly on organising the company and systematising development processes with a view to ensuring the regular launch of new and innovative products. Among other things, a search function has been established, charged with seeking out and evaluating new product ideas.

The ideas for new products emerge in different ways – via close contacts with doctors and other users, within Ambu's own organisation, from partners and via ongoing follow-up on the expiry of patents for relevant products. Considerable importance attaches to the breadth and quality of these sources, and Ambu devotes many resources to identifying customer requirements and to strengthening its competences within this discipline.

ciently high production and reliability of delivery. The planned cost reductions are expected to be fully realised in the course of 2007/08.

The 2006/2007 financial year saw a considerable consolidation of competences and also a professionalisation of purchases in Ambu. The new principles have been applied to several categories of raw materials, and results have been positive. In the coming year, the new principles will be fully implemented for all types of purchases.

- **CARDIOLOGY**
  Two ECG electrodes for the low end of the market

- **NEUROLOGY**
  Improved needle products for EMG measurements

## Developments in business areas

All the business areas in which Ambu is operating are seeing market growth. Ambu has a market share within the individual product segments in Europe and the USA of up to 30%, with market growth standing at an estimated 5%, but within several product segments, market growth is somewhat higher. Market growth within Ambu's business areas is, among other things, driven by an increase in the use of single-use products rather than reusable products and stronger focus on early diagnosis. Within several of Ambu's product areas, it is deemed possible for Ambu to generate stronger growth than market growth in future. This will often be conditional upon Ambu being able to identify customer requirements and develop innovative products to meet such requirements. One example of such a product is Ambu's laryngeal mask.

The primary target group for Ambu's products is hospitals, while the secondary target group is the pre-hospital sector. In the course of 2006/07, greater focus has been directed at important customers and at customer segmentation. The aim is to increase the number of product types sold to individual customers and to ensure a better correlation between the size of the individual hospitals and Ambu's sales to them.

The business area Training made the greatest contribution to growth in 2006/07, but the business area Neurology also contributed to growth.

Growth in revenue within Cardiology was modest, while the number of units sold increased by approx. 5%. The negative growth within Respiratory Care is entirely due to the decision not to go ahead with sales at special discounts in the USA in the last months of the financial year.

*Respiratory Care*

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

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

In 2006/07, the highest growth was seen within laryngeal masks and face masks.

Sales of Ambu's laryngeal mask, which was introduced in spring 2004, saw continued growth in the past financial year. However, competition is intensifying in step with the emergence of new suppliers on the market.

The laryngeal mask products which have been launched within the past couple of years have been welcomed by the market and contributed to growth in 2006/07. AuraFlex, which was launched in 2006/07, saw a satisfactory level of market penetration and strengthens Ambu's position in this market. Most recently, Ambu has launched a straight laryngeal mask, which has been positively received by the market due to the functional design of the product.

Ambu has in recent years sought to strengthen its position within the anaesthesiology segment, and focus on this segment has intensified further in the past year. In the coming years, growth within Respiratory Care must be increased by offering new product lines which are perceived as value-adding by anaesthetists. This will pave the way for selling more products to existing customers and forging new customer relations, thereby ensuring the efficient use of resources in the sales organisation.

*Cardiology*

Products within Cardiology comprise single-use electrodes for measuring cardiac rhythm, ECGs. The target groups for these products are primarily hospitals and secondarily ambulance services and private clinics.

In 2006/07, a number of activities were launched to boost growth and improve competitiveness within Cardiology. The production of electrodes at the Ølstykke plant has been streamlined, and more sales resources have been allocated to Cardiology.

In the past year, revenue within Cardiology has grown by 2% in local currencies. The desired level of growth has still not been attained, but growth is after all stronger than the year before. Spain and Italy are seeing a 5-10% growth in sales, which is higher than market growth, while sales in other markets are in line with the underlying market growth.

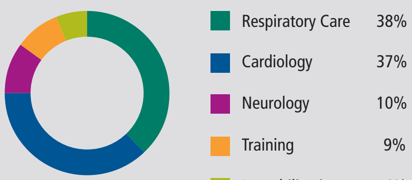
Ambu will continue to focus on growth within Cardiology through the continued targeting of buyers and through retaining the company's strong customer relations within this area.

*Neurology*

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

**Revenue by business area**

| DKKm | 2006/07 | 2005/06 | Growth in DKK % | Growth in local currencies % |
|---|---|---|---|---|
| Respiratory Care | 271.2 | 282.4 | (4.0) | (1.2) |
| Cardiology | 266.2 | 264.1 | 0.8 | 1.6 |
| Neurology | 69.4 | 67.8 | 2.4 | 5.2 |
| Training | 61.4 | 53.1 | 15.6 | 16.4 |
| Immobilization and other products | 46.8 | 48.5 | (3.4) | 1.9 |
| Total | 715.0 | 715.9 | (0.1) | 2.0 |



**Management's review**

## Effective screening of new product ideas

Ambu concentrates its resources on developing new products and further developing existing products within its established business areas – especially Respiratory Care, Cardiology and Neurology. We believe that all three business areas offer attractive growth potential for companies which are able to create ongoing product innovation.

New product ideas are screened on the basis of a standard procedure. Initially, all ideas are filtered to ascertain whether they are in line with the agreed strategy. If they are, an in-depth analysis is conducted, comprising among other things an overall market analysis, a patent assessment and an internal analysis of competences in relation to the idea.

If the ideas also pass this test, the development process as such commences. So far, Ambu has developed virtually all new products on its own, but in future careful assessments will be made to establish whether the development of individual products should take place internally, externally or in close collaboration with other companies. The aim is to speed up the development of new products, and to thereby boost growth in sales.

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

Neurology is an important area for Ambu's future growth. The market is attractive, with regard to both size and potential, and in a number of markets neurophysiological examinations are on the increase.

In 2006/07, Ambu achieved growth of 5% within Neurology when reported in local currencies. It is believed that Ambu has won market shares in the past year thanks to its position as a specialist within disposable electrodes. This position must be developed further by strengthening relations with the neurophysiologists which are very influential when it comes to purchases of their own products, and by strengthening the product portfolio.

In 2006/07, Ambu launched a new series of needles, which were welcomed by customers.

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

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

Ambu has succeeded in strengthening its market position in key markets such as France and Germany through focused commercial efforts. In 2006/07, the company thus won market shares in these mature markets.

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

The product programme is sold primarily in the US market where Ambu is successfully retaining a very large market share thanks to its strong customer relations.

## Developments in individual markets

Ambu's main markets are still Europe and the USA where sales are handled by both the company's own subsidiaries and distributors. In the other markets, Ambu is represented exclusively by distributors, and these will in the coming years continue to play an important role. Ambu will engage in closer collaboration with the distributors to promote sales of Ambu's products. The distributors will, among other things, be an important factor in the positioning of Ambu in the future growth markets in Asia and Eastern Europe.

Demand for the types of products offered by Ambu – primarily single-use products of a high quality – is still low in a number of the new growth markets. However, these markets are developing, and Ambu is gradually increasing its sales efforts in the new markets – for example in Asia and Eastern Europe – through greater collaboration with existing contacts. In the coming years, Ambu's presence in China is expected to provide a good starting point for strengthening Ambu's position in the Asian markets.

Sales efforts are undergoing continued streamlining in both the USA and Europe under a targeted programme. Efforts are going into forging closer relations with Ambu's key customers in these markets to strengthen Ambu's future position in a market characterised by the continued consolidation of customers. The most important customer groups are anaesthetists, staff in cardiology wards and neurophysiologists. Moreover, Ambu has successfully increased its focus on the buyers and the purchasing organisations. In a number of countries, especially the USA, Germany, France, Spain and Sweden, the purchasing organisations are becoming ever-more powerful. Ambu has therefore in recent years broadened its competences concerning the preparation and negotiation of large public and private tenders, and the company has succeeded in establishing collaboration with several important purchasing organisations. In the past year, Ambu has been awarded several contracts with the purchasing organisations (GPOs).

*Europe*

In 2006/07, Ambu achieved growth in revenue of 8.4% in Europe when reported in local currencies. The highest growth was seen in Spain, Italy and Germany.

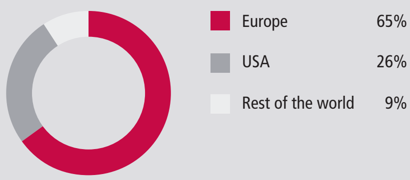
The largest markets in Europe are Germany, France and the UK.

In Germany, revenue was up 5.4% in 2006/07. The strongest growth in revenue was seen within Respiratory Care and Training. The increase in revenue is attributable, in particular, to the consolidation and expansion of market shares within laryngeal masks, while market shares were also consolidated and expanded within Training through the repositioning of products and through focused commercial activities in this area.

In France, revenue in 2006/07 was up 1.4% when reported in the local currency. Growth rates within Respiratory Care, Neurology and Training ran into two-digit figures, whereas Cardiology saw a fall in growth due to the loss of a major tender.

**Revenue by geographical market**

| DKKm | 2006/07 | 2005/06 | Growth in DKK % | Growth in local currencies % |
|---|---|---|---|---|
| Europe | 467.4 | 430.8 | 8.5 | 8.4 |
| USA | 182.5 | 219.4 | (16.8) | (9.9) |
| Other | 65.1 | 65.7 | (0.8) | (0.7) |
| **Total** | **715.0** | **715.9** | **(0.1)** | **2.0** |



## Management's review

In the UK, revenue for 2006/07 was up 2.2% when reported in the local currency. Growth rates within Respiratory Care, Neurology and Training ran into two-digit figures, whereas Cardiology saw a fall in growth. The reason for the negative growth within Cardiology is the loss of a major contract and increased competition. In 2006/07, focus was directed at sales activities in the UK with a view to boosting growth in revenue. The effect of the reorganisation of the sales force by business area is beginning to show in the form of growth in revenue within Respiratory Care and Neurology.

In Spain, revenue increased by 23.9% and in Italy by 9.2% when reported in the local currency. Italy saw two-digit growth rates within Respiratory Care and Neurology.

The Danish sales organisation is in charge of marketing and sales in the Nordic countries and in the European markets where Ambu does not have its own sales companies, with sales being effected either via distributors or directly to end-customers. In Denmark, Finland and Sweden, where sales are primarily effected directly from Denmark, sales increased by 2.3% in 2006/07 when reported in local currencies.

Sales via distributors in Europe were up 16.0% when reported in local currencies.

*USA*
The USA is Ambu's largest single market. Reported in the local currency, revenue fell by 9.9% in 2006/07, while revenue reported in Danish kroner fell by 16.8%. The fall in revenue is attributable, not least, to Ambu's decision in August 2007 not to go ahead with sales at special discounts. Prior to this decision, Ambu had realised that the sales targets for the year for the US market could not be achieved without offering considerable discounts to a number of the company's major customers towards the end of the financial year. Ambu does not wish to grant such discounts.

Ambu's decision meant that sales to the customers in question were not as high as expected. However, these customers are expected to come back to buy Ambu products at normal prices in the new financial year as Ambu enjoys strong relations with them, and Ambu's products have a strong foothold among end-users. Expectations are thus that the decision will simply lead to a postponement of sales.

Sales to the other customer segments in the USA have developed positively, while sales via distributors in the USA have generally grown less than expected.

Revenue within Respiratory Care fell by 22.1%, while revenue within Neurology and Training increased by 3.2% and 26.5%, respectively. The other business areas saw a fall in revenue.

Developments in the US market in the past financial year show that, like a number of other players, Ambu is facing a challenge in this market. The lack of growth is, among other things, attributable to the fact that competition is intensifying for the SPUR products (single-use bags for artificial ventilation), while market growth for the laryngeal masks is declining. This is not surprising. The management believes that Ambu has a sound foundation in the USA and considerable scope for strengthening its position in the US market in the coming years. Ambu has built up a solid sales organisation consisting of approx. 40 salespeople, comprising the sales managers, salespeople in charge of direct sales and telephone salespeople. An important precondition for being able to boost growth is the ability to regularly introduce new and innovative products, as the growth potential of companies of Ambu's size is closely linked to their ability to introduce new and value-adding products.

The sales force in the USA will now primarily be targeting customers with considerable potential so as to ensure increased growth on the basis of the existing sales resources. The telephone sales force will be targeting geographical areas and hospitals with less sales potential so as to ensure effective market penetration in these segments, too.

In the past couple of years, it has been deemed important to sign contracts with the US GPOs as it is believed that a strengthening of this sales channel is decisive to achieving considerable growth in the US market. Ambu has succeeded in concluding a number of major contracts with some of the largest purchasing organisations, and in 2006/07 a contract was signed with Magnet concerning products within Respiratory Care, Cardiology and Neurology. Moreover, the scope of existing contracts with Novation and Premier has been extended.

*Other markets*
In these markets, sales of Ambu's products take place exclusively via distributors. In 2006/07, revenue fell by 0.7% when reported in local currencies.

Ambu succeeded in registering the laryngeal mask in the Japanese market, which is the second-largest market in the world for medicotechnical products. Also, revenue increased in the markets in the Middle East, which are currently characterised by high levels of growth.

### Cases concerning the laryngeal mask
Since autumn 2005, Ambu has been party to a patent infringement case.

In autumn 2005, legal proceedings were thus instituted against Ambu by the company LMA (listed on the Singapore Stock Exchange and registered in the Dutch Antilles) before a German court with a claim being set up that Ambu's laryngeal mask had infringed a German patent due to the design of the reinforcement of the tip of the laryngeal mask. The patent is not being used in LMA's own products.

