Annual Report 2015/16

Ambu
Ideas that work for life

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About Ambu
Since 1937, breakthrough ideas have driven Ambu's work to bring efficient healthcare solutions to life within our fields of excellence: Anaesthesia and Patient Monitoring & Diagnostics. Millions of patients and healthcare professionals worldwide depend and rely on the functionality and performance of our products. We are dedicated to improving patient safety and determined to advance single-use devices. The manifestations of our efforts range from early inventions like the first resuscitatior and the legendary Blue Sensor™ electrodes to our latest landmark solutions such as the aScope™ – the world's first single-use videoscope. Our commitment to bringing new ideas and superior service to our customers has made Ambu one of the most recognised medtech companies in the world. Our head office is situated in Ballerup near Copenhagen. Ambu has approximately 2,300 employees in Europe, North America, Asia and the Pacific region. For further information, visit www.ambu.com.

Ambu in five minutes

In April 2016, Ambu acquired the patent rights to its breathing circuits product line.
A breathing circuit comprises the equipment that connects the patient to the anaesthesia machine and delivers oxygen to the anaesthetised patient during surgical procedures.

Strategic decisions and committed efforts

FY 2015/16 was a year in which Ambu climbed new heights, and in which we exceeded the strategic targets we set ourselves in 2013. Now, we have the strength needed to see us through the years to come.

In 2013, Ambu launched its 'Climbing New Heights 2017' strategy. This was a strategy plan that built further on the 'GPS Four' strategy plan for the 2009-2013 period. During this period, Ambu created a stronger platform for its operations comprising well-managed factories in Asia, an extensive and global sales organisation and an infrastructure characterised by optimised processes and procedures. Last, but not least, the strategy was based on our belief that single-use visualisation products are the future. We launched our videoscopes, which have since had a breakthrough at hospitals worldwide. Last year, 200,000 videoscopes were sold by Ambu.

With 'Climbing New Heights 2017', Ambu was to achieve marked growth – in the space of a few years reaching DKK 2bn in revenue, while at the same time increasing its EBIT margin. Also, the new strategy plan was intended to turn Ambu into a leading global player within the fields of anaesthesia and patient monitoring. Ambitious objectives, which the organisation has since been committed to fulfilling.

Ahead of targets

It is therefore only natural that we should feel pleased with the fact that our financial targets have now been met, one year ahead of schedule.

In three years, we have met the financial targets set out in our four-year strategy. We have topped DKK 2bn in revenue. We have increased our EBIT margin to 17.1%. And we have realised free cash flows of DKK 285m, a working capital ratio of 25% and a declining rate of cost. At the same time, we have developed our sales regions so that almost 50% of our revenue is now generated in the world's largest market for healthcare, the USA. Almost 42% of our revenue comes from Europe, and the rest from Asia and emerging markets. A strong platform for further expansion.

Ambu is now positioned as a strong global player within the healthcare industry, realising results which makes Ambu one of the fastest-growing companies in recent years.

Ambu has delivered strong growth quarter after quarter. Growth which is significantly above average for the industry. At the same time, we have increased our profit margin by keeping costs down. We have reached a point where our revenue has topped DKK 500m per quarter, and in a lean organisation, this means that we are reaping economies of scale which are paving the way for profitable growth.

Strengthen business

The past year has obviously been a busy one, in which Ambu has undertaken large-scale projects involving both our global supply chain and our sales function. We have launched several new and exciting products. A videoscope for urology in partnership with Coloplast, a new aScope as well as a number of products within our core areas.

We have acquired the patents related to an important product line, namely breathing circuits. This acquisition cements our position within the breathing circuits segment, which we first started targeting following the acquisition of King Systems in 2013. Our appetite for acquisitions which create value continues, most recently with the acquisition of ETView Medical. The acquisition complements our product portfolio, and adds a number of exciting single-use products that will strengthen Ambu's position as a supplier of state-of-the-art visualisation equipment to hospitals.

These are important initiatives which strengthen Ambu's business, and which contribute to Ambu's further development. They are initiatives which are whetting Ambu's appetite for more, and which are helping us every day to develop our relations with hospitals and rescue services all over the world.

Global investments

So what is the next step now that our financial targets have been met? We are setting new goals for 2016/17 of course, and we are making sure to implement the last of the activities which are part of our Climbing New Heights strategy, before presenting our ambitious new 2020 plan in about a year's time. We are aiming higher because we believe that we can do even better. That we can become an even more relevant partner for doctors, nurses and paramedics all over the world. We believe that the introduction of advanced medical equipment for single-use is only in its infancy.

In the period leading up to 2020, we will invest further in growth through more efficient distribution channels in both existing and new markets. We will continue to establish value-adding partnerships, and we will intensify our efforts to develop new and efficient solutions for the healthcare sector which can pave the way for continued growth in the years to come. Last, but not least, we will continue to identify companies which – under Ambu's ownership – can create further momentum.

We are in a stronger position than ever before in Ambu's 79-year history, and we are looking forward to continuing our exciting journey – one which is adding value for our customers, employees and shareholders.

Jens Bager Chairman of the Board	Lars Marcher President & CEO

Financial highlights

DKKm	2015/16	2014/15	2013/14	2012/13	2011/12
Income statement					
Revenue	2,084	1,889	1,584	1,383	1,045
Gross margin, %	53.9	50.9	52.4	51.1	56.5
EBITDA before special items	458	332	286	235	204
Depreciation	47	48	46	43	37
Amortisation	55	48	42	31	16
EBIT before special items	356	236	198	161	151
EBIT	356	236	198	100	145
Net financials	-30	-21	10	-30	-1
Profit before tax	326	215	208	70	144
Net profit for the year	250	152	151	48	110
Balance sheet					
Assets	2,366	2,254	2,047	1,852	949
Working capital	521	551	452	393	354
Equity	992	1,036	854	651	665
Net interest-bearing debt	955	731	739	721	57
Cash flows					
Cash flows from operating activities	369	208	183	122	158
Cash flows from investing activities before acquisitions of enterprises	-84	-101	-80	-54	-47
Free cash flows before acquisitions of enterprises	285	107	103	68	111
Acquisitions of enterprises and technology	155	17	112	704	31
Cash flows from operating activities, % of revenue	18	11	12	9	15
Investments, % of revenue	4	5	5	4	4
Free cash flows before acquisitions of enterprises, % of revenue	14	6	7	5	11
Key figures and ratios					
Organic growth, %	9	9	7	6	2
Rate of cost, %	37	38	40	39	42
EBITDA margin before special items, %	22.0	17.6	18.1	17.0	19.5
EBIT margin before special items, %	17.1	12.5	12.5	11.6	14.4
Tax rate, %	23	29	27	31	24
Return on equity, %	25	16	20	7	18
NIBD/EBITDA before special items	2.1	2.2	2.6	3.1	0.3
Equity ratio, %	42	46	42	35	70
Working capital, % of revenue	25	29	29	28	34
Return on invested capital (ROIC), %	19	12	12	11	14
Average no. of employees	2,337	2,270	2,333	1,984	1,683
Share-related ratios					
Market price per share, DKK	356	181	106	56	37
Earnings per share (EPS) (DKK)	5.27	3.16	3.19	1.01	2.37
Diluted earnings per share (EPS-D) (DKK)	5.13	3.06	3.12	1.01	2.31
Cash flow per share	7.63	4.31	3.83	2.56	3.31
Equity value per share	21	21	18	14	14
Price/equity value	17.0	8.6	5.9	4.0	2.6
Dividend per share	1.55	0.95	0.94	0.31	0.75
Pay-out ratio, %	30	30	30	31	33
P/E ratio	68	57	33	55	16