Judgement in the case was passed in August 2006, and according to this, Ambu's laryngeal mask does violate LMA's patent on the German market. Ambu has lodged an appeal, and the decision in the appeal case is expected to be delivered in summer 2008. LMA has brought similar proceedings in the Netherlands and France. In all three cases, Ambu is denying all claims of a violation of LMA's patent and will contest the validity of LMA's patent.

The product to which the case pertains is no longer being sold in Europe as Ambu introduced a new and improved product approx. twelve months ago.

Most recently, LMA has instituted proceedings against Ambu in the USA in October 2007, the claim being that Ambu's laryngeal masks are in violation of two US patents (US 5303697 and US 7156100). Ambu aims to respect the valid intellectual property rights of others, and Ambu believes that LMA's claims are completely unfounded. Ambu's lawyers are currently analysing the US writ, and once their analysis is complete, Ambu will decide what steps to take in this case.

The cases have not resulted in a loss of customers for Ambu. They have, however, entailed considerable costs in the form of fees for patent experts and lawyers.

At present the likelihood of winning the patent cases is deemed to be high, for which reason no provisions have been made.

**ERP systems**

In 2005/06, Ambu started implementing a new ERP system. The system was implemented in the Danish units in 2005/06, and in 2006/07 it was implemented by the Chinese production unit. The implementation of this system went well, and operations have subsequently been extremely satisfactory. The implementation of an ERP system at the production unit in Malaysia has commenced and is expected to be completed by the end of Q2 2007/08. The ERP system will then be implemented in the sales companies, so that the entire system will be fully implemented in FY 2008/09.

**Incentive schemes**

Ambu's strategy includes establishing incentive schemes for the purpose of promoting value creation in the company and shared interests among the management, employees and the company's shareholders.

Ambu's incentive schemes currently comprise:

- Share option programme for senior employees
- Bonus programme for the management and senior employees
- Employee shares

## Identifying customer needs

Ambu is working consciously to strengthen its ability to identify customer needs. Today, most companies have a model which is well geared to the development and launch of new products; where companies stand to gain a considerable competitive advantage is by being able to decode customer requirements for new products and improved versions of existing products. It sounds simple, but it isn't.

What is needed therefore is a decoding of customer requirements – for example through the use of more indirect questioning techniques and by observing customers going about their daily working lives. A number of techniques are available today which can help identify customer requirements, and Ambu is now systematically training its development and marketing staff in how to apply these techniques.

## Management's review

*Share option programme*
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 23 employees in the Ambu group. The Board of Directors and the Executive Board do not take part in the programme. Share options are allocated in four rounds – the first time in connection with the establishment of the programme in June 2007 (at a price of 104), and then at the end of the 2006/07, 2007/08 and 2008/2009 financial years subject to an annual price increase of 8%. It is estimated that the maximum number of share options to be issued during this period will be approx. 500,000, corresponding to approx. 4% of Ambu's share capital. The total market value of the share options allocated amount to approx. DKK 13m according to the Black-Scholes model. The entire share option programme will be accrued and expensed over the seven-year period. No particular requirements 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 FY 2006/07, the impact of the share option programme on the financial statements is approx. DKK 0.3m. Further details about the share option programme can be seen in Note 3.

*Bonus programme*
Ambu is establishing a bonus programme for the Executive Board and senior employees for one year at a time. The annual cash bonus for the Board of Management 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 the fulfilment of overall financial and personal 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 May 2007, Ambu finalised the subscription of employee shares, and a total of 89,916 Class B shares were subscribed, corresponding to 0.8% of the share capital. Approx. 30% of the group's employees today own shares in Ambu, and approx. 60% of the group's Danish employees hold shares. The Chinese employees do not take part in the employee share programme due to local Chinese legislation in this area.

A non-recurring effect of the programme of DKK 4.7m was expensed in 2006/07.

### Board resolutions and proposals to the Annual General Meeting

*Appropriation of profit and dividend*
The Board of Directors proposes that a dividend be declared of DKK 1.50 per share for FY 2006/07, amounting to 42% of the net profit for the year. The Board of Directors proposes to the Annual General Meeting that the Group net profit for the year, DKK 42.8m, be distributed as follows:

| | |
|---|---|
| Dividend of DKK 1.50 per share | 17.8 |
| Retained earnings | 25.0 |
| Total | 42.8 |

*Other proposals*
A proposal will be presented for the Board of Directors to be authorised to acquire treasury shares amounting to up to 10% of the share capital.

### Subsequent events
No significant events have taken place after the end of the financial year.

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

In 2007/08, Ambu will focus on optimising the product portfolio, on improving its product development model to ensure faster product development and on achieving a considerable improvement in service levels in relation to customers.

Ambu is deemed to be well geared to increase its market share, and the continued optimisation of sales efforts will ensure the efficient exploitation of this potential. Focus will primarily be directed at major central customers and the forging of closer relations with this customer segment. The aim is to increase the number of product types sold to individual customers and to ensure a better correlation between the size of the individual hospitals and Ambu's sales to them.

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

In 2007/08, production will be further streamlined, while the full effect of the optimisation project within purchasing is expected to be felt.

On the basis of the activities initiated and planned, total revenue for FY 2007/08 is expected to increase by about 8% when reported in local currencies and 5% when reported in Danish kroner, corresponding to approx. DKK 750m.

On the basis of the expected increase in revenue, the continued streamlining of production and focus on costs, the EBIT margin is expected to increase to 11.5-12% in 2007/08 from 9.7% in 2006/07. Profit before tax is expected to be 10.5-11% of revenue, corresponding to approx. DKK 80m. Efforts are going into evening out the quarterly fluctuations in earnings; however, the highest revenue and earnings are still expected to be seen in the second half of the year.

The outlook for revenue and earnings is based on an average USD exchange rate of 500. A change in the USD exchange rate of 50 will result in a change in revenue of approx. DKK 20m and a change in EBIT of approx. DKK 3m. In FY 2006/07, the average exchange rate was USD 560 against DKK.

In 2007/08, investments are expected to be on a par with investments in 2006/07 of DKK 56m. Investments will primarily be in the development of new products, the acquisition of process equipment and the continued implementation of the ERP system.

In 2007/08, Ambu will continue to focus on cash flow with due consideration for the company's strategic development. In 2007/08, a free cash flow in the region of DKK 45m is expected, with investments expected to amount to approx. 7% of revenue.

In 2007/08, the return on invested capital (ROIC) is expected to be approx. 12%.

**Forward-looking statements**

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

*See also the section on risks on p. 32.*

# Knowledge and competences

Being a niche operator competing in a global market, Ambu needs to develop and retain unique competences to safeguard its long-term competitiveness.

With a view to realising its ambitious strategic objectives, Ambu has decided to focus on developing its competences within selected areas.

### Knowledge of customer needs and the market

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

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

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

### Knowledge of product development

Ambu is reliant on its ability to develop innovative products, and this ability to innovate is closely linked to being able to identify customer needs and translate these needs into new solutions and products.

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

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

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

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

### Knowledge of technology and processes

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

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

### Developing and retaining employees

To retain and enhance its competitiveness in the world market, it is vital that Ambu develops the competences and knowledge of its employees in a targeted and structured way, while at the same time making sure that the knowledge and competences thus accumulated are shared across the organisation.

Building up competences at the production facilities in China and Malaysia has been a particular challenge in recent years. Ambu has created an attractive working environment for employees at its foreign plants and has launched special training programmes. Thanks to this policy, it has been possible to attract qualified employees, to retain them and to achieve a high level of efficiency – both in production and most recently within more specialised areas such as development.

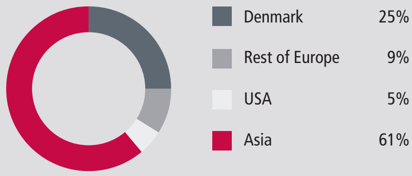
There is considerable scope for professional and personal development for employees in all the countries in the form of training, challenging jobs, increased responsibility and project work. All training and competence development is planned in line with the company's present and future requirements.

Incentive schemes have been introduced with a view to retaining employees and motivating them to contribute to value creation in the company. For a detailed description of these programmes, please see p. 19.

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

The past year has seen a slightly higher rate of employee turnover than in previous years due to the general availability of attractive jobs and the ensuing higher level of job mobility. However, Ambu is still able to both attract and retain good competences. This is attributable, among other things, to Ambu's image as an exciting and attractive workplace which emphasises a close dialogue with individual employees concerning development and career prospects.

**Geographical breakdown of employees**



# Shares and investor relations

**The Ambu share**
At the end of the financial year, Ambu's share capital consisted of a total of 11,876,298 shares of DKK 10, corresponding to a nominal share capital of DKK 118,762,980. The share capital is divided into 1,716,000 Class A shares and 10,060,298 Class B shares.

In March 2007, the Board of Directors decided to exercise its authority to increase the share capital by issuing employee shares. During the period 16-20 April 2007, employees were able to subscribe for shares at a price of DKK 55 per share on special terms. A total of 89,916 Class B shares were subscribed.

Ambu's Class B shares are listed on the OMX Nordic Exchange Copenhagen under ISIN code DK0010303619 and shortname AMBU B. Ambu is part of the SmallCap+ index.

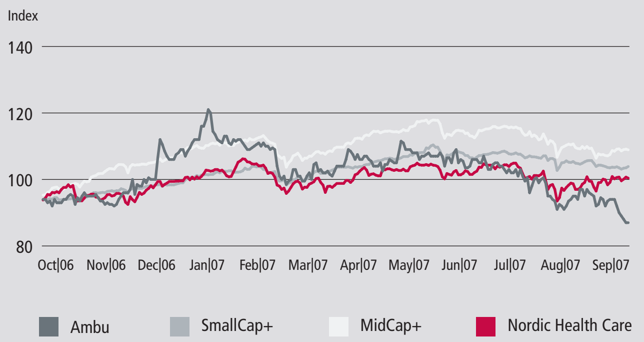
The opening price quoted for the Ambu share was 96, falling to a closing level at the end of the financial year of 87, a fall of 9%. In comparison, the Nordic Health Care index and the SmallCap+ index on the OMX Copenhagen Stock Exchange increased by 7% and 11%, respectively, in the same period.

As a result of the fall in the share price, Ambu's market capitalization (defined as the value of both Class A and Class B shares recognised at the price quoted for the Class B share) in late September 2007 totalled DKK 1,033m against DKK 1,131m a year earlier.

In the course of the financial year, a total of 3,223,744 Class B shares were traded, corresponding to 32% of the total number of Class B shares at the end of the year (2005/06: 38%).

The Ambu share is covered by:
- ABG Sundal Collier
- Enskilda Securities
- Gudme Raaschou

**Development in share price**




**Ownership**
In mid-October 2007, the total number of shareholders in Ambu having arranged name registration of their holding was approx. 2,300, who owned a combined 87% of the total share capital.

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

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

## Shareholders

| | Share of share capital % | Share of votes % |
|---|---|---|
| Tove Hesse, Holte | 7.5 | 22.1 |
| Inga Kovstrup, Fredericia | 9.2 | 22.8 |
| Dorrit Ragle, Lyngby | 9.0 | 22.8 |
| N.P. Louis Hansen Aps, Nivå | 14.9 | 6.5 |
| ATP, Hillerød | 6.0 | 2.6 |

As at 30 September 2007, members of Ambu's Board of Directors and Executive Board owned a total of 1.6% of the share capital.

As at 30 September 2007, Ambu held a total of 47,320 treasury shares, corresponding to 0.4% of the share capital.

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

In view of the company's profit performance in 2006/07 and the outlook for 2007/08, the Board of Directors has decided to propose to the Annual General Meeting that a dividend be declared of DKK 1.50 per share, representing 42% of the net profit for the year.

Payment of the dividend for FY 2006/07 will be effected automatically via the Danish Securities Centre immediately after the Annual General Meeting.

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

Ambu's incentive schemes currently comprise:
- Share option programme for senior employees
- Bonus programme for the management and senior employees
- Employee shares

For a detailed description of the incentives schemes, see Management's review and Note 3.

## Investor relations

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

The company's website, www.ambu.com, is the primary source of information 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
Denmark
Contact: Anders Arvai, Executive Vice President - Finance
Telephone: +45 72 25 20 00
E-mail: aa@ambu.com

## Annual General Meeting

The Annual General Meeting will be held on 19 December 2007 at 2.30 pm at The Black Diamond, Søren Kierkegaards Plads 1, 1016 Copenhagen K., Denmark.

## Releases to the OMX Nordic Exchange Copenhagen in 2006/07

| | | | |
|---|---|---|---|
| 27 | October | 2006 | Financial calendar |
| 30 | November | 2006 | Annual Report 2005/06 |
| 20 | December | 2006 | Annual General Meeting in Ambu A/S |
| 10 | January | 2007 | LMA withdraws injunction case against Ambu Holland |
| 18 | January | 2007 | LMA institutes patent violation case in the Netherlands against Ambu |
| 7 | February | 2007 | Report for Q1 2006/07 |
| 15 | March | 2007 | Employee share programme |
| 11 | May | 2007 | Report for Q2 2006/07 |
| 1 | June | 2007 | Ambu A/S share capital and voting rights |
| 4 | June | 2007 | Employee share issue completed |
| 29 | June | 2007 | Incentive programme for executive employees in Ambu |
| 9 | July | 2007 | Financial calendar |
| 20 | August | 2007 | No discounted sales and adjusted outlook for 2006/07 |
| 29 | August | 2007 | Report for Q3 2006/07 |

## Financial calendar 2007/08

| | | | |
|---|---|---|---|
| 19 | December | 2007 | Annual General Meeting |
| 28 | December | 2007 | Payment of dividend |
| 29 | January | 2008 | Report for Q1 2007/08 |
| 8 | May | 2008 | Report for Q2 2007/08 |
| 27 | August | 2008 | Report for Q3 2007/08 |
| 26 | November | 2008 | Annual Report 2007/08 |

**Share-related key figures**

| | 2002/03 [*] | 2003/04 [*] | 2004/05 | 2005/06 | 2006/07 |
|---|---|---|---|---|---|
| Earnings per DKK 10 share [1] | 2.26 | 2.86 | 3.87 | 4.12 | 3.62 |
| Cash flow per DKK 10 share [2] | 5.47 | 4.65 | 3.39 | 8.37 | 7.54 |
| Equity value per share [3] | 26 | 27 | 30 | 33 | 35 |
| Share price at year-end | 30 | 54 | 106 | 96 | 87 |
| Listed price/equity value | 1.2 | 2.0 | 3.5 | 2.9 | 2.5 |
| Dividend per share [4] | 0.70 | 1.00 | 1.00 | 1.50 | 1.50 |
| Pay-out ratio, % [5] | 31 | 35 | 26 | 37 | 42 |
| P/E ratio [6] | 13 | 19 | 27 | 23 | 24 |

[*] The comparative figures for these years have not been restated in accordance with IFRS
[1] Earnings per DKK 10 share: The proportion of net profit to average no. of 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: The proportion of total equity to no. of shares at year-end
[4] Dividend per share: The proportion of dividend to no. of shares at year-end
[5] Pay-out ratio: Dividend declared as a percentage of profit for the year
[6] P/E ratio: Listed price/earnings per share
The ratios have been calculated in accordance with The Danish Society of Investment Professionals' "Recommendations and Financial Ratios 2005".

# Corporate governance

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

The OMX Nordic Exchange Copenhagen has laid down a set of corporate governance recommendations, and Ambu generally complies with these recommendations with the exception of the term for which directors are elected by the general meeting. This is explained below.

**Shareholders and other stakeholders**

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

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

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

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

**Share classes and voting rights**

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

Class A shares are non-negotiable securities and as such are not quoted on the OMX Nordic Exchange 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 the OMX Nordic Exchange 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 has discussed the existing ownership structure with the holders of Class A shares. Both the holders of Class A shares and the Board of Directors have so far found that the current ownership structure has been 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 strategies and thereby safeguards the interests of all shareholders.

**Management structure**

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 of the two bodies.

### Duties of the Board of Directors

The Board of Directors handle the overall management of Ambu, the formulation of objectives and strategies as well as the approval of the overall budgets and action plans. The Board also has a duty to perform overall supervision of the company's activities and to check that it is managed in a responsible manner and with due regard to Danish legislation and the Articles of Association. The general guidelines for the work of the Board of Directors have been laid down in an Order of Business which is reviewed and updated as required at least once a year. The most recent update took place in 2006/07. The Order of Business sets out procedures for the reporting by the Executive Board and the working method of the Board of Directors as well as a description of the duties and areas of responsibility of the Chairman of the Board of Directors.

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

In 2006/07, a total of eight board meetings were held. The agendas for these meetings follow a fixed plan. Only one member of the Board of Directors has been prevented from attending one of the meetings. The Board of Management attends the meetings of the Board of Directors, which ensures that the Board of Directors is well informed about the company's operations.

In 2006/07, an auditing committee was set up consisting of two members of the Board of Directors, Jørgen Hartzberg (committee chairman) and Torben Ladegaard. In addition to these two members, the Chairman of the Board of Directors, the Executive Board and the auditor elected by the general meeting attend the committee meetings. 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 must monitor all accounting and reporting processes, the auditing of the company's financial reporting and the work and independence of external auditors.

### Composition of the Board of Directors

According to Ambu's Articles of Association, the Board of Directors shall have four to eight members elected by the Annual General Meeting. To this will be added board members elected in pursuance of the provisions of Danish legislation on employee directors. The Board currently has nine members of whom six were elected by the Annual General Meeting and three by the group's employees. Board members elected by the Annual General Meeting sit for a term of two years and may be re-elected, the age limits for new appointments and re-elections being 65 and 70, respectively. This is not in line with the recommendations of the OMX Nordic Exchange Copenhagen, which recommends that all members of the Board of Directors be elected every year. The two-year term has been agreed with a view to ensuring continuity in the work of the Board of Directors. Employee directors sit for a term of four years defined in pursuance of the provisions of the Danish Companies Act.

The Board appoints a Chairman and a Vice-Chairman. Information about the individual members of the Board of Directors is listed on p. 31 in the present report.

In connection with the recommendation of new board members, a careful assessment is made of the knowledge and professional experience which is required with a view to ensuring the presence on the Board of the necessary competences. In connection with nominations of members at the general meeting, the Board of Directors sends out a description of the backgrounds of individual candidates, their relevant competences and any managerial positions held. Moreover, the Board of Directors states the reasons for their nomination on the basis of the recruitment criteria stipulated.

The members of the Board of Directors elected by the general meeting are deemed to be independent. The Chairman of the Board of Directors is a partner of the Danish law firm Bech-Bruun, a legal adviser to Ambu. Ambu also uses other legal advisers, and the business relationship between Bech-Bruun and Ambu is not of material importance to either party (fees in 2006/07 totalled DKK 0.6m). The Vice-Chairman of the Board of Directors, Bjørn Ragle, is the spouse of Dorrit Ragle who holds 9.0% of the shares and 22.8% of the voting rights in Ambu.

### Executive Board

The Executive Board is appointed by the Board of Directors, which also lays down the relevant terms of employment.

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

In addition to the Executive Board, which currently consists of one person, Ambu has a Board of Management which is responsible for sales, marketing, development, production, business development, finance and administration. The members of the Board of Management all operate under the title of Executive Vice President.

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

Each member of the Board of Directors receives fixed annual remuneration, and the combined annual remuneration for the Board of Directors is approved by the Annual General Meeting in connection with the adoption of the Annual Report. In FY 2006/07, remuneration to the Board of Directors totalled DKK 2,250,000, 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.

Emoluments for the Executive Board, which currently consists of the President & CEO only, are determined by the Board of Directors. The emoluments are fixed so as to reflect market levels and the results achieved. In 2006/07 the emoluments for the Executive Board consisted of a basic pay, including ordinary benefits such as free car and telephone as well as a bonus scheme. Emoluments for the Executive Board totalled DKK 4.4m in 2006/07. The terms of employment of the Executive Board, including remuneration and severance programme, are deemed to be in accordance with the normal standard for positions of this nature and do not entail any special commitments on the part of the company.

### Evaluation of Board of Directors and Executive Board
The Board of Directors engages in regular self-evaluations with a view to improving its procedures and work and collaboration with the Executive Board. The most recent evaluation took place in spring 2007. The evaluation process is headed by the Chairman of the Board of Directors. Evaluations of individual board members and the Executive Board are based on questionnaires.

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

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

For a detailed description of Ambu's risks, please see p. 32 in the Annual Report.

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

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

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

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

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

# Board of Directors, Executive Board and Board of Management

## Board of Directors

**N.E. Nielsen** (Chairman)

**Bjørn Ragle** (Vice-Chairman)

**Jørgen Hartzberg**

**Anne-Marie Jensen**

**Torben Ladegaard**

**Hanne-Merete Lassen**

**Anders Williamsson**

**John Stær**

**Kirsten Søndersted-Olsen**

## Executive Board and Board of Management

**Kurt Erling Birk**

**Anders Arvai**

**Lars Rønn**

**Henrik Wendler**

## Board of Directors

**N.E. Nielsen, born 1948**
Attorney-at-law
Chairman of the Board
Member of the Board since 1999, reelected in 2006
*Chairman of the board of:*
Amagerbanken Aktieselskab
Advokatselskabet Bech Bruun International A/S
Charles Christensen A/S
Cimber Air Holding A/S
Danica-Elektronik A/S
Dampskibsselskabet Torm A/S
Gammelrand Skærvefabrik A/S
GPV Industri A/S
Mezzanin Kapital A/S
InterMail A/S
Pele Holding A/S
P. O. Ejendomme A/S
Satair A/S
SCF Technologies A/S
*Board member of:*
Weibel Scientific A/S
including related companies
*Special competences:*
General management, among other things as chairman of listed companies with an international outlook and corporate law issues.

**Bjørn Ragle, born 1945**
Vice-Chairman of the Board
Member of the Board since1987, reelected in 2005
*Chairman of the board of:*
K.B. Holding af 1.8.1988 A/S
*Board member of:*
Snøgg Industries A/S, Norway
*Special competences:*
Sales and business development and HR.

**Jørgen Hartzberg, born 1950**
Head of Department, VKR Holding A/S
Member of the Board since1999, reelected in 2006
*Board member of:*
WindowMaster A/S
*Special competences:*
General management with focus on business development and acquisition and divestment of companies.

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

**Torben Ladegaard, born 1953**
Managing Director of FOSS A/S
Member of the Board since 1999, reelected in 2006
*Board member of:*
Several FOSS companies
*Special competences:*
General management in international and high-tech companies with special focus on business and product development and business-to-business marketing and sales.

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

**John Stær, born 1951**
President and CEO of Satair A/S
Member of the Board since1998, reelected in 2005
*Board member of:*
K.B. Holding af 1.8.1988 A/S
Several companies in the Satair group
*Special competences:*
General management, including management of international activities, the acquisition and divestment of companies and financial management.

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

**Anders Williamsson, born 1954**
Managing Director
Member of the Board since 2006
*Chairman of the board of:*
Aerocrine AB
Jolife AB
Teamwork Bemanning AB
Provinsbanken i Helsingborg
Fade Hook & Draw AB
*Board member of:*
Glycorex Transplantation AB
Foss AB
ProstaLund AB
Cross Technology Solutions AB
*Special competences:*
General management and several years of experience with international life science companies, especially in the US market.

## Executive Board

**Kurt Erling Birk, born 1948**
President & CEO
Joined Ambu in 1999
*Board member of:*
GPV Industri A/S
Zacco A/S
*Chairman of the board of:*
Subsidiaries in the Ambu group

## Board of Management

**Kurt Erling Birk**
President & CEO

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

**Lars Rønn**
Executive Vice President
Sales and marketing

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

**Shareholdings of the Board of Directors and the Executive Board**

| | No. of shares as at 30 September 2007 | Sales in 2006/07 | Acquired in 2006/07 |
|---|---|---|---|
| **Board of Directors** | | | |
| N.E. Nielsen | 3,240 | 0 | 0 |
| Bjørn Ragle | 65,000 | 41,410 | 0 |
| Jørgen Hartzberg | 100,620 | 0 | 68,000 |
| Anne-Marie Jensen | 906 | 0 | 258 |
| Torben Ladegaard | 700 | 0 | 0 |
| Hanne-Merete Lassen | 1,580 | 0 | 460 |
| Kirsten Søndersted-Olsen | 2,299 | 0 | 445 |
| John Stær | 700 | 0 | 0 |
| Anders Williamsson | 0 | 0 | 0 |
| **Executive Board** | | | |
| Kurt Erling Birk | 13,190 | 0 | 2,590 |

# Risk management

Ambu's activities involve a number of 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 these 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, however, not necessarily exhaustive, and the risk factors are not presented in any order of priority.

## 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 health care sector. Such structural changes are putting pressure on the prices of all medico-technical products. At the same time, low-priced copy products are frequently introduced in the market.

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

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

### Product development

Ambu's possibilities of fulfilling its objective of achieving a dominant position within the selected business areas and in the selected markets depend on its ability to develop products sufficiently quickly that are unique and of a high quality, while at the same time obtaining differentiated prices. Ambu works in a targeted way to improve existing products and to develop new ones. Thus, considerable investments are made in product development and the marketing of new products on an ongoing basis, which will be of limited value if such products are not successful in the market.

### 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. Currently, Ambu has no problems attracting employees for important functions. 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 employees.

### Trade marks, 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 plagiarisation of the company's products. A branding strategy and a branding manual have been prepared to ensure uniform branding by all group companies.

It is company policy to patent products with a high market value, which are essential to 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.

### 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 initiatives – including fire protection and the build-up of minimum inventories – contribute to minimising this risk.

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

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

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

### Insurance

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

Insurance matters and insurance risks are assessed annually in cooperation with international insurance consultancy companies.

In addition to statutory insurance cover, the company has taken out product liability and operating loss insurance. Property, operating equipment and inventories are covered on an all-risk basis at replacement cost.

## Financial risks

### Foreign currency risks

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. The most important invoicing currencies are EUR, USD and GBP. Furthermore, a number of net assets are stated in these currencies.

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

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

To hedge the short-term currency risk on its current cash flows, Ambu has laid down a currency policy which focuses on hedging open positions and the estimated net cash flow for the next six months or so. At the end of the financial year, the portfolio of forward exchange contracts for hedging future cash flows represented a total value of DKK 6.6m, corresponding to approx. three months' cash flows.

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

### Interest risks

Ambu's net interest-bearing debt, calculated as debt to credit institutions and banks less cash and cash equivalents, was reduced during the year from DKK 156.2m to DKK 135.6m. Based on the company's net debt as at 30 September 2007, which partly carries a fixed and partly a floating rate of interest, a 1% increase in the general interest rate level will cause an increase in the group's annual interest expenses before tax of approx. DKK 0.7m.

### Debtor risks

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

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

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

## Environment

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

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

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

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

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

# Financial review

The 2006/07 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, cf. the OMX Nordic Exchange Copenhagen's disclosure requirements for annual reports of listed companies and the IFRS order issued in compliance with the Danish Financial Statements Act.

## Income statement

### Revenue

Consolidated revenue for 2006/07 was DKK 715.0m, which is largely unchanged relative to the 2005/06 figure of DKK 715.9m. Measured at unchanged exchange rates, revenue was up 2% relative to 2005/06.