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

Ambu at a glance

Supplies medical devices for hospitals and ambulances

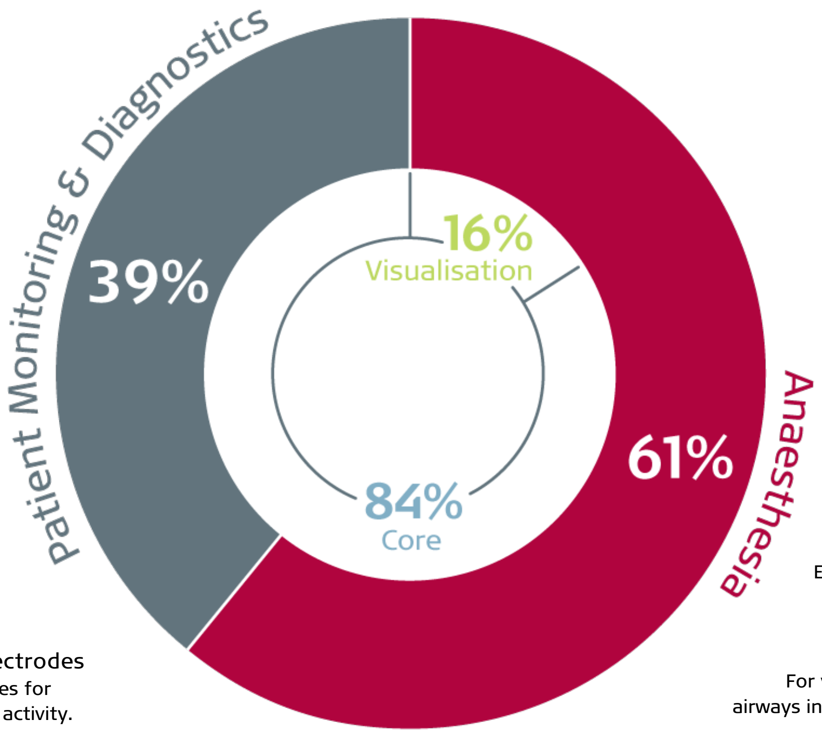
Global sales, directly and via distributors

Production in China, Malaysia and the USA

2,300 employees all over the world

Founded in 1937

Breakdown of revenue 2015/16



Core

Cardiology electrodes
Surface electrodes for measuring heart activity.

Neurology electrodes
Surface and needle electrodes for neurophysiological examinations.

Training manikins
Manikins for training first aid and the use of defibrillators.

Neck collars
Neck collars for protecting the neck and spine in connection with accidents.

Visualisation

Single-use videoscopes
Endoscopes for examinations of the airways.

Video laryngoscopes
For visualisation of the patient's airways in connection with intubation.

Airway tubes with integrated camera
For continuous visualisation of the patient's airways during surgical procedures.

Core

Resuscitators
'The Ambu Bag' is used for artificial respiration.

Laryngeal masks
To maintain breathing during surgical procedures (laryngeal = throat).

Face masks
Masks for oxygenation or anaesthetisation of patients.

Breathing circuits
Breathing systems for patients during surgical procedures.

Highlights 2015/16

Revenue	Gross margin
DKK 2,084m	53.9%
+9%	+3.0 percentage points

EBITDA	EBITDA margin
DKK 458m	22.0%
+38%	+4.4 percentage points

EBIT	EBIT margin
DKK 356m	17.1%
+51%	+4.6 percentage points

Free cash flows	Proposed dividend
DKK 285m	DKK 1.55/share
+166%	+63%

Primary events in 2015/16

- Product launch: Urology product in collaboration with Coloplast
  October 2015
- Establishment of direct sales in Japan and Norway
  November 2015
- Ambu aScope 3 approved for sale in China
  January 2016
- Acquisition: Patent rights to breathing circuits
  April 2016
- Product launch: Ambu aScope 3 Large
  May 2016
- Product launch: New generation of wireless training manikins
  September 2016
- Acquisition: ETView Medical Ltd.
  September 2016

Strategy and financial targets

Ambu's BlueSensor™ electrodes are known for providing a clear signal and for being gentle on the skin. They are used, for example, by cardiologists to perform ECG measurements (measuring heart rhythm).

Industry

As a global medtech company, Ambu is part of the healthcare industry. The industry is undergoing major changes due to technological developments which are increasingly paving the way for new types of solutions within established treatment areas.

Health-economic focus
Global health budgets have come under increasing pressure in recent years, which has led to pressure on prices in most product categories, but also to a markedly increased focus on optimising existing courses of treatment. Performance and penalty schemes in many countries are increasingly pressurising hospitals into thinking along new lines and into increasing the cost-effectiveness of their treatments and the products they use.

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

Economic and demographic developments mean that Ambu – as well as our competitors – are experiencing an increased pressure on prices as well as a need to document the efficacy of our products. Ambu has, in recent years, been able to mitigate the pressure on prices, and we are seeing an average drop in our prices of approx. 0.5-1% a year. Ambu is devoting more and more resources to health economics, i.e. to documenting the beneficial effect of our products on patient care and hospital economy.

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

Hygiene
Following a number of incidents in the USA, the US Food and Drug Administration has warned of a number of hygiene-related challenges due to the inadequate cleaning of videoscopes. This has directed particular attention to the risk of infection and cross-contamination associated with reusable videoscopes.

It is a trend that supports Ambu's position as a leading supplier of single-use products which eliminate the risk of contamination and infection. In addition, the use of single-use scopes also contributes to improving hospital procedures and processes, and thus the relevance of the Ambu aScope.

Market opportunities
Ambu focuses on developing and selling single-use products which optimise working procedures, reduce costs and enhance patient care.

Thanks to our experience and size, we are strongly positioned in relation to our competitors and in terms of meeting customer needs and regulatory requirements. At the same time, Ambu is playing a vital role in operating rooms, as most of our products help doctors maintain patients' airways during surgical procedures. From this favourable position, Ambu therefore has considerable scope for realising further growth.