The changes in foreign exchange rates have affected revenue negatively by DKK 14.8m.

When corrected for exchange rate fluctuations, growth was highest in the European market, where revenue rose by 8.4%. Revenue in the USA fell by 9.9%. The negative growth in the USA is attributable to the decision made in August 2007 not to go ahead with sales at special discounts towards the end of the financial year.

Adjusted for changes in exchange rates, revenue within Respiratory Care fell by 1.2%, while it increased within Cardiology and Neurology by 1.6% and 5.2%, respectively. Revenue within Training was up 16%, while revenue within Immobilization and other products was up 1.8%. The fall in revenue within Respiratory Care is attributable exclusively to the decision not to effect discounted sales in the USA in Q4 2007.

The distribution of the 2006/07 revenue is as follows: Respiratory Care, 38%, Cardiology, 37%, Neurology, 10%, Training, 9%, Immobilization and other products, 6%. In keeping with previous years, revenue posted by sales companies is recognised at average exchange rates for the year.

Exports accounted for 98% of the total revenue. Sales companies handled 81% of sales, the remaining 19% being handled by distributors. Europe, which constitutes the most important market, accounted for 65% of the total revenue, with the US and other markets accounting for 26% and 9%, respectively.

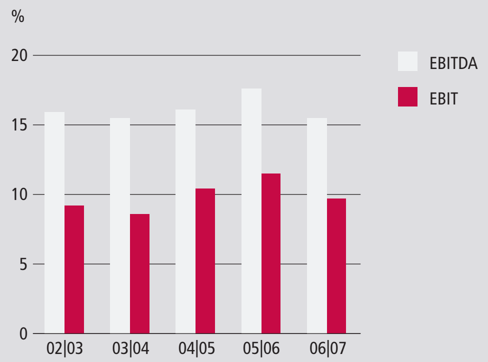
### Gross profit

Gross profit increased by 1.8% from DKK 367.4m to DKK 374.1m, measured at current exchange rates. Thus, the gross profit ratio increased from 51.3% to 52.3%. Adjusted for changes in exchange rates compared with 2005/06, gross profit was up 3.7%. The production overheads' share of revenue was unchanged relative to 2005/06, whereas the contribution ratio increased by approx. 1.0 points, among other things due to focus on optimising product mix and the introduction of selective price increases.

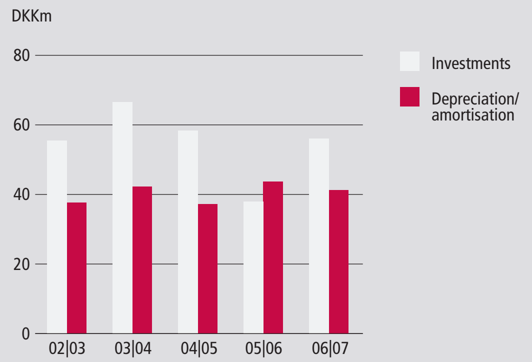
### Costs

The group's costs in respect of sales, development, management and administration were DKK 16.7m above the 2005/06 level, corresponding to an increase of 6.0%. Costs in respect of management and administration totalled DKK 121.1m against DKK 108.7m last year, an increase of DKK 12.4m, corresponding to 11.4%. Adjusted for exchange rates, management and administration costs were up DKK 14.0m, corresponding to 12.9%.

**EBITDA and EBIT margin**




**Investments and depreciation/amortisation**



The most important reason for the increase in costs is an increase in costs within sales and marketing and within management and administration. Sales and marketing costs increased by DKK 4.6m, of which DKK 3.6m is attributable to the establishment of the Dutch subsidiary. The increase in management and administration costs is attributable primarily to legal fees in the region of DKK 4.5m in connection with court cases against LMA and costs of DKK 2.2m in the new Dutch subsidiary. Adjusted for this, management and administration costs increased by DKK 5.7m, up 5.2%. Of the remainder of the increase, DKK 2.2m can be ascribed to increasing management and administration costs in the two Asian production companies, which are seeing an increase in activity levels.

Calculated at the same exchange rates as last year, total costs before deductions of other operating expenses amounted to DKK 305.3m in 2006/07 against DKK 283.2m last year, corresponding to an increase of DKK 22.1m.

### Other operating expenses
In 2006/07, other operating expenses of DKK 4.9m comprise the non-recurring effect of the employee share scheme offered (DKK 4.7m) and the effect of the option scheme (DKK 0.2m) established in 2006/07.

### EBITDA and EBIT
The EBITDA margin, defined as the operating profit or loss before depreciation of non-current assets in relation to revenue, was 15.5% in 2006/07 against 17.7% in 2005/06.

The EBIT margin, defined as the operating profit or loss in relation to revenue, was 9.7% in 2006/07, which is 1.8 percentage point lower than the year before.

The non-recurring effect of the employee share scheme reduced both the EBITDA and the EBIT margin by 0.7 percentage point.

EBIT (before other operating expenses) fell to DKK 74.2m in 2006/07 from DKK 84.1m in 2005/06, a fall of DKK 9.9m. The fall is attributable to the net effect of an increase in the gross profit of DKK 6.8m, which is offset by an increase in capacity costs of DKK 16.7m.

### Financial expenses
The group's net financial expenses amounted to DKK 14.8m in 2006/07 against DKK 12.4m the year before. The entire increase of DKK 2.4m can be ascribed to an increase in foreign currency translation adjustments.

### Profit before tax
The profit before tax amounted to DKK 54.4m in 2006/07 against DKK 70.3m in 2005/06, down 22.6%.

### Tax
Tax on profit for the year totalled DKK 11.7m or 21.4% of the profit before tax compared with DKK 21.9m or 31.1% of the profit before tax last year. The reason for the falling tax rate in 2006/07 is the effect of the reduction in the Danish corporate income tax rate to 25%, the fall in deferred tax resulting from the changed corporate income tax rate in Denmark and a lower profit for tax purposes in some of the subsidiaries for which the corporate income tax rate is higher than the rate in Denmark.

### Net profit for the year
Net profit for the year totalled DKK 42.8m against DKK 48.4m last year, down 11.5%.

## Balance sheet

At the end of the financial year, the balance sheet total amounted to DKK 680.8m, corresponding to an increase of DKK 3.1m compared with the previous financial year. The most important changes pertain to an increase in intangible assets of DKK 7.0m, an increase in property, plant and equipment of DKK 4.4m, an increase in inventories of DKK 3.8m and a fall in trade receivables of DKK 14.1m.

### Non-current assets
Investments in intangible assets for the year, which include investments in development projects and the acquisition of rights and goodwill, amounted to DKK 18.9m. Development projects worth DKK 4.9m were completed in 2006/07.

Amortisation and impairment of intangible assets came to DKK 11.9m against DKK 9.1m the year before.

Investments in property, plant and equipment for the year totalled DKK 38.0m, of which DKK 23.8m reflects investments made by the parent, mainly in production capacity, production equipment for newly developed products, production and office equipment and the implementation of a new ERP system at the production plant in China. The remaining DKK 14.2m was invested by companies outside Denmark, mainly by the two production units in China and Malaysia in production equipment.

Depreciation of property, plant and equipment totalled DKK 29.5m against DKK 33.2m last year.

### Inventories
Inventories increased from DKK 124.4m to DKK 128.3m. Measured at unchanged exchange rates, inventories rose by DKK 11.0m. The reason for the increase is primarily the holding of larger inventories in the US subsidiary, among other things as a result of lower-than-expected sales towards the end of the financial year.

### Trade receivables
Consolidated trade receivables totalled DKK 165.8m at year-end, corresponding to a fall of DKK 14.1m compared with year-end 2005/06. Adjusted for the effect of exchange rates, trade receivables fell by DKK 9.8m. The fall in trade receivables is primarily attributable to the fact that revenue for September 2007 was not as high as in 2005/06 due to the decision not to go ahead with specially discounted sales towards the end of the year. Moreover, work has gone into reducing debtors.

### Liquidity
The group's cash and cash equivalents at year-end totalled DKK 10.6m, corresponding to a fall of DKK 4.5m relative to last year. To this should be added unutilised bank credit-drawing facilities of DKK 87m at year-end.

### Equity
The 2006/07 increase in equity is attributable to the profit for the year and the value adjustment of non-settled financial instruments. To equity are added foreign currency translation adjustments concerning investments in subsidiaries and adjustments concerning the dividend paid out for 2005/06. The sale of employee shares increased equity by DKK 4.9m.

### Non-current liabilities
Total non-current liabilities at year-end came to DKK 85.4m, of which DKK 20.3m falls due for payment in the coming financial year, and DKK 11.4m is deferred tax. No long-term financing was arranged in FY 2006/07.

### Current liabilities
At year-end, total liabilities less non-current liabilities totalled DKK 177.2m, representing an increase of DKK 6.4m. The increase is due to increasing use of bank credit facilities and an increase in other debt.

### Other commitments
Ambu A/S has signed a 15-year operating lease for the group head office and adjacent production premises in Ballerup, the term to maturity being 10 years.

## Cash flow statement

Cash flows from operating activities totalled DKK 89.5m in 2006/07 against DKK 98.7m last year. The change is attributable to reduced results and increased tax payments, whereas changes in working capital had a positive impact on cash flows. More funds have been tied up in inventories, while changes in receivables and trade payables had a positive impact on cash flows.

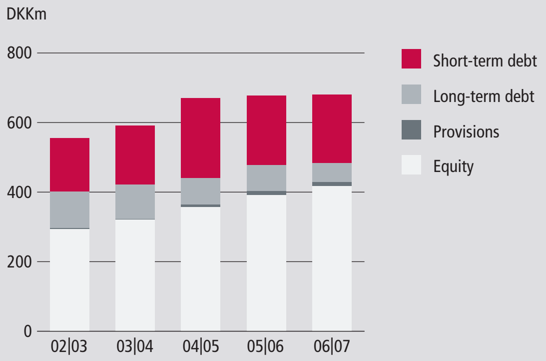
In 2006/07, net investments of DKK 56.0m were made in intangible assets and property, plant and equipment against DKK 37.9m the year before. In 2006/07, the acquisition of Equip Medikey BV, now Ambu BV, and dealer rights from a former distributor in the Dutch market accounted for DKK 6.0m.

In 2006/07, free cash flow amounted to DKK 33.4m against DKK 60.8m in 2005/06.

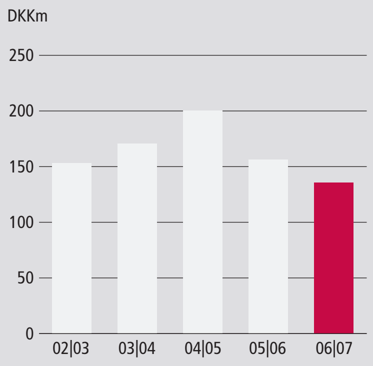
Cash flow from financing activities was DKK -37.8m. Repayments of long-term debt amounted to DKK 30.0m, while dividend totalled DKK 17.6m.

The change in cash and cash equivalents thus amounted to DKK -4.5m, and as at 30 September 2007 cash amounted to DKK 10.6m.

**Capital structure**




**Interest-bearing net debt**



# Management's statement and auditors' report

## Management's statement

On this day, the Board of Directors and the Executive Board have considered and approved the Annual Report of Ambu A/S for the financial year 1 October 2006 to 30 September 2007.

The Annual Report 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. In our opinion, the accounting policies applied are expedient, thus ensuring that the group's internal control relevant to preparing and presenting the Annual Report is adequate to ensure that the Annual Report gives a true and fair view of the group's and the parent's financial position at 30 September 2007 and of the results of their operations and cash flows for the financial year 1 October 2006 - 30 September 2007.

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

Ballerup, 28 November 2007

| **Executive Board** | **Board of Directors** | | |
|---|---|---|---|
| Kurt Erling Birk<br>President & CEO | N.E. Nielsen<br>Chairman | Bjørn Ragle<br>Vice-Chairman | Jørgen Hartzberg |
| | Anne-Marie Jensen | Torben Ladegaard | Hanne-Merete Lassen |
| | John Stær | Kirsten Søndersted-Olsen | Anders Williamsson |

# Independent Auditor's Report

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

We have audited the Annual Report of Ambu A/S for the financial year 1 October 2006 - 30 September 2007, which comprises management's review, the statement of the Board of Directors and the Executive Board on the Annual Report, accounting policies, the income statement, balance sheet, cash flow statement, statement of changes in equity, and notes for both the group and the parent company. The annual report 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.

**The Board of Directors and the Executive Board's Responsibility for the Annual Report**

The Board of Directors and the Executive Board are responsible for the preparation and fair presentation of this Annual Report in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an Annual Report that is 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.

**Auditor's Responsibility and Basis of Opinion**

Our responsibility is to express an opinion on this Annual Report based on our audit. We conducted our audit in accordance with Danish and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Annual Report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Annual Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Annual Report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Executive Board, as well as evaluating the overall presentation of the Annual Report.

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 qualification.

**Opinion**

In our opinion, the Annual Report gives a true and fair view of the group's and the parent's financial position at 30 September 2007 and of the results of their operations and cash flows for the financial year 1 October 2006 - 30 September 2007 in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

Copenhagen, 28 November 2007

PricewaterhouseCoopers
Statsautoriseret Revisionsaktieselskab

| | |
|---|---|
| Allan Vestergaard Andersen | Torben Jensen |
| State-authorised Public Accountant | State-authorised Public Accountant |

# Financial statements



## List of notes

# Income statement 1 October - 30 September

| | | Group | | Parent | |
|---|---|---|---|---|---|
| DKK '000 | Note | 2006/07 | 2005/06 | 2006/07 | 2005/06 |
| Revenue | 2 | 715,024 | 715,861 | 551,502 | 504,827 |
| Production costs | 3, 12 | (340,905) | (348,510) | (375,494) | (347,373) |
| **Gross profit** | | **374,119** | **367,351** | **176,008** | **157,454** |
| Selling costs | 3 | (151,982) | (147,394) | (35,855) | (36,569) |
| Development costs | 3 | (26,862) | (27,168) | (26,862) | (27,168) |
| Management and administration | 3, 4 | (121,099) | (108,654) | (66,646) | (57,607) |
| Other operating expenses | 3, 21 | (4,931) | (1,469) | (3,515) | (1,455) |
| **Operating profit (EBIT)** | | **69,245** | **82,666** | **43,131** | **34,655** |
| Financial income | 5 | 1,181 | 282 | 12,196 | 887 |
| Financial expenses | 6 | (15,997) | (12,642) | (13,094) | (12,183) |
| **Profit before tax (PBT)** | | **54,429** | **70,306** | **42,233** | **23,359** |
| Tax | 7 | (11,652) | (21,891) | (6,795) | (6,130) |
| **NET PROFIT FOR THE YEAR** | | **42,777** | **48,415** | **35,438** | **17,229** |
| **Distribution of profit** | | | | | |
| Proposed dividend for the year | | 17,814 | 17,680 | 17,814 | 17,680 |
| Transferred to/from equity | | 24,963 | 30,735 | 17,624 | (451) |
| | | **42,777** | **48,415** | **35,438** | **17,229** |
| **Earnings per share in DKK** | 11 | | | | |
| Earnings per share (EPS) | | 3.62 | 4.12 | | |
| Diluted earnings per share (EPS-D) | | 3.62 | 4.12 | | |

# Balance sheet as at 30 September

| Assets | | Group | | Parent | |
|---|---|---|---|---|---|
| DKK '000 | Note | 30.09.07 | 30.09.06 | 30.09.07 | 30.09.06 |
| **Non-current assets** | | | | | |
| **Intangible assets** | 9 | | | | |
| Completed development projects | | 33,500 | 40,310 | 33,500 | 40,310 |
| Rights | | 2,859 | 0 | 0 | 0 |
| Goodwill | | 124,013 | 121,134 | 121,134 | 121,134 |
| Development projects in progress | | 13,865 | 5,766 | 13,865 | 5,766 |
| | | **174,237** | **167,210** | **168,499** | **167,210** |
| **Property, plant and equipment** | **10** | | | | |
| Land and buildings | | 71,571 | 77,988 | 36,219 | 39,490 |
| Plant and machinery | | 75,175 | 66,940 | 43,300 | 44,512 |
| Other plant, fixtures and fittings, tools and equipment | | 20,757 | 21,682 | 14,365 | 15,455 |
| Prepayments and plant under construction | | 14,527 | 10,970 | 14,325 | 8,912 |
| | | **182,030** | **177,580** | **108,209** | **108,369** |
| **Other non-current assets** | | | | | |
| Investments in subsidiaries | 8 | - | - | 67,730 | 61,886 |
| Receivables from subsidiaries | | - | - | 5,022 | 5,022 |
| Investments in jointly managed enterprise | | - | - | 0 | 4,561 |
| Deferred tax asset | 14 | 3,928 | 2,634 | 0 | 0 |
| | | **3,928** | **2,634** | **72,752** | **71,469** |
| **Total non-current assets** | | **360,195** | **347,424** | **349,460** | **347,048** |
| **Current assets** | | | | | |
| **Inventories** | | | | | |
| Inventories | 12 | 128,265 | 124,435 | 46,621 | 47,331 |
| **Receivables** | 13 | | | | |
| Trade receivables | | 165,795 | 179,863 | 40,973 | 44,115 |
| Receivables from subsidiaries | | - | - | 151,913 | 136,810 |
| Other receivables | | 11,414 | 10,154 | 4,577 | 1,934 |
| Prepaid income tax | 15 | 4,540 | 793 | 0 | 0 |
| | | **181,749** | **190,810** | **197,463** | **182,859** |
| Cash | | 10,563 | 15,066 | 0 | 0 |
| **Total current assets** | | **320,577** | **330,311** | **244,084** | **230,190** |
| **TOTAL ASSETS** | | **680,772** | **677,735** | **593,544** | **577,237** |

# Balance sheet as at 30 September

| Equity and liabilities | | Group | | Parent | |
|---|---|---|---|---|---|
| DKK '000 | Note | 30.09.07 | 30.09.06 | 30.09.07 | 30.09.06 |
| **Equity** | | | | | |
| Share capital | | 118,763 | 117,864 | 118,763 | 117,864 |
| Share premium | | 4,046 | 0 | 4,046 | 0 |
| Reserve for hedging transactions | | 1,853 | (37) | 1,853 | (37) |
| Reserve for foreign currency translation adjustments | | (9,275) | 548 | - | - |
| Proposed dividend | | 17,814 | 17,680 | 17,814 | 17,680 |
| Retained earnings | | 284,978 | 255,013 | 186,020 | 163,394 |
| **Total equity** | 11 | **418,179** | **391,068** | **328,496** | **298,901** |
| **Liabilities** | | | | | |
| **Non-current liabilities** | | | | | |
| Credit institutions | 16 | 53,695 | 73,703 | 52,343 | 72,048 |
| Provisions for deferred tax | 14 | 11,445 | 12,207 | 17,713 | 17,659 |
| **Current liabilities** | | | | | |
| Short-term portion of long-term payables | 16 | 20,252 | 29,994 | 20,252 | 29,994 |
| Bank debt | | 72,225 | 67,613 | 56,604 | 55,984 |
| Trade payables | | 34,608 | 33,654 | 21,240 | 24,576 |
| Amounts owed to subsidiaries | | - | - | 63,427 | 46,155 |
| Amounts owed to jointly managed enterprise | | - | - | 0 | 3,908 |
| Income tax | 15 | 8,699 | 9,604 | 3,896 | 1,994 |
| Other payables | | 61,669 | 59,892 | 29,573 | 26,019 |
| **Total liabilities** | | **262,593** | **286,667** | **265,048** | **278,337** |
| **TOTAL EQUITY AND LIABILITIES** | | **680,772** | **677,735** | **593,544** | **577,237** |

| | |
|---|---|
| Charges | 17 |
| Operating leases | 18 |
| Related parties | 19 |
| Financial instruments | 20 |
| Other operating expenses | 21 |
| Contingent liabilities | 22 |
| Financing of non-current assets | 23 |
| Estimates made by the management | 24 |
| Subsequent events | 25 |
| New accounting regulation | 26 |

# Cash flow statement 1 October - 30 September

| | | Group | | Parent | |
|---|---|---|---|---|---|
| DKK '000 | Note | 2006/07 | 2005/06 | 2006/07 | 2005/06 |
| Net profit for the year | | 42,777 | 48,415 | 35,438 | 17,229 |
| Adjustments | A | 72,648 | 77,939 | 41,056 | 48,765 |
| Changes in working capital | B | 8,529 | (7,515) | 19,330 | 15,919 |
| **Cash flows from operating activities before financial items** | | **123,954** | **118,839** | **95,824** | **81,913** |
| Interest income and similar items | | 1,181 | 282 | 1,036 | 887 |
| Interest expenses and similar items | | (15,996) | (12,642) | (13,094) | (12,183) |
| **Cash flows from ordinary operating activities** | | **109,139** | **106,478** | **83,766** | **70,617** |
| Income tax paid | | (19,652) | (7,755) | (5,471) | (1,124) |
| **Cash flows from operating activities** | | **89,487** | **98,723** | **78,295** | **69,493** |
| Acquisition of non-current assets | 23 | (56,900) | (40,990) | (37,496) | (28,485) |
| Sale of non-current assets | | 858 | 3,108 | 5,882 | 177 |
| **Cash flows from investing activities** | | **(56,042)** | **(37,882)** | **(35,226)** | **(28,308)** |
| **Free cash flow** | | **33,445** | **60,841** | **43,069** | **41,185** |
| Repayment of long-term debt | | (29,752) | (4,154) | (29,447) | (2,002) |
| Arrangement of mortgage debt | 23 | 0 | 0 | 0 | 0 |
| Changes in short-term bank debt | | 4,613 | (39,586) | (11,234) | (27,444) |
| Winding-up of jointly owned enterprise | | - | - | 645 | 0 |
| Employee shares | | 4,945 | 0 | 3,416 | 0 |
| Dividend from subsidiaries | | - | - | 11,160 | 0 |
| Dividend paid | | (17,609) | (11,739) | (17,609) | (11,739) |
| **Cash flows from financing activities** | | **(37,803)** | **(55,479)** | **(43,069)** | **(41,185)** |
| **Changes in cash and cash equivalents** | | **(4,358)** | **5,362** | **0** | **0** |
| Cash and cash equivalents, beginning of year | | 15,066 | 9,760 | 0 | 0 |
| Foreign currency translation adjustment of cash and cash equivalents | | (145) | (56) | 0 | 0 |
| **Cash and cash equivalents, end of year** | | **10,563** | **15,066** | **0** | **0** |
| **Note A: Adjustments** | | | | | |
| Depreciation and amortisation | | 41,250 | 42,219 | 29,840 | 29,884 |
| Adjustment, employee shares and option scheme | | 4,931 | 0 | 3,515 | 0 |
| Write-downs in jointly managed enterprise | | 0 | 1,469 | 0 | 1,455 |
| Winding-up of jointly owned enterprise | | - | - | 8 | 0 |
| Interest and similar items, net | | 14,815 | 12,360 | 898 | 11,296 |
| Tax on profit for the year | | 11,652 | 21,891 | 6,795 | 6,130 |
| | | **72,648** | **77,939** | **41,056** | **48,765** |
| **Note B: Changes in working capital** | | | | | |
| Changes in inventories | | (9,352) | 6,606 | 710 | 8,488 |
| Changes in receivables | | 3,692 | (13,276) | 499 | 21,623 |
| Changes in balances with group companies | | - | - | 2,169 | (2,631) |
| Changes in trade payables etc. | | 14,189 | (845) | 15,952 | (11,561) |
| | | **8,529** | **(7,515)** | **19,330** | **15,919** |

# Statement of changes in equity

**Group**

| DKK '000 | Share capital | Share premium | Reserve for hedging transactions | Reserve for foreign currency translation adjustment | Retained earnings | Proposed dividend | Total |
|---|---|---|---|---|---|---|---|
| **Equity as at 1 October 2005** | **117,864** | **-** | **(1,221)** | **4,840** | **224,231** | **11,786** | **357,500** |
| Adjustment to fair value for the period | | | 1,644 | | | | 1,644 |
| Foreign currency translation adjustment, foreign subsidiaries | | | | (4,292) | | | (4,292) |
| Tax on hedging transactions | | | (460) | | | | (460) |
| **Net income** | **-** | **-** | **1,184** | **(4,292)** | **-** | **-** | **(3,108)** |
| Net profit for the year | | | | | 48,415 | | 48,415 |
| **Total income** | **-** | **-** | **1,184** | **(4,292)** | **48,415** | **-** | **45,307** |
| Distributed dividend | | | | | | (11,786) | (11,786) |
| Dividend, treasury shares | | | | | 47 | | 47 |
| Proposed dividend | | | | | (17,680) | 17,680 | - |
| **Equity as at 30 September 2006** | **117,864** | **-** | **(37)** | **548** | **255,013** | **17,680** | **391,068** |
| Value adjustment, adjustment to fair value for the period | | | 51 | | | | 51 |
| Transferred to the income statement for the period | | | 2,472 | | | | 2,472 |
| Foreign currency translation adjustment, foreign subsidiaries | | | | (9,823) | | | (9,823) |
| Tax on hedging transactions | | | (633) | | | | (633) |
| **Net income** | **-** | **-** | **1,890** | **(9,823)** | **-** | **-** | **(7,933)** |
| Net profit for the year | | | | | 42,777 | | 42,777 |
| **Total income** | **-** | **-** | **1,890** | **(9,823)** | **42,777** | **-** | **34,844** |
| Employee shares | 899 | 4,046 | | | 4,676 | | 9,621 |
| Share options | | | | | 255 | | 255 |
| Distributed dividend | | | | | | (17,680) | (17,680) |
| Dividend, treasury shares | | | | | 71 | | 71 |
| Proposed dividend | | | | | (17,814) | 17,814 | - |
| **Equity as at 30 September 2007** | **118,763** | **4,046** | **1,853** | **(9,275)** | **284,978** | **17,814** | **418,179** |

# Statement of changes in equity

**Parent**

| DKK '000 | Share capital | Share premium | Reserve for hedging transactions | Retained earnings | Proposed dividend | Total |
|---|---|---|---|---|---|---|
| **Equity as at 1 October 2005** | **117,864** | **-** | **(1,221)** | **163,798** | **11,786** | **292,227** |
| Adjustment to fair value for the period | | | 1,644 | | | 1,644 |
| Transferred to the income statement for the period | | | | | | |
| Tax on hedging transactions | | | (460) | | | (460) |
| **Net income** | **-** | **-** | **1,184** | **-** | **-** | **1,184** |
| Net profit for the year | | | | 17,229 | | 17,229 |
| **Total income** | **-** | **-** | **1,184** | **17,229** | **-** | **18,413** |
| Distributed dividend | | | | | (11,786) | (11,786) |
| Dividend, treasury shares | | | | 47 | | 47 |
| Proposed dividend | | | | (17,680) | 17,680 | - |
| **Equity as at 30 September 2006** | **117,864** | **-** | **(37)** | **163,394** | **17,680** | **298,901** |
| Adjustment to fair value for the period | | | 51 | | | 51 |
| Transferred to the income statement for the period | | | 2,472 | | | 2,472 |
| Tax on hedging transactions | | | (633) | | | (633) |
| **Net income** | **-** | **-** | **1,890** | **-** | **-** | **1,890** |
| Net profit for the year | | | | 35,438 | - | 35,438 |
| **Total income** | **-** | **-** | **1,890** | **35,438** | **-** | **37,328** |
| Employee shares | 899 | 4,046 | | 4,676 | | 9,621 |
| Share options | | | | 255 | | 255 |
| Distributed dividend | | | | | (17,680) | (17,680) |
| Dividend, treasury shares | | | | 71 | | 71 |
| Proposed dividend | | | | (17,814) | 17,814 | - |
| **Equity as at 30 September 2007** | **118,763** | **4,046** | **1,853** | **186,020** | **17,814** | **328,496** |

# Notes

**Note 1. Accounting policies**

Ambu A/S is a public limited company domiciled in Denmark. The annual report for the period 1 October 2006 to 30 September 2007 comprises the consolidated financial statements of Ambu A/S and its subsidiaries (the group) as well as the separate financial statements of the parent.