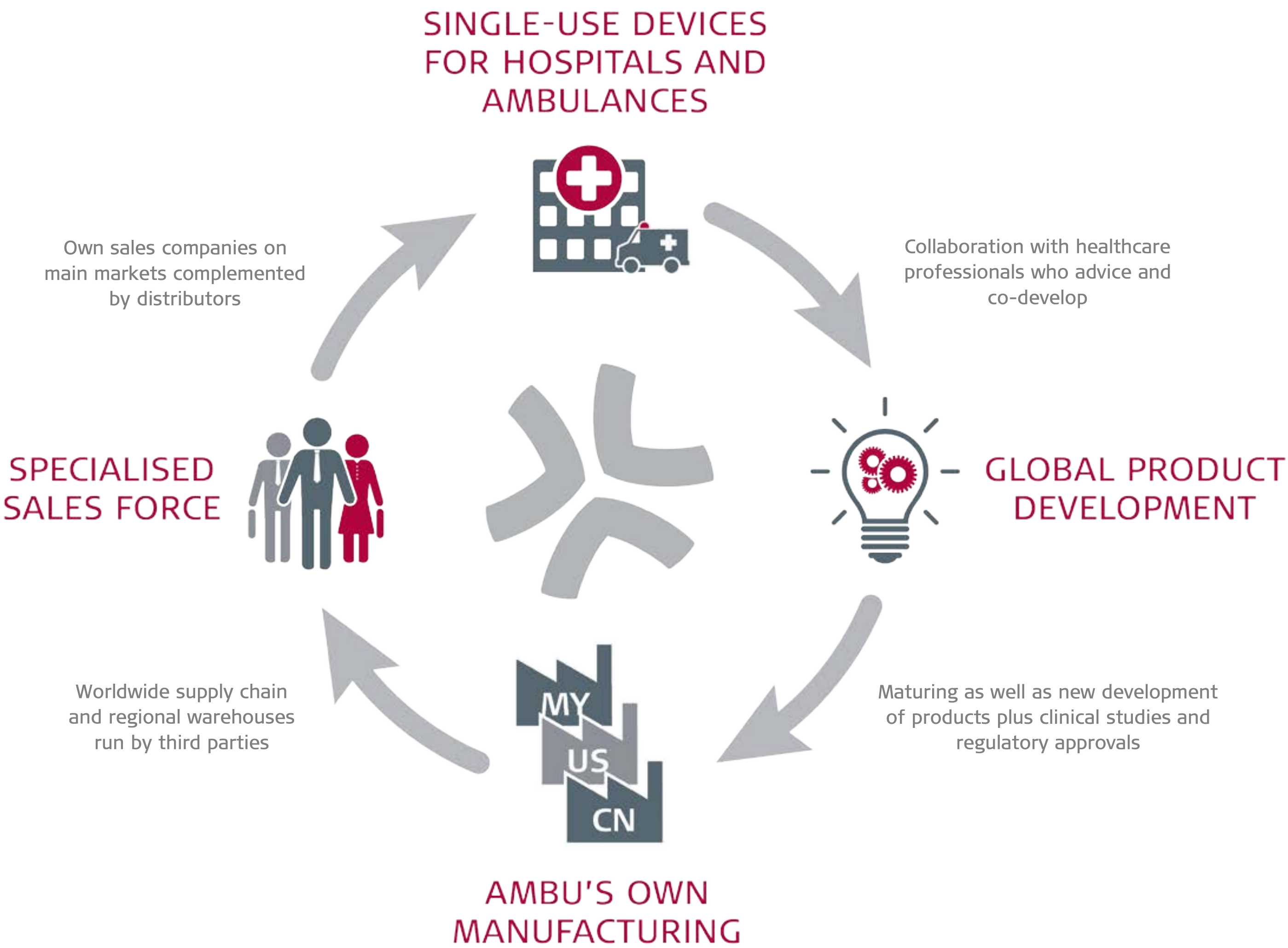
Business model

Ambu develops, manufactures and sells equipment for hospitals and rescue services all over the world. We develop our products in close cooperation with doctors, nurses and paramedics to ensure that our solutions are of the greatest possible relevance to the working lives of users – in operating rooms and when called out to accidents.

Global development
Ambu's product development is global. Our innovation centre is located in Denmark, where we focus on developing completely new products, but we also have local development departments at each of our factories – in China, Malaysia and the USA. The local development departments are primarily engaged in updating and improving existing products and production methods.

Our own factories
We own and operate our factories, which produce most of the products we sell. Moreover, we have been working with a number of subsuppliers for many years.

Specialised sales force
Most of our revenue is generated through our own direct sales. Ambu has sales representatives in 19 countries, and over the past few years, our sales force has become specialised within our various business areas. Also, we have taken on a number of so-called clinical consultants to help customers use our visualisation products as expediently as possible.



Strategy

Ambu's current strategy period ends at the end of FY 2016/17, but even now – one year ahead of schedule – we have already delivered on the overarching financial targets defined back in 2013. The targets for 2016/17 were:

- Revenue of DKK 2bn, measured at fixed exchange rates, corresponding to average organic growth of 8-9% since 2013
- An EBIT margin in the range of 17-18%, having achieved an EBIT margin of 17.1% in FY 2015/16
- Working capital ratio of 25%, which was achieved by the end of September 2016

Our strategy, Climbing New Heights, will continue in 2016/17 as planned, after which it is completed. The new strategy process will commence in spring 2017 with a view to being launched in October 2017. The framework for the new strategy for the period up until 2020 will be based on four objectives:

High organic growth rate
Since 2013, Ambu has averaged organic growth of 8-9%. During the period up until 2020, we aim for Ambu to, as a minimum, continue to realise high single-digit organic growth rates. The growth will be generated partly through the continued expansion of the market for single-use videoscopes, and partly by Ambu's core products.

Continued increase in EBIT margin
Ambu has developed a scalable business model based on innovation, growth driven by high-margin single-use products and the competences required to constantly reduce costs. As a result, since 2012/13 we have been able to increase our EBIT margin by more than 5 percentage points. By maintaining this focus, in the period leading up to 2020, it is our ambition to at least achieve an increase in Ambu's EBIT margin similar to the increase realised since 2013.

Innovation
Ambu will intensify its focus on innovation with a view to developing and launching more new, value-adding products for hospitals. In the period leading up to 2020, Ambu's development activities will result in new products and new applications, which will strengthen Ambu's position as a leading global supplier of high-quality products that bring economic benefits for hospitals and improve patient safety.

Growth through acquisitions and partnerships
In recent years, we have carried out a number of acquisitions of enterprises as well as technologies. Going forward, we see a number of opportunities for selective acquisitions of technologies and the formation of partnerships that will strengthen our commercial and technological position through being integrated with Ambu.

Outlook 2016/17

In 2016/17, Ambu expects to realise growth in revenue markedly in excess of market growth. We expect to see solid growth in both business areas Anaesthesia and PMD, driven by our visualisation products as well as our core products.