The 2006/07 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, cf. the OMX Nordic Exchange Copenhagen's disclosure requirements for annual reports of listed companies and the IFRS order issued in compliance with the Danish Financial Statements Act.

**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 costs of disposal.

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

## Description of accounting policies

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

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

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

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

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

In connection with the acquisition of new enterprises in which Ambu obtains a controlling influence, the purchase method is applied. The identifiable assets, liabilities and contingent liabilities of the acquired enterprises are measured at fair value at the acquisition date. Identifiable intangible assets are recognised, provided that such assets can be recognised separately or originate from a contractual right, and the fair value can be measured reliably. Deferred tax on the reassessments made is recognised.

The date of acquisition is the date when Ambu obtains actual control over the acquired enterprise.

For business combinations that occurred on or after 1 October 2004, the positive balances (goodwill) between the cost of the enterprise and the fair value of the acquired identifiable assets, liabilities and contingent liabilities are recognised as goodwill under intangible assets. Goodwill is not amortised, but is subject to an annual impairment test. The first impairment test is carried out by the end of the year of acquisition. Upon acquisition, goodwill is attributed to the cash-generating units, which will subsequently form the basis of an impairment test. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency other than DKK are treated as assets and liabilities of the foreign entity and are translated into the functional currency of such entity using the exchange rate applicable at the transaction date. Negative balances (negative goodwill) are recognised in the income statement at the date of acquisition.

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

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

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

# Notes

**Foreign currency translation**

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

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

Receivables, 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 adjustments 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 in the consolidated financial statements and under net financials in the income statement of the parent.

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

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

Changes in the part of the fair value of derivative financial instruments classified as and fulfilling the criteria for hedging future cash flows, and which, in an efficient manner, hedges changes in the value of the hedged item, are recognised in 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.

## Income statement

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

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

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

**Selling costs**

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

**Development costs**

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

**Administrative expenses**

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

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

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

**Tax on profit or loss for the year**

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

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

## Balance sheet

**Intangible assets**

**Goodwill** is, on initial recognition, recognised 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 unit(s) which is/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. On this background, goodwill is allocated to geographical segments.

**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 projects are recognised as intangible assets where the cost of the projects can be calculated reliably and there is sufficient certainty that the future earnings or the net selling price can cover the costs of production, sale, administration and development. Other development costs are recognised in the income statement as incurred.

Recognised development costs are measured at cost less accumulated amortisation and impairment losses. The cost comprises salaries and other costs attributable to the company's development activities.

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

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

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

**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 purchase price and any costs directly attributable to the acquisition until the date when the asset is ready for use. Finance costs are not recognised. 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 as 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 losses, if any. The residual value is fixed at the date of acquisition and is subject to annual review. When the residual value exceeds the carrying amount of the asset, depreciation will no longer take place.

In connection with changes in the depreciation period or the residual value, the effect on the depreciation is recognised from then onwards as a change in the accounting estimation.

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

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

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

**Impairment 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 provided that the carrying amount is higher. Impairment of goodwill is recognised as a separate item in the income statement.

Deferred tax assets are assessed on an annual basis and are recognised only 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 costs of disposal and the value in use. The value in use is calculated as the present value of expected future cash flows from the asset or the cash-generating unit in which the asset is included.

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

# Notes

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

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

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

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

**Receivables** are measured at amortised cost less individual write-downs. 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**, recognised under assets, comprise costs incurred in respect of the coming financial year and are measured at cost.

**Equity**

***Dividend***

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

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

***Treasury shares***

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

***Reserve for foreign currency translation adjustments***

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

**Employee contributions**

***Pension obligations and similar non-current liabilities***

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

Liabilities in respect of defined contribution plans under which the group pays fixed pension contributions to independent pension 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.

***Employee shares***

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

***Share-based remuneration***

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

The fair value of the services provided by the employees in return for the granting of share options is calculated on the basis of the value of the options granted. The fair value of the share options granted is calculated according to the Black-Scholes model. On calculation, the terms and conditions applying to the share options granted 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 are taken to equity.

**Tax payable and deferred tax**

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

Deferred tax is measured using the balance sheet liability method on the basis of all temporary differences between the carrying amount and tax base of assets and liabilities. 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 carryforwards, are recognised under other non-current assets at the expected usable value, either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity.

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

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

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

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

## Financial liabilities

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

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

Other liabilities are measured at amortised cost.

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

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

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

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

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

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

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

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

## Cash flow statement

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

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

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of enterprises and activities, the purchase and sale of intangible assets, property, plant and equipment 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 comprise changes to the size and composition of share capital and costs incidental thereto as well as the arrangement of loans, the repayment of interest-bearing debt, the purchase and sale of treasury shares and the payment of dividend to shareholders.

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

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

## Segment information

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

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

## Ratios

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

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

# Notes

| | Group | |
|---|---|---|
| DKK '000 | 2006/07 | 2005/06 |
| **Note 2. Segment information** | | |
| **Geographical – secondary segment** | | |
| Europe | 467,364 | 430,792 |
| USA | 182,494 | 219,414 |
| Other markets | 65,166 | 65,655 |
| **Total revenue** | **715,024** | **715,861** |

| | Group 2006/07 | | Group 2005/06 | |
|---|---|---|---|---|
| DKK '000 | Segment assets | Investments in property, plant and equipment | Segment assets | Investments in property, plant and equipment |
| Europe | 428,433 | 25,312 | 435,160 | 17,592 |
| USA | 79,472 | 28 | 92,130 | 179 |
| Other markets | 172,867 | 18,607 | 150,445 | 15,838 |
| | **680,772** | **43,947** | **677,735** | **33,609** |

Transactions between segments are conducted at arm's length.

| | Group | | Parent | |
|---|---|---|---|---|
| DKK '000 | 2006/07 | 2005/06 | 2006/07 | 2005/06 |
| **Note 3. Staff expenses, share-based remuneration and depreciation/amortisation** | | | | |
| Staff expenses are included in functionalised costs as follows: | | | | |
| Production costs | 95,673 | 101,015 | 72,891 | 81,073 |
| Selling costs | 98,691 | 87,753 | 25,693 | 18,403 |
| Development costs | 14,197 | 15,585 | 13,252 | 14,550 |
| Management and administration | 66,350 | 65,473 | 35,497 | 38,668 |
| Other operating expenses | 4,931 | 0 | 3,515 | 0 |
| **Total staff expenses** | **279,842** | **269,826** | **150,848** | **152,694** |
| Staff expenses comprise: | | | | |
| Remuneration, Executive Board | 4,000 | 4,000 | 4,000 | 4,000 |
| Pension contributions, Executive Board | 240 | 280 | 240 | 280 |
| Employee shares | 135 | 0 | 135 | 0 |
| **Staff expenses, Executive Board** | **4,375** | **4,280** | **4,375** | **4,280** |
| Wages and salaries | 241,550 | 238,158 | 129,693 | 137,028 |
| Pension contributions | 10,944 | 9,765 | 8,749 | 8,079 |
| Social security costs | 15,927 | 16,648 | 2,401 | 2,332 |
| Employee shares | 4,541 | 0 | 3,125 | 0 |
| Share options | 255 | 0 | 255 | 0 |
| Remuneration, Board of Directors | 2,250 | 975 | 2,250 | 975 |
| **Total staff expenses** | **279,842** | **269,826** | **150,848** | **152,694** |
| Average number of employees | 1,216 | 1,221 | 299 | 331 |

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 disablement rate.

DKK ’000

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

During the year, share options were granted to 23 of the group’s Danish and foreign executive employees. 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 scheme and the company’s shareholders The granting is subject to the participants acquiring a certain number of class B shares at market price. The total maximum value obtainable by the individual participants in the option scheme is an amount corresponding to four years’ salary.

The vesting period of the share option scheme is three years, after which the exercise period runs for two years.

| Share options in Ambu A/S | Senior employees | Exercise price per option in DKK | Number of exercisable options | Term to maturity in years | Market value in DKK ’000 |
|---|---|---|---|---|---|
| Outstanding balance as at 1 October 2006 | 0 | 0 | 0 | 0 | 0 |
| Additions in the year (no.) | 123,688 | 104 | 0 | 5 | 2,027 |
| Options exercised in 2006/07 | 0 | 0 | 0 | 0 | 0 |
| Employees resigned in 2006/07 | 0 | 0 | 0 | 0 | 0 |
| **Outstanding balance as at 30 September 2007** | **123,688** | **104** | **0** | **5** | **2,027** |

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

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

Dividend per share: DKK 1.50
Volatility: 32%
Average risk-free interest rate: 4.2%
Listed price: 87

**Employee share scheme 2007**
In 2006/07, an employee share scheme was established, under which the group’s employees acquired 89,916 class B shares at a total price of DKK 4.945m. The fair value of the employee shares amounted to DKK 9.621m. At the time of granting, the beneficial element totalled DKK 4.676m and was expensed in 2006/07.

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

| | Group | | Parent | |
|---|---|---|---|---|
| DKK ’000 | 2006/07 | 2005/06 | 2006/07 | 2005/06 |
| Production costs | 22,752 | 25,889 | 12,099 | 17,633 |
| Selling costs | 412 | 835 | 162 | 107 |
| Development costs (intangible assets) | 11,886 | 9,050 | 11,886 | 9,050 |
| Development costs (property, plant and equipment) | 491 | 432 | 491 | 432 |
| Management and administration | 5,709 | 4,919 | 4,393 | 2,919 |
| **Total depreciation, amortisation and impairment losses** | **41,250** | **41,125** | **29,032** | **30,141** |

# Notes

| DKK '000 | Group 2006/07 | Group 2005/06 | Parent 2006/07 | Parent 2005/06 |
|---|---|---|---|---|
| **Note 4. Fee to auditors appointed by the Annual General Meeting** | | | | |
| Total fee, PricewaterhouseCoopers | 1,881 | - | 1,019 | - |
| Total fee, KPMG and Grant Thornton | - | 1,632 | - | 810 |
| Total fee, others | 599 | 642 | - | - |
| **Total fees** | **2,480** | **2,274** | **1,019** | **810** |
| Share of fee for non-audit services, PricewaterhouseCoopers | 769 | - | 669 | - |
| Share of fee for non-audit services, KPMG and Grant Thornton | - | 494 | - | 285 |
| Share of fee for non-audit services, others | 389 | 291 | - | - |
| **Note 5. Financial income** | | | | |
| Dividend from subsidiaries | - | - | 11,160 | 0 |
| Interest income from loans to subsidiaries | - | - | 703 | 887 |
| Interest income | 1,181 | 282 | 333 | 0 |
| | **1,181** | **282** | **12,196** | **887** |
| **Note 6. Financial expenses** | | | | |
| Interest expenses on loans from subsidiaries | - | - | 141 | 0 |
| Interest expenses | 11,060 | 9,206 | 9,417 | 8,507 |
| Foreign exchange loss, net | 4,937 | 3,436 | 3,536 | 3,676 |
| | **15,997** | **12,642** | **13,094** | **12,183** |
| **Note 7. Tax on profit for the year** | | | | |
| Current tax | 12,960 | 17,829 | 6,009 | 4,399 |
| Adjustment, previous years | 1,637 | (819) | 732 | (935) |
| Deferred tax | (1,054) | 4,881 | 1,946 | 2,666 |
| Lowering of the Danish income tax rate from 28% to 25% | (1,892) | 0 | (1,892) | 0 |
| **Total tax on profit for the year** | **11,651** | **21,891** | **6,795** | **6,130** |
| *Tax on profit for the year comprises:* | | | | |
| Tax liability of 25%/28% on profit for the year | 13,608 | 19,686 | 10,558 | 6,541 |
| Adjustment, previous years | 1,637 | (819) | 731 | (935) |
| Adjustment of computed tax in foreign group enterprises in relation to 25%/28% | (1,771) | 2,500 | 0 | 0 |
| Lowering of the Danish income tax rate | (1,892) | 0 | (1,892) | 0 |
| *Tax effect of:* | | | | |
| Other non-deductible costs | 69 | 524 | 188 | 524 |
| Other non-taxable income | 0 | 0 | (2,790) | 0 |
| | **11,651** | **21,891** | **6,795** | **6,130** |

| DKK '000 | Shares subsidiaries | Jointly managed enterprise |
|---|---|---|

**Note 8. Investments in the parent**

| | Shares subsidiaries | Jointly managed enterprise |
|---|---|---|
| Acquisition price, beginning of year | 61,886 | 9,077 |
| Disposals | 0 | (9,077) |
| Additions | 5,844 | 0 |
| **Acquisition price, end of year** | **67,730** | **0** |
| | | |
| Value adjustment, beginning of year | 0 | (4,516) |
| Revaluation for the year | 0 | 4,516 |
| Impairments losses for the year | 0 | 0 |
| Foreign currency translation adjustment | 0 | 0 |
| **Value adjustment, end of year** | **0** | **0** |
| **Carrying amount as at 30 September** | **67,730** | **0** |

**Investments in subsidiaries**

| Wholly-owned subsidiaries | Reg. office | Established/ acquired | Nominal share capital |
|---|---|---|---|
| Ambu Inc. | USA | 1983 | USD 250,000 |
| Ambu S.A.R.L | France | 1989 | EUR 170,245 |
| Ambu Ltd. | UK | 1991 | GBP 1,000 |
| Ambu (Deutschland) GmbH | Germany | 1992 | EUR 51,129 |
| Ambu S.r.l | Italy | 1992 | EUR 68,200 |
| Ambu S.L | Spain | 1993 | EUR 67,313 |
| Ambu Sdn. Bhd. | Malaysia | 1995 | MYR 2,400,000 |
| Ambu (China) Ltd. | China | 1998 | RMB 6,623,760 |
| Ambu Japan KK | Japan | 2000 | JPY 20,000,000 |
| Ambu of 2003 Sdn. Bhd. | Malaysia | 2003 | MYR 1,300,000 |
| Ambu BV | The Netherlands | 2006 | EUR 22,700 |

Ejendomsselskabet Sdr. Ringvej 49, in which Ambu A/S used to hold 50 per cent of the shares, was wound up in 2006/07.

In addition, Ambu has a subsidiary in Sweden and one in Finland.

# Notes

2006/07

DKK '000

**Note 9. Intangible assets**

| Group | Completed development projects | Rights | Goodwill | Development projects in progress | Total |
|---|---|---|---|---|---|
| Acquisition price, beginning of year | 60,395 | 0 | 121,134 | 8,054 | 189,583 |
| Additions in the year | 0 | 3,026 | 2,879 | 13,029 | 18,934 |
| Disposals in the year | 0 | 0 | 0 | (2,288) | (2,288) |
| Transferred in the year | 4,930 | 0 | 0 | (4,930) | 0 |
| **Acquisition price, end of year** | **65,325** | **3,026** | **124,013** | **13,865** | **206,229** |
| Amortisation and impairment losses, beginning of year | 20,085 | 0 | 0 | 2,288 | 22,373 |
| Foreign currency translation adjustment | 0 | 0 | 0 | 0 | 0 |
| Disposals in the year | 0 | 0 | 0 | (2,288) | (2,288) |
| Impairment losses for the year | 0 | 0 | 0 | 0 | 0 |
| Amortisation for the year | 11,740 | 167 | 0 | 0 | 11,907 |
| **Amortisation and impairment losses, end of year** | **31,825** | **167** | **0** | **0** | **31,992** |
| **Carrying amount, end of year** | **33,500** | **2,859** | **124,013** | **13,865** | **174,237** |
| Amortisation period | 5 years | 10 years | - | - | - |

| Parent | | | | | |
|---|---|---|---|---|---|
| Acquisition price, beginning of year | 60,395 | 0 | 121,134 | 8,054 | 189,583 |
| Additions in the year | 0 | 0 | 0 | 13,029 | 13,029 |
| Disposals in the year | 0 | 0 | 0 | (2,288) | (2,288) |
| Transferred in the year | 4,930 | 0 | 0 | (4,930) | 0 |
| **Acquisition price, end of year** | **65,325** | **0** | **121,134** | **13,865** | **200,324** |
| Amortisation and impairment losses, beginning of year | 20,085 | 0 | 0 | 2,288 | 22,373 |
| Disposals in the year | 0 | 0 | 0 | (2,288) | (2,288) |
| Impairment losses for the year | 0 | 0 | 0 | 0 | 0 |
| Amortisation for the year | 11,740 | 0 | 0 | 0 | 11,740 |
| **Amortisation and impairment losses, end of year** | **31,825** | **0** | **0** | **0** | **31,825** |
| **Carrying amount, end of year** | **33,500** | **0** | **121,134** | **13,865** | **168,499** |
| Amortisation period | 5 years | 10 years | - | - | - |

As at 30 September 2007, the management carried out an impairment test of the carrying amount of goodwill. Based on this test, no impairment 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 2007/08 budget, an estimated growth for 2008/09 and an expected growth in the terminal period of at least 4%. In connection with the discounting, the weighted cost of capital, corresponding to 8 per cent after tax, has been applied.

Impairment tests have been carried out for all development projects. The impairment test gave rise to impairment of development projects in progress of DKK 0.222m in 2005/06. The impairment can be attributed to the fact that these development projects in progress were closed down during the year. Development projects in progress were not impaired in 2006/07.

2005/06

DKK '000

**Note 9. Intangible assets (continued)**

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

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

# Notes

2006/07

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 | 127,860 | 205,868 | 52,239 | 10,970 | 396,937 |
| Foreign currency translation adjustment | (1,864) | (2,141) | (672) | (124) | (4,801) |
| Additions in the year | 445 | 12,308 | 2,987 | 22,090 | 37,830 |
| Disposals in the year | 0 | (21,722) | (2,221) | 0 | (23,943) |
| Additions in connection with acquisition | 0 | 0 | 135 | 0 | 135 |
| Transferred in the year | 0 | 14,662 | 3,748 | (18,409) | 0 |
| **Acquisition price, end of year** | **126,441** | **208,974** | **56,216** | **14,527** | **406,158** |
| Depreciation and impairment losses, beginning of year | 49,872 | 138,928 | 30,557 | 0 | 219,357 |
| Foreign currency translation adjustment | (344) | (856) | (419) | 0 | (1,619) |
| Reversal upon sale | 0 | (21,812) | (1,546) | 0 | (23,358) |
| Reversal of impairment losses | (748) | 0 | 0 | 0 | (748) |
| Depreciation for the year | 6,090 | 17,539 | 6,867 | 0 | 30,496 |
| **Depreciation and impairment losses, end of year** | **54,870** | **133,799** | **35,459** | **0** | **224,128** |
| **Carrying amount, end of year** | **71,572** | **75,175** | **20,757** | **14,527** | **182,030** |
| Of which assets held under finance leases | 2,052 | 0 | 6,978 | 0 | 9,030 |
| Depreciation period | 10-25 years | 2-10 years | 3-5 years | - | - |

| Parent | | | | | |
|---|---|---|---|---|---|
| Acquisition price, beginning of year | 79,269 | 167,959 | 35,960 | 8,912 | 292,100 |
| Additions in the year | 0 | 0 | 0 | 23,822 | 23,822 |
| Disposals in the year | 0 | (27,508) | 0 | 0 | (27,508) |
| Transferred in the year | 0 | 14,661 | 3,748 | (18,409) | 0 |
| **Acquisition price, end of year** | **79,269** | **155,112** | **39,708** | **14,325** | **288,414** |
| Depreciation and impairment losses, beginning of year | 39,779 | 123,447 | 20,505 | 0 | 183,731 |
| Reversal upon sale | 0 | (21,626) | 0 | 0 | (21,626) |
| Depreciation for the year | 3,271 | 9,991 | 4,838 | 0 | 18,100 |
| **Depreciation and impairment losses, end of year** | **43,050** | **111,812** | **25,343** | **0** | **180,205** |
| **Carrying amount, end of year** | **36,219** | **43,300** | **14,365** | **14,325** | **108,209** |
| Of which assets held under finance leases | 0 | 0 | 6,978 | 0 | 6,978 |
| Depreciation period | 10-25 years | 2-10 years | 3-5 years | - | - |

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

2005/06

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 | 109,230 | 187,624 | 41,611 | 32,125 | 370,590 |
| Foreign currency translation adjustment | (984) | (794) | (318) | (13) | (2,109) |
| Additions in the year | 4,093 | 10,389 | 5,247 | 13,880 | 33,609 |
| Disposals in the year | 0 | (222) | (4,931) | 0 | (5,153) |
| Transferred in the year | 15,521 | 8,871 | 10,630 | (35,022) | 0 |
| **Acquisition price, end of year** | **127,860** | **205,868** | **52,239** | **10,970** | **396,937** |
| Depreciation and impairment losses, beginning of year | 43,892 | 117,890 | 27,013 | 0 | 188,795 |
| Foreign currency translation adjustment | (102) | (250) | (210) | 0 | (562) |
| Reversal upon sale | 0 | (33) | (2,012) | 0 | (2,045) |
| Depreciation for the year | 6,082 | 21,321 | 5,766 | 0 | 33,169 |
| **Depreciation and impairment losses, end of year** | **49,872** | **138,928** | **30,557** | **0** | **219,357** |
| **Carrying amount, end of year** | **77,988** | **66,940** | **21,682** | **10,970** | **177,580** |
| Of which assets held under finance leases | 2,236 | 0 | 9,091 | 0 | 11,327 |
| Depreciation period | 10-25 years | 2-10 years | 3-5 years | - | - |

| Parent | 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 | 79,150 | 159,098 | 26,510 | 16,204 | 280,962 |
| Additions in the year | 0 | 0 | 0 | 12,328 | 12,328 |
| Disposals in the year | 0 | (10) | (1,180) | 0 | (1,190) |
| Transferred in the year | 119 | 8,871 | 10,630 | (19,620) | 0 |
| **Acquisition price, end of year** | **79,269** | **167,959** | **35,960** | **8,912** | **292,100** |
| Depreciation and impairment losses, beginning of year | 36,444 | 109,177 | 18,290 | 0 | 163,911 |
| Reversal upon sale | 0 | (7) | (1,006) | 0 | (1,013) |
| Depreciation for the year | 3,335 | 14,277 | 3,221 | 0 | 20,833 |
| **Depreciation and impairment losses, end of year** | **39,779** | **123,447** | **20,505** | **0** | **183,731** |
| **Carrying amount, end of year** | **39,490** | **44,512** | **15,455** | **8,912** | **108,369** |
| Of which assets held under finance leases | 0 | 0 | 9,091 | 0 | 9,091 |
| Depreciation period | 10-25 years | 2-10 years | 3-5 years | - | - |

# Notes

### Note 11. Share capital and treasury shares

The share capital as at 30 September 2007 comprises:
Class A shares, ten votes per share, 1,716,000 shares of DKK 10 each.
Class B shares, one vote per share, 10,160,298 shares of DKK 10 each.

| Treasury shares – class B shares | Number of shares | | Nominal value (DKK ’000) | | In % of share capital | |
|---|---|---|---|---|---|---|
| DKK ’000 | 2006/07 | 2005/06 | 2006/07 | 2005/06 | 2006/07 | 2005/06 |
| 1 October | 47,320 | 47,320 | 473 | 473 | 0.4% | 0.4% |
| Disposals | 0 | 0 | 0 | 0 | 0.0% | 0.0% |
| **Class B treasury shares as at 30 September** | **47,320** | **47,320** | **473** | **473** | **0.4%** | **0.4%** |
| Outstanding class B shares | 10,112,978 | | | | | |

There have been no changes in the number of outstanding class A shares in the financial period.

| | Group | |
|---|---|---|
| **Earnings per share** | 2006/07 | 2005/06 |
| Net profit for the year | 42,777 | 48,415 |
| Average number of outstanding class A and B shares | 11,828,978 | 11,739,062 |
| | | |
| Earnings per DKK 10 share (EPS) in DKK | 3.62 | 4.12 |
| Diluted earnings per DKK 10 share (EPS-D) in DKK | 3.62 | 4.12 |

| | Group | | Parent | |
|---|---|---|---|---|
| DKK ’000 | 30.09.07 | 30.09.06 | 30.09.07 | 30.09.06 |
| **Note 12. Inventories** | | | | |
| Raw materials and consumables | 40,302 | 39,946 | 14,738 | 20,566 |
| Work in progress | 2,413 | 2,823 | 296 | 319 |
| Finished goods | 85,550 | 81,666 | 31,587 | 26,446 |
| | **128,265** | **124,435** | **46,621** | **47,331** |
| Cost of sales for the year | 228,857 | 237,557 | 287,982 | 255,782 |
| | | | | |
| **Inventory write-down** | | | | |
| Write-downs as at 1 October | 6,638 | 4,470 | 1,314 | 1,579 |
| Foreign currency translation adjustment | (320) | (88) | 0 | 0 |
| Additions | 330 | 2,521 | 0 | 0 |
| Disposals | (2,853) | (265) | (122) | (265) |
| **Write-downs as at 30 September** | **3,795** | **6,638** | **1,192** | **1,314** |

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

| DKK '000 | Group 30.09.07 | Group 30.09.06 | Parent 30.09.07 | Parent 30.09.06 |
|---|---|---|---|---|
| **Note 13. Receivables** | | | | |
| Trade receivables | 165,795 | 179,863 | 40,973 | 44,115 |
| Receivables from group enterprises | - | - | 151,913 | 136,810 |
| Other receivables | 15,954 | 10,947 | 4,577 | 1,934 |
| **Total receivables** | **181,749** | **190,810** | **197,463** | **182,859** |
| Write-downs included in the receivables mentioned above | 4,926 | 3,961 | 2,533 | 2,334 |
| Write-downs of receivables for the year | 1,269 | 0 | 431 | 0 |

**Credit risks**

Sales of the group's products to customers worldwide are settled partly by letter of credit or prepayment from distributors, partly on open-account terms. Reference is made to the section "Risk management" on page 32.

| DKK '000 | Group 30.09.07 | Group 30.09.06 | Parent 30.09.07 | Parent 30.09.06 |
|---|---|---|---|---|
| Trade receivables | 165,795 | 179,863 | 40,973 | 44,115 |
| Other receivables | 15,954 | 10,947 | 4,577 | 1,934 |
| **Total maximum credit risks** | **181,749** | **190,810** | **45,550** | **46,049** |

No concentration of credit risks exists.