Market conditions
The general market growth in both Europe and North America is expected to remain at a low level of approx. 1-3%. The economic situation is challenging, and the general competitive situation is not expected to change materially.

In the USA, Ambu has in recent years positioned itself as a leading supplier of single-use products for hospitals and also as a strong partner with the large general purchasing organisations (GPOs). There are positive signs that this strategy will continue to create growth opportunities for Ambu.

The European economies are still characterised by low economic growth, and there are no signs that this will change any time soon. Based on Ambu's innovative product portfolio, we also expect both business areas to be able to generate growth in Europe substantially above the market growth in FY 2016/17.

In the rest of the world, Ambu has realised double-digit growth rates in recent years, and the contribution margin from these regions is becoming increasingly important for Ambu's total growth. This development is expected to continue in 2016/17.

In 2016/17, the pressure on prices is expected to be similar to previous years, i.e. in the range of 0.5-1%. The pressure on prices will affect a broad range of product lines and markets, but nevertheless the overall gross margin is still expected to increase as growth is driven by products with above-average margins.

The acquisition of ETView Medical Ltd. was finalised on 28 September 2016, and the company is therefore fully consolidated in 2016/17. Due to the company's very limited activities so far, its contribution to revenue is deemed to be organic. Integration costs are expected to be in the range of DKK 15-20m. Costs relating to structural changes, including regulatory issues in Israel, will be reported separately.

Currency expectations
The outlook for 2016/17 is based on the following exchange rate assumptions:

	Expected exchange rate for 2016/17	Change in relation to 2015/16
USD/DKK	665	-1%
CNY/DKK	100	-3%
MYR/DKK	165	+2%
GBP/DKK	825	-14%

Just over 50% of Ambu's total revenue is invoiced in USD. In addition, just under 45% of revenue is invoiced in EUR or DKK, and the remaining 5% in GBP. Production costs are settled in USD, MYR and CNY.

Against this background, the effect on Ambu's EBIT of changes in the average exchange rates of USD, MYR and CNY from 2015/16 to 2016/17 is expected to be minimal. The effect of an expected 14% weakening of the GBP/DKK exchange rate is expected to impact the EBIT margin negatively to the order of 0.5 percentage points, as compared with the exchange rates realised in 2015/16.

The effect of a strengthening of 10% relative to the Danish krone is estimated to be as follows for the main currencies:

DKKm	USD	MYR	CNY	GBP
Revenue	100	0	0	15
EBIT	+25	-10	-15	10
EBIT margin	+0.2%	-0.4%	-0.6%	+0.3%

Financial outlook
The financial outlook, calculated at the expected exchange rates for 2016/17, may be summarised as follows:

- Organic growth in local currencies of approx. 8-10%
- EBIT margin before special items of approx. 18%
- Free cash flows before special items of approx. DKK 175m
- Gearing (NIBD/EBITDA) of approx. 1.75

Special items are made up of integration costs in respect of ETView Medical Ltd., which are expected to be in the range DKK 15-20m.

The outlook for the free cash flows corresponds to approx. 8% of revenue. This takes account of investments in buildings, including a new factory in Malaysia, of approx. DKK 100m.

When adjusted for investments in buildings of DKK 100m, FY 2016/17 is expected to see free cash flows of approx. 12% of revenue, corresponding to the cash flows realised in 2015/16. The outlook for free cash flows for 2016/17 takes account of significantly increased investments in innovation, which will be financed through continued improvements in the working capital.

Acquisitions and partnerships
As an integrated part of the Climbing New Heights strategy, Ambu is working to identify companies and products that can supplement its current product portfolio. Ambu is also keen to enter into new partnerships with the potential to strengthen Ambu either commercially or technologically. The outlook for the year may naturally be affected by new acquisitions and/or major new partnerships.

Financial outlook for 2016/17	Local currencies	Danish kroner
Organic growth	8-10%	-
EBIT margin*	-	Approx. 18%
Free cash flows*	-	Approx. DKK 175m
Gearing	-	Approx. 1.75

* Before special items

Forward-looking statements
Forward-looking statements, especially such as relate to future sales, operating income and other financial key figures, are subject to risks and uncertainties. Various factors, many of which are outside Ambu's control, may cause the actual development of the company to differ materially from the expectations contained in this report. Such factors include, but are not confined to, changes in market conditions and the competitive situation, changes in demand and purchasing patterns, fluctuations in foreign exchange and interest rates, and general economic, political and commercial conditions.

See also the section on risks on page 23.

Financial results

Revenue and growth – product areas

Anaesthesia

In Q4, the Anaesthesia segment realised organic growth of 9% when measured both in local currencies and in Danish kroner. For the financial year, growth of 13% was posted in local currencies, or 15% in Danish kroner.

Total Anaesthesia sales accounted for 61% of Ambu's revenue in 2015/16 against 58% the year before.

Increased sales of videoscopes
Growth in Anaesthesia is driven by an increase in sales of videoscopes, especially the aScope, and in 2015/16 a total of 200,000 videoscopes were sold against almost 100,000 in 2014/15, corresponding to a growth rate of 100%.

Following the launch of aScope Large in May 2016, the aScope product portfolio now consists of three variants: Slim, Regular and Large, each designed for different applications in hospital operating rooms and intensive care units. In September 2016, the US health authorities approved aScope Large for sale, allowing sales in the USA to start in Q1 2016/17.

Geographically, the growth in sales of aScope is broadly distributed. All three sales regions are reporting high double-digit growth in sales volumes in per cent, but the highest increase in sales can be seen in the North American market with triple-digit growth in volumes sold in per cent.

The prices of aScope have generally been stable, and a margin of approx. 77% was realised in 2015/16, which corresponds to the margin realised in 2014/15. This is despite the increase in sales through distribution, as the relative share of scopes relative to monitors is continuously being improved.

Strategic partnerships
The beginning of the year saw the launch of the urology product Isiris. The product represents the further development of the technological platform behind aScope, and has been developed in cooperation with Coloplast, which is also responsible for sales and distribution. Since the launch, the sales force has been trained, and Isiris has been introduced at hospitals in Europe. The necessary approvals are expected to be obtained in H1 2016/17, and will open the North American market to Isiris.

Ambu's cooperation with Coloplast is a good example of how development work with global partners makes it possible to address markets which we have not traditionally focused on, and which our own sales force is not targeting. Partnerships are an important focus area in the Climbing New Heights strategy.

New factory in Malaysia
aScope and Isiris production capacity currently totals 400,000 units, and in the light of the expected growth potential, a decision has been made to build a new factory in Malaysia. Once fully developed, the new factory will have the capacity to produce more than 3.5 million videoscopes. It is expected to be ready for operation in H1 2017/18.

Acquisition of new technology
At the end of 2015/16, Ambu acquired ETView Medical Ltd., thereby also acquiring a fully developed single-use airway tube with an integrated camera. So far, the product has mainly been sold via distributors, but it will now be integrated into the Ambu aScope product portfolio. ETView enables constant monitoring of the positioning of the airway tube during surgical procedures. This means that ETView complements the existing aScope range by offering additional functionality in the form of continuous monitoring.

Lower growth across Anaesthesia
Growth for the other Anaesthesia products – taken together – has been low. However, this is partly explained by timing differences in that sales of breathing circuits were affected by a contract in the USA, under which Ambu accepted to reduce prices by close to 10% with effect from Q1 2015/16.

The other top five Anaesthesia products, on the other hand, saw satisfactory growth somewhat above market growth. The products are resuscitators, laryngeal masks and face masks, which posted average growth of 4%.

Patient Monitoring & Diagnostics (PMD)

Within PMD, sales increased by 5% in Q4 when measured in local currencies, and by 4% in Danish kroner. For the financial year as a whole, growth of 3% was posted in local currencies, and 4% in Danish kroner.

Total PMD sales accounted for 39% of Ambu's revenue in 2015/16 against 42% the year before.

The PMD business area consists of three product lines: cardiology, neurophysiology and first aid. Cardiology accounts for approx. 50% of PMD sales, while the other two areas each account for around 25%.

Within PMD, neurophysiology is posting the strongest growth with double-digit growth rates for both Q4 and for

Revenue – business areas

	Q4			Composition of growth			YTD			Composition of growth		
	15/16	Distribution	14/15	Organic*	Currencies	Reported	15/16	Distribution	14/15	Organic*	Currencies	Reported
Anaesthesia	349	61%	321	9%	0%	9%	1,263	61%	1,098	13%	2%	15%
PMD	224	39%	215	5%	-1%	4%	821	39%	791	3%	1%	4%
Revenue	**573**	**100%**	**536**	**8%**	**-1%**	**7%**	**2,084**	**100%**	**1,889**	**9%**	**1%**	**10%**

**Local currencies*

the year as a whole. Neurophysiology also has the highest margin of all Ambu's product areas, with an average earnings margin of more than 80%.

The market for cardiology came under pressure in 2015/16, but the overall growth for the business area was still positive both in Q4 and for the year as a whole. FY 2014/15 saw the divestment of the electrode factory in the UK, and production is now handled by an Indian partner. This cooperation is progressing according to plan, and is contributing to stabilising earnings within cardiology.

In Q4, we launched a number of new PMD products which will contribute to increased growth in the future. They include a new generation of wireless manikins for training in, for example, cardio-pulmonary resuscitation and the use of defibrillators.

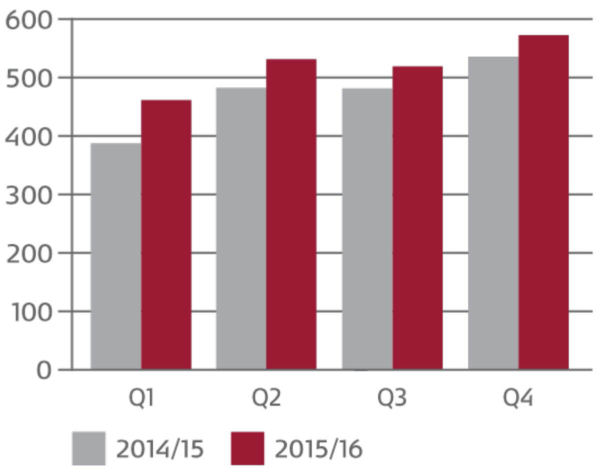
Revenue and growth – markets

Q4

Q4 was, as usual, somewhat busier than the three previous quarters with revenue of DKK 573m (DKK 536m) being realised, which corresponds to growth of 8% (10%) in local currencies and 7% (21%) in Danish kroner. Revenue for Q4 amounted to 27.5% (28.4%) of revenue for the year.

Satisfactory single-digit growth in revenue was realised in Europe and North America as well as very high growth in the rest of the world.

Quarterly revenue (DKKm)



In Q4, growth in local currencies totalled 5% (16%) in Europe, and 7% (12%) in North America. In both markets, Ambu achieved growth clearly above market growth, which shows that Ambu is continuing to win market share in spite of the fact that competition is fierce.

In the rest of the world, growth of 18% (-10%) was realised in Q4 when measured in local currencies, driven by growth of 29% (22%) in Asia and Oceania, which was very positive.

FY 2015/16

Revenue for the year was DKK 2,084m based on growth of 9% (9%) in local currencies and 10% (19%) in Danish kroner. Posting total growth of 9% in local currencies, Ambu is continuously strengthening its position in all three regions, while at the same time having fulfilled – one year ahead of schedule – its strategic target for 2016/17 of revenue of DKK 2bn, when measured at fixed exchange rates.

In North America, growth in local currencies totalled 7% (8%). Ambu's growth in sales in the USA has been negatively affected by a price reduction on breathing circuits; a three-year agreement has been made with a US GPO concerning a price reduction of close to 10% in return for exclusivity.

The effect of aScope 3 is significant, but sales of face masks, ventilation bags, needle electrodes and breathing circuits have also contributed significantly to the growth realised.

In September 2015, Ambu entered into an agreement with Tri-anim Healthcare Services concerning the sale and distribution of, for example, aScope 3 in the USA. Tri-anim has an extensive sales and distribution structure focused on operating rooms and intensive care units, and made an increasing contribution to growing sales of aScope in 2015/16. Based on the current run rate, sales in North America account for close to half of total sales, in terms of volumes.

In Europe, growth in local currencies totalled 11% (11%). This is significantly higher than market growth, and shows that we are capable of winning market share. In addition, we can see that our new products are helping to boost sales of the rest of the product portfolio. Growth in Europe is broadly distributed on the underlying markets.

In the rest of the world, growth of 8% (7%) was reported in local currencies. As can be seen, this represents a

Revenue – markets

	Q4			Composition of growth			YTD			Composition of growth		
	15/16	Distribution	14/15	Organic*	Currencies	Reported	15/16	Distribution	14/15	Organic*	Currencies	Reported
Europe	210	37%	204	5%	-2%	3%	865	42%	780	11%	0%	11%
North America	286	50%	266	7%	1%	8%	989	47%	894	7%	4%	11%
Rest of the world	77	13%	66	18%	-1%	17%	230	11%	215	8%	-1%	7%
Revenue	**573**	**100%**	**536**	**8%**	**-1%**	**7%**	**2,084**	**100%**	**1,889**	**9%**	**1%**	**10%**

*Local currencies

modest increase relative to the year before. The modest growth rate is primarily due to the Middle East and Latin America, where the economic situation remains difficult. In the markets in Asia and Oceania, Ambu is posting significantly higher growth of 22% (24%) for 2015/16.

In 2015/16, we strengthened our sales force by establishing direct sales in Japan and Norway, as we see a considerable potential in these markets.

Currency exposure
Just over 50% of Ambu's total revenue is invoiced in USD. In addition, just under 45% of revenue is invoiced in EUR or DKK, and the remaining 5% in GBP.

Production costs are settled in USD, MYR and CNY.

In 2015/16, the average USD/DKK exchange rate was 671 (651) corresponding to an increase of 3%, while the average CNY/DKK and MYR/DKK rates fell 1% and 9%, respectively. The price of GBP has dropped dramatically since June 2016, translating into a 5% fall in the average GBP/DKK exchange rate for the year relative to 2014/15.

The fluctuations in these four main currencies correspond to an increase in revenue of approx. DKK 25m or a 1% increase in growth.

Income statement

Change in the classification of costs
In connection with the presentation of the annual report for 2015/16, certain freight costs and administrative expenses have been reclassified to ensure a clearer presentation of the cost base.

In the past, Ambu has recorded freight costs under both production costs and selling costs. The freight costs associated with shipping finished products from factories to central storage facilities have thus been recognised under production costs, while the freight costs associated with shipping from central storage facilities to customers have been seen as part of selling costs. However, in future, all shipping of finished products will be recognised under selling costs, regardless of the destination.

In addition, administrative expenses linked to factories and sales companies have historically been recognised under Management and Administration rather than under the respective functions. These expenses relate to the supervision of sales or production processes, for which reason they have been reclassified.

The reclassification has been applied with effect from Q4 2015/16; comparative figures have been restated for the past seven quarters, i.e. from the beginning of FY 2014/15. Moreover, the financial highlights have been restated accordingly. The effect of the reclassification is an improvement in the gross profit margin of approx. 2 percentage points for each accounting period and a corresponding increase in the rate of cost. The EBIT margin is unaffected by this.

Gross profit
The gross profit increased by 17% to DKK 1,124m (DKK 961m), while the gross margin increased from 50.9% to 53.9%.

The gross profit is positively impacted by the fact that sales of videoscopes are up 100%, while growth from core products – taken together – has been low.

Gross profit is affected positively by economies of scale at the factories in step with the volume increases as well as savings realised by the factories. The direct production costs have been reduced by the equivalent of an approx. 1 percentage point gross margin increase. The improvements have taken place across factories and products.

The improvement of the gross margin has been constant over the course of a year, increasing from 52.6% in Q1 to 55.5% in Q4.

In 2015/16, the aggregate effect of pressure on prices is deemed to have been in the range of 0.5-1.0%, and is thus unchanged relative to previous years. This is reflected in the improved gross margin, as explained above. Price pressures affect all products with the exception of aScope, which is largely sold at agreed fixed prices.

Costs
Ambu has a strong focus on cost control, and the rate of cost has been reduced significantly over the past three years. Total capacity costs increased to DKK 768m (DKK 725m). This includes an increase in capacity costs of approx. DKK 15m as a result of changes in exchange rates.

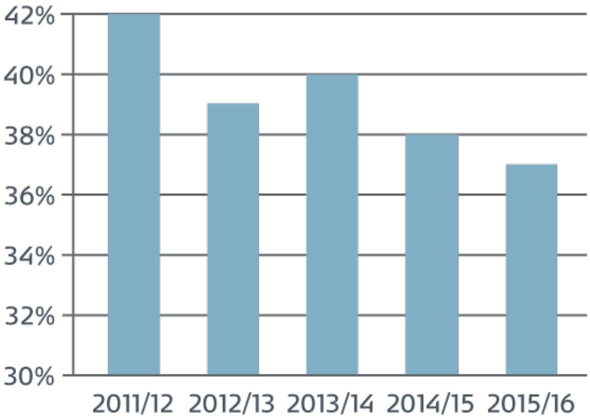
The rate of cost was 37% (38%), corresponding to a reduction of 1 percentage point.

Selling and distribution costs increased by just under 3%. The underlying increase in the pure selling costs is somewhat above this level, but is reduced by freight and distribution cost savings of approx. 1 percentage point of revenue. These savings have been realised partly as a result of improved resource utilisation and partly on account of low freight rates for container transport from Asia to both Europe and the USA.

Development costs increased by DKK 11m, corresponding to 20%, while the cash effect of the development activities increased by DKK 7m, corresponding to 12%, cf. note 2.5 to the consolidated financial statements.

Management and administrative expenses increased by 13% to DKK 221m. The increase is due to an increase in activity levels back in H2 2014/15, which was only fully phased in in 2015/16, after which the quarterly management and administrative expenses will be constant (approx. DKK 55m).

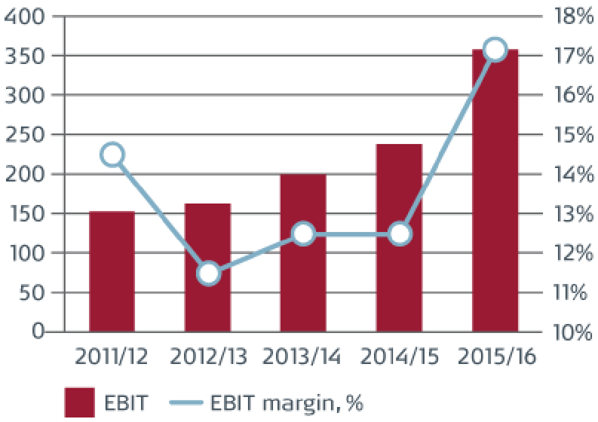
Rate of cost – five-year summary



Operating income (EBIT)
EBIT was DKK 356m (DKK 236m), corresponding to an EBIT margin of 17.1% (12.5%) and thus an increase of more than 50% in EBIT in nominal terms. This includes minor exchange rate effects of approx. DKK 10m.

With an EBIT margin of 17.1%, the strategic target for 2016/17 has been met one year early.

EBIT (DKKm) and EBIT margin



Net financials
Net financial expenses of DKK 30m were posted, against net financial expenses of DKK 21m the year before. The change is attributable to lower market value adjustments and fair value adjustment of earn-out in 2014/15. The changes are composed as follows:

- Interest expenses on bank and bond debt totalled DKK -30m (DKK -29m).
- Translation adjustments of working capital and USD loans to a subsidiary as well as market value adjustments of interest and foreign currency swaps resulted in aggregate foreign currency translation adjustments of DKK +4m (DKK -10m).
- Adjustment of the earn-out provision and the interest element of shorter discounting period of DKK -4m (DKK +18m).

Tax on profit for the year
The profit for the year adjusted for non-deductible and non-taxable items is taxed at a rate of 23% (29%). The substantial reduction in the effective tax rate is due to a different distribution of profit between territories compared to 12 months ago, resulting in increased tax efficiency.

Net profit
This results in a net profit of DKK 250m (DKK 152m).

Balance sheet

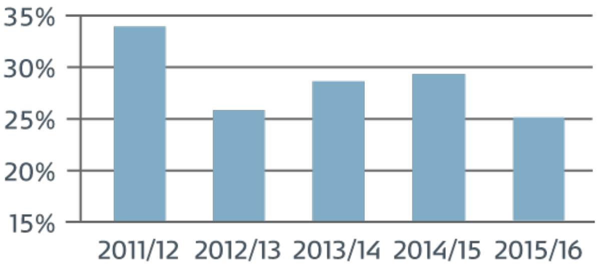
At the end of September 2016, Ambu had total assets of DKK 2,366m (DKK 2,254m).

Working capital has been reduced to DKK 521m (DKK 551m), corresponding to 25% (29%) of revenue for the year. Following this reduction, Ambu has achieved the long-term target for a reduction in funds tied up defined in 2013 for the current strategy period, and which was to be achieved by the end of 2016/17. The reason for this significant reduction is primarily a considerable reduction in overdue debtors as well as general increases in the efficiency of the related processes. In addition, the inventory turnover ratio has been increased.

At year end, trade receivables amounted to DKK 418m (DKK 473m). This corresponds to a reduction in the average number of credit days by 15 to 67 days at the end of the year. The efforts which have gone into improving the collection of trade receivables have thus had a significant, positive effect in 2015/16.

The credit risk attaching to outstanding debtors is deemed to be unchanged, and the year was not affected by bad debts to any significant extent.

Working capital relative to revenue*



** Pro forma-adjusted for King Systems*

At the end of the year, inventories totalled DKK 287m (DKK 278m).

At the end of September 2016, cash totalled DKK 35m (DK 48m), in addition to which Ambu had unutilised credit facilities totalling DKK 135m.

At the end of September 2016, financial net debt totalled DKK 955m (DKK 731m), of which DKK 700.5m is financed via corporate bonds. Interest-bearing net debt totalled 2.1 (2.2) x EBITDA for the year.

Cash flow statement

Free cash flows
Cash flows from operating activities amounted to DKK 369m (DKK 208m).

Payments of income tax totalling DKK 75m (DKK 37m) are recognised due to timing differences. Changes in working capital make a positive contribution of DKK 8m (DKK -70m) to cash flows, as trade receivables were significantly reduced in the course of the year.

Cash flows from investing activities before company acquisitions totalled DKK -84m (DKK -101m), corresponding to 4% (5%) of revenue. Investments consist mainly of investments in production plant and equipment, and development projects. The falling level of investment is due to the last instalment of DKK 15m having been paid in respect of the new factory in Malaysia in 2014/15. Adjusted for this, the level of investment is unchanged.

Free cash flows before acquisitions of enterprises and technology hereafter amounted to DKK 285m (DKK 107m), corresponding to 14% (6%) of revenue.

The purchase price agreed for ETView Medical Ltd. was USD 16m on a debt-free basis, corresponding to DKK 107m, of which an amount of DKK 93m is recognised under investing activities. The remaining DKK 14m concerns non-interest-bearing debt which Ambu takes over and settles as it falls due. At the end of 2015/16, DKK 10m had been paid, while DKK 4m falls due later.

Acquisitions of enterprises and technology reduced cash flows by DKK -155m (DKK -17m). The acquired assets include both the intellectual property rights related to one of Ambu's most important product lines, breathing circuits, which were acquired in May 2016 at a price of USD 9m, or DKK 59m, and the acquisition of ETView Medical Ltd. in August 2016 at a price of DKK 93m.

Free cash flows after acquisitions of enterprises and technology amounted to DKK 130m (DKK 90m).

Financing activities
Cash flows from financing activities totalled DKK -80m (DKK -92m), and relate to dividend and incentive scheme payments as well as the acquisition of treasury shares.

In the course of the financial year, two share buyback programmes were initiated to cover outstanding share option programmes. Both share buyback programmes have now been completed, and all outstanding share options are fully covered. At the end of September 2016, Ambu's portfolio of treasury shares comprised 1,365,472 shares, corresponding to 2.82% of the outstanding Class A and Class B share capital.

Follow-up on announced outlook

and actual results realised for 2015/16

In connection with the interim report for Q3 (19 August 2016), Ambu made the most recent upwards adjustment to the outlook for 2015/16. The actual results for FY 2015/16 are on a par with or exceed the revised outlook.

	Local currencies				
	Realised	**19 August 2016**	**3 May 2016**	**29 January 2016**	**11 November 2015**
Organic growth	**9%**	Approx. 9%	8-9%	7-9%	7-9%

	Danish kroner				
	Realised	**19 August 2016**	**3 May 2016**	**29 February 2016**	**11 November 2015**
EBIT margin	**17.1%**	16-17%	15-16%	14-15%	14-15%
Free cash flows	**DKK 295m / DKK 285m***	Approx. DKK 275m	DKK 150-175m	DKK 150-175m	DKK 150-175m
Gearing	**2.1**	Approx. 2.1	Approx. 2.0	Approx. 2.0	Approx. 2.0

* Free cash flows before and after acquisition of ETView Medical Ltd.

Quarterly results

DKKm	Q4 2015/16	Q3 2015/16	Q2 2015/16	Q1 2015/16	Q4 2014/15	Q3 2014/15	Q2 2014/15	Q1 2014/15
Revenue	573	517	532	462	536	482	483	388
Composition of reported growth:								
Organic growth in local currencies, %	8	9	8	11	10	9	9	9
Exchange rate effects on reported growth, %	-1	-2	2	8	11	12	11	4
Reported revenue growth, %	**7**	**7**	**10**	**19**	**21**	**21**	**20**	**13**
Organic growth, products:								
Anaesthesia, %	9	18	13	13	14	16	19	16
PMD, %	5	-2	1	8	6	2	-3	0
Organic growth in local currencies, %	**8**	**9**	**8**	**11**	**10**	**9**	**9**	**9**
Organic growth, markets:								
Europe, %	5	12	12	16	16	10	5	13
North America, %	7	9	4	8	12	5	13	2
Rest of the world, %	18	2	12	-1	-10	21	6	24
Organic growth in local currencies, %	**8**	**9**	**8**	**11**	**10**	**9**	**9**	**9**
Gross profit	**318**	**284**	**279**	**243**	**288**	**246**	**241**	**186**
Gross margin, %	*55.5*	*54.9*	*52.4*	*52.6*	*53.7*	*51.0*	*49.9*	*47.9*
Selling and distribution costs	-121	-116	-121	-123	-105	-125	-124	-115
Development costs	-15	-18	-17	-16	-13	-14	-14	-14
Management and administration	-51	-56	-56	-58	-53	-46	-55	-42
Other operating expenses	0	0	0	0	0	-5	0	0
Total capacity costs	*-187*	*-190*	*-194*	*-197*	*-171*	*-190*	*-193*	*-171*
Operating profit (EBIT)	**131**	**94**	**85**	**46**	**117**	**56**	**48**	**15**
EBIT margin, %	*22.9*	*18.2*	*16.0*	*10.0*	*21.8*	*11.6*	*9.9*	*3.9*
Financial income	-2	8	-13	13	-5	-30	72	15
Financial expenses	-9	-14	2	-15	-12	1	-43	-19
Profit before tax	**120**	**88**	**74**	**44**	**100**	**27**	**77**	**11**
Tax on profit for the period	-28	-13	-22	-13	-34	-7	-19	-3
Net profit for the period	**92**	**75**	**52**	**31**	**66**	**20**	**58**	**8**

Quarterly results (continued)

DKKm	Q4 2015/16	Q3 2015/16	Q2 2015/16	Q1 2015/16	Q4 2014/15	Q3 2014/15	Q2 2014/15	Q1 2014/15
Balance sheet:								
Assets	2,366	2,250	2,301	2,271	2,254	2,288	2,371	2,107
Working capital	521	494	572	550	551	565	556	482
Equity	992	972	860	940	1,036	978	978	826
Net interest-bearing debt	955	853	958	883	731	804	832	843
Cash flows:								
Cash flows from operating activities	101	196	50	22	140	57	27	-16
Cash flows from investing activities before acquisitions of enterprises and technology	-22	-24	-19	-19	-21	-23	-23	-34
Free cash flows before acquisitions of enterprises	79	172	31	3	119	34	4	-50
Cash flows from operating activities, % of revenue	18	38	9	5	26	12	6	-4
Investments, % of revenue	-4	-5	-3	-4	-4	-5	-5	-9
Free cash flows before acquisitions of enterprises, % of revenue	14	33	6	1	22	7	1	-13
Key figures and ratios:								
Capacity costs	187	190	194	197	171	190	193	171
Rate of cost, %	33	37	36	43	32	39	40	44
EBITDA	154	121	113	70	140	81	72	39
EBITDA margin, %	26.9	23.4	21.2	15.2	26.1	16.8	14.9	10.1
Depreciation	12	12	12	11	12	12	13	11
Amortisation	11	15	16	13	11	13	11	13
EBIT	131	94	85	46	117	56	48	15
EBIT margin, %	22.9	18.2	16.0	10.0	21.8	11.6	9.9	3.9
NIBD/EBITDA	2.1	1.9	2.4	2.4	2.2	2.7	2.8	2.9
Working capital, % of revenue	25	24	28	28	29	31	33	30
Share-related ratios:								
Market price per share (DKK)	356	276	232	210	181	175	161	149
Earnings per share (EPS) (DKK)	1.94	1.58	1.09	0.65	1.36	0.41	1.22	0.17
Diluted earnings per share (EPS-D) (DKK)	1.88	1.53	1.06	0.63	1.31	0.40	1.18	0.17

Corporate governance and shareholder information

Ambu® aScope™ is the world's first flexible single-use videoscope. The photo shows aScope 3 Large being used for a typical airway procedure. The monitor shows the patient's vocal chords.

Risk management

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

Risk policy and risk-taking

Risk assessments are naturally integrated into Ambu's decision-making processes, and an important element in ensuring continued growth. Risk management also contributes to protecting Ambu's business, employees, assets and reputation.

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

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

Commercial risks

Competition and market conditions

In all Ambu's most important markets, there is constant economic and political focus on reducing healthcare costs – a trend which is only further exacerbated in an environment of low global economic growth. At the same time, there is a general demand for efficiency increases in the healthcare sector. These structural changes are leading to a pressure on prices, while at the same time low-priced copies of products are being marketed in some product areas.

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

- As an integrated part of product development, the question of how new products can contribute to streamlining hospital routines is considered. This is a principal element in the development of single-use products. Through clinical and health economics studies, Ambu is also working to document the savings and benefits of using Ambu's products, and the resulting data are used actively in connection with sales activities. A good example is Ambu's visualisation products.
- Ambu is constantly seeking to position its products in a manner which ensures that price is not the determining sales parameter.
- Over the past few years, Ambu has upgraded its competences within sales via group purchasing organisations (GPOs). In Ambu USA, significant competences have been built up over many years within this area, as a large part of hospital purchasing takes place via this channel. In Europe, the proportion of purchases made via group purchasing organisations is stable, but on the other hand, the use of public tenders is widespread.
- By having factories in China, Malaysia and the USA, production costs are optimised, and close interaction is maintained with the most important markets, thereby maintaining Ambu's competitiveness. There is ongoing focus on optimising production and on identifying the most expedient locations and structure, including partnerships with production in India.
- In recent years, Ambu has focused on optimising its supply chains. An efficient and competitive supply chain is crucial to ensuring that we can control the commercial and regulatory risks to which we are exposed by virtue of our global presence.

Product development

Ambu's possibilities for realising its strategic targets depend on its ability to develop unique, high-quality products.

Ambu takes a targeted approach to improving its existing products, developing new products and generally strengthening the company's ability to innovate, for example by ensuring a strong commercial focus in its product development activities. Considerable investments are continuously being made in product development and the marketing of new products, and resources are continuously being invested in systems which can monitor the contributions made by individual projects and products to achieving the financial targets.

Ability to attract and retain employees

In order to attract and retain employees with the right competences, Ambu focuses on developing the individual employee, on continuous career development and on delegating a considerable degree of responsibility to its employees.

Trademarks, branding and patents

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

It is company policy to patent products with a high market value or growth potential. In the medtech industry, opinions often differ as to whether a given product is patented or not, for which reason patent cases may result in considerable costs to protect Ambu's rights or to defend Ambu against alleged infringements of patents. To minimise the risk of such cases being instituted, before embarking on any new projects, Ambu makes a point of ascertaining whether patents exist within a particular project area, thereby establishing what sort of 'freedom to operate' Ambu can expect.

Production and quality
Operating disturbances or stoppages at Ambu's production units may affect Ambu's ability to deliver. In order to manage this risk, the production units are subject to regular inspections, including inspections by external insurance brokers and other consultants. The conclusions from such reviews, combined with our own ongoing monitoring of the production environment, regularly result in the introduction of new measures in the form of fire protection, validation of alternative suppliers of critical components and raw materials as well as the building of safety stocks.

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

In step with the growth in revenue, production capacity is continuously being assessed, resulting in continuous expansion of Ambu's production facilities as well as factory capacity.

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

The FDA carried out two inspections of Ambu in FY 2015/16 (as opposed to one inspection the year before), which were so-called routine inspections. The inspections took place at our factories in Malaysia and China in April and May, respectively, in 2016. Both visits resulted in a small number of simple recommendations, which could quickly be implemented. With regard to the FDA Warning Letter issued to the factory in the USA in October 2013, the FDA paid its most recent visit to this factory in March 2015. Ambu has since allocated considerable resources to making the required improvements and corrections to the processes used. The Warning Letter stands, but has only limited commercial impact, and we are therefore now awaiting a visit by the FDA to the factory and hopefully a decision to issue a Warning Letter close-out letter.

Ambu organises regular mock inspections by independent consultants with a view to ensuring continuous improvements to our system and process quality.

IT security
Ambu has established special procedures to be followed in the event of potential