**Note 14. Provisions for deferred tax**

| DKK '000 | Group 30.09.07 | Group 30.09.06 | Parent 30.09.07 | Parent 30.09.06 |
|---|---|---|---|---|
| Deferred tax as at 1 October | 9,573 | 4,524 | 17,659 | 14,993 |
| Foreign currency translation adjustment | 305 | 116 | 0 | 0 |
| Deferred tax for the year | (1,054) | 4,881 | 1,946 | 2,666 |
| Lowering of the Danish income tax rate from 28% to 25% | (1,892) | 0 | (1,892) | 0 |
| Change in respect of previous years | 585 | 52 | 0 | 0 |
| **Deferred tax as at 30 September** | **7,517** | **9,573** | **17,713** | **17,659** |
| *Deferred tax relates to:* | | | | |
| Intangible assets | 7,631 | 7,821 | 12,719 | 13,506 |
| Property, plant and equipment | 2,341 | 2,291 | 2,397 | 2,238 |
| Current assets | (1,230) | 434 | 2,597 | 1,915 |
| Payables | (487) | (196) | 0 | 0 |
| Tax losses to be carried forward | (738) | (777) | 0 | 0 |
| | **7,517** | **9,573** | **17,713** | **17,659** |
| *Deferred tax comprises:* | | | | |
| Deferred tax asset | **(3,928)** | **(2,634)** | **0** | **0** |
| Deferred tax | **11,445** | **12,207** | **17,713** | **17,659** |
| Deferred tax falling due within 12 months | **(2,455)** | **(539)** | **2,597** | **1,915** |

# Notes

| DKK '000 | Group 30.09.07 | Group 30.09.06 | Parent 30.09.07 | Parent 30.09.06 |
|---|---|---|---|---|
| **Note 15. Income tax** | | | | |
| Income tax payable as at 1 October | 8,811 | (703) | 1,994 | (806) |
| Foreign currency translation adjustment | (294) | (147) | 0 | 0 |
| Paid during the year | (19,652) | (7,756) | (5,471) | (1,124) |
| Adjustment in respect of previous years | 1,700 | (872) | 731 | (935) |
| Tax on equity hedging transactions | 633 | 460 | 633 | 460 |
| Tax on profit for the year | 12,960 | 17,829 | 6,009 | 4,399 |
| **Net payable/receivable** | **4,159** | **8,811** | **3,896** | **1,994** |
| Classified in the balance sheet as follows: | | | | |
| Prepaid income tax | (4,540) | (793) | 0 | 0 |
| Income tax payable | 8,699 | 9,604 | 3,896 | 1,994 |

**Note 16. Credit institutions**

Carrying amount:

| Loan | Maturity | Fixed/floating | Interest | Group 30.09.07 | Group 30.09.06 | Parent 30.09.07 | Parent 30.09.06 |
|---|---|---|---|---|---|---|---|
| DKK | 2014 | Fixed | 7.1% | 2,223 | 2,565 | 2,223 | 2,565 |
| DKK | 2014 | Fixed | 7.1% | 1,539 | 1,776 | 1,539 | 1,776 |
| DKK | 2014 | Fixed | 7.1% | 2,737 | 3,158 | 2,737 | 3,158 |
| DKK | 2014 | Floating | 4.8% | 15,277 | 17,494 | 15,277 | 17,494 |
| DKK | 2015 | Fixed | 6.7% | 889 | 1,001 | 889 | 1,001 |
| DKK | 2015 | Floating | 5.1% | 18,335 | 20,000 | 18,335 | 20,000 |
| DKK | 2018 | Floating | 5.5% | 9,076 | 9,678 | 9,076 | 9,678 |
| EUR | 2008 | Floating | 4.9% | 10,000 | 30,000 | 10,000 | 30,000 |
| EUR | 2009 | Fixed | 6.6% | 5,524 | 7,533 | 5,524 | 7,533 |
| EUR | Finance leases | Fixed | 4.3% | 1,351 | 1,655 | 0 | 0 |
| DKK | Finance leases | Fixed | 4.4% | 6,992 | 8,838 | 6,992 | 8,838 |
| **Total credit institutions as at 30 September** | | | | **73,943** | **103,697** | **72,592** | **102,042** |
| **Effective rate of interest** | | | **5.3%** | | | | |
| **Fair value of debt as at 30 September** | | | | **74,147** | **104,413** | **72,796** | **102,758** |

The fair value of debt is calculated as the market value of the debt.

Of the total debt, DKK 20.252m falls due within one year, and DKK 19.053m falls due after five years.

| Liabilities relating to assets held under finance leases are thus included in debt to credit institutions: | | Group 30.09.07 | Group 30.09.06 | Parent 30.09.07 | Parent 30.09.06 |
|---|---|---|---|---|---|
| | 0-1 year | 1,944 | 2,711 | 1,628 | 2,408 |
| | 1-5 years | 6,399 | 7,782 | 5,364 | 6,430 |
| | > 5 years | 0 | 0 | 0 | 0 |
| **Liabilities relating to finance leases as at 30 September** | | **8,343** | **10,493** | **6,992** | **8,838** |

**Note 16. Credit institutions (continued)**

| Finance leases as at 30 September 2007 | Minimum lease payments | Interest | Carrying amount | Minimum lease payments | Interest | Carrying amount |
|---|---|---|---|---|---|---|
| < 1 year | 2,204 | 260 | 1,944 | 1,835 | 207 | 1,628 |
| 1-5 years | 6,807 | 408 | 6,399 | 5,697 | 333 | 5,364 |
| > 5 years | 0 | 0 | 0 | 0 | 0 | 0 |
| **Reconciliation** | **9,011** | **668** | **8,343** | **7,532** | **540** | **6,992** |

The property leased in France carries a purchase option. The purchase option may be exercised in 2011 at a purchase price of EUR 1.

**Interest rate risks**

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

| | Reassessment time/due date | | | | |
|---|---|---|---|---|---|
| 2006/07 | 0-1 year | 1-5 years | > 5 years | Total | Effective rate of interest, % |
| Credit institutions, fixed rate | 5,064 | 14,358 | 1,833 | 21,255 | 5.9 |
| Credit institutions, floating rate | 52,688 | 0 | 0 | 52,688 | 5.0 |
| Interest rate swaps (principal amount), floating-rate part | (43,612) | 0 | 0 | (43,612) | 4.9 |
| Interest rate swaps (principal amount), fixed-rate part | 13,837 | 17,547 | 12,228 | 43,612 | 4.2 |
| | **27,977** | **31,905** | **14,061** | **73,943** | **4.8** |
| 2005/06 | 9,678 | 55,525 | 38,495 | 103,698 | 4.6 |

**Note 17. Charges**

Security has been provided for debt to credit institutions in the form of mortgages registered to the mortgagor secured upon property and representing a nominal value of DKK 25.383m and a carrying amount of DKK 36.218m in Denmark.

| | **Group** | | **Parent** | |
|---|---|---|---|---|
| **Note 18. Operating leases** | 2006/07 | 2005/06 | 2006/07 | 2005/06 |
| **Operating leases** | | | | |
| Amounts due within 0-1 year | 13,136 | 11,207 | 6,354 | 5,469 |
| Amounts due within 1-5 years | 44,710 | 40,524 | 23,619 | 19,381 |
| Amounts due after 5 years | 66,995 | 78,914 | 52,010 | 59,304 |
| **Total operating leases** | **124,841** | **130,645** | **81,984** | **84,155** |
| **Operating leases expensed in the income statement** | **13,238** | **12,300** | **6,131** | **5,611** |

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

# Notes

### 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 transactions with related parties:

| | Parent | |
|---|---|---|
| DKK '000 | 2006/07 | 2005/06 |
| Sale to subsidiaries | 386,624 | 338,863 |
| Purchase from subsidiaries | 148,652 | 110,036 |

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

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

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

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

| | Group | | Parent | |
|---|---|---|---|---|
| | 2006/07 | 2005/06 | 2006/07 | 2005/06 |
| Guarantees and security provided in respect of subsidiaries | 19,385 | 21,788 | 14,096 | 15,680 |

### Note 20. Financial instruments

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

Reference is made to the section "Risk management" on page 32.

#### Hedging of recognised assets and liabilities

Hedging of recognised transactions primarily comprises receivables and payables denominated in foreign currencies.

| | Payment/ | | 2006/07 | | |
|---|---|---|---|---|---|
| Foreign currency | maturity | Receivables | Payables | Hedged | Net position |
| USD translated into DKK '000 | < 1 year | 101,843 | (66,229) | 0 | 35,613 |
| EUR translated into DKK '000 | < 1 year | 65,280 | (4,001) | 0 | 61,279 |
| GBP translated into DKK '000 | < 1 year | 0 | (2,644) | 0 | (2,644) |
| | | **167,123** | **(72,874)** | **0** | **94,248** |

**Note 20. Financial instruments (continued)**

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

Apart from the above, the balance sheet of the parent is not subject to any material currency risks. The currency risk relating to net investments in foreign subsidiaries is not hedged.

**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 three 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 | 2006/07 | 2005/06 | 2006/07 | 2005/06 | 2006/07 | 2005/06 |
| Sale of GBP | < 1 year | 6,585 | 14,760 | 6,757 | 14,708 | 172 | (52) |

**Fair value of financial instruments**

| | 2006/07 | 2005/06 |
|---|---|---|
| *Forward exchange contracts* | | |
| USD translated into DKK '000 | 0 | (34) |
| EUR translated into DKK '000 | 0 | (6) |
| GBP translated into DKK '000 | 172 | (8) |
| *Interest rate and currency swaps* | | |
| DKK/DKK, floating to fixed rate | 761 | 326 |
| EUR/EUR, floating to fixed rate | 1,579 | (865) |
| DKK/EUR, floating rate in DKK to fixed rate in EUR | 8 | (127) |
| | **2,520** | **(714)** |

**Note 21. Other operating expenses**

Other operating expenses in 2006/07 comprises the non-recurring effect of the implemented employee share scheme as well as the effect of the established option scheme. For further information, please refer to Note 3 and "Management's review" on page 19. In 2005/06, other operating income comprises an impairment loss on the property situated at Sdr. Ringvej 49 to the net selling price. The property was disposed of in 2005/06, and the property company was wound up in 2006/07.

**Note 22. Contingent liabilities**

The patent cases concerning the laryngeal mask are described under "Management's review" on page 18. The cases are not expected to materially affect the company's financial position. In addition to this, Ambu is a party to a small number of court cases in Denmark and abroad.

Bid and performance bonds totalling DKK 0.3m have been issued in respect of a number of Ambu's customers. The bonds expire once delivery is made and approved by the customer.

# Notes

| | Group | | Parent | |
|---|---|---|---|---|
| DKK '000 | 2006/07 | 2005/06 | 2006/07 | 2005/06 |
| **Note 23. Purchase of non-current assets** | | | | |
| Purchase of property, plant and equipment, cf. note 10 | 37,966 | 33,609 | 23,822 | 12,328 |
| Purchase of intangible assets, cf. note 9 | 18,934 | 16,156 | 13,029 | 16,156 |
| of which assets held under finance leases | 0 | 8,775 | 0 | 8,774 |
| **Amounts paid concerning the purchase of property, plant and equipment** | **56,900** | **40,990** | **36,851** | **19,710** |
| Proceeds from the arrangement of financial liabilities - of which lease debt | 0 | 9,037 | 0 | 9,037 |
| | 0 | 9,037 | 0 | 9,037 |
| **Proceeds from the arrangement of financial liabilities** | **0** | **0** | **0** | **0** |

**Note 24. Estimates made by the management**

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

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

The following estimates and related assumptions are deemed to be material to the Annual Report by the management.

* Goodwill
* Development projects
* Court cases

Goodwill and development projects are described in Note 9, and court cases are described in "Management's review" on p. 18.

**Note 25. Subsequent events**

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

**Note 26. New accounting regulation**

As of the 2006/07 financial year, Ambu has implemented all relevant new and updated accounting standards issued by the IASB and effective as of 1 October 2006. The implementation of these new and updated standards has not had a material financial effect on the statement of Ambu's results, assets and liabilities or equity in connection with the preparation of the financial statements for the periods presented.

A number of standards and interpretations exist which Ambu must implement in the 2007/08 financial year. However, some of these still have to be adopted by the EU. The standards and interpretations still not effective comprise: IAS 1 revised, IFRS 4 revised, IFRS 7, IFRIC 10, IFRIC 11 (all standards/interpretations adopted by the EU) as well as IAS 1 revised, IAS 23 revised, IAS 34 revised, IFRS 1 revised, IFRS 8, IFRIC 12-14 (all standards/interpretations not adopted by the EU).

The application of these standards and interpretations is not expected to have a material financial effect on the statement of Ambu's results, assets and liabilities or equity in connection with the presentation of the 2007/08 financial statements.

# Ambu in brief

Ambu develops, produces and markets diagnostic and life-supporting devices to hospitals and rescue services. The group has five business areas: Respiratory Care, Cardiology, Neurology, Training and Immobilization.

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

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

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

Ambu has just over 1,200 employees, of whom approx. 300 work in Denmark and approx. 900 abroad.

Ambu is listed on the OMX Nordic Exchange Copenhagen.

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Ideas that work for life

Business Areas

- Respiratory Care
- Cardiology
- Neurology
- Training
- Immobilization

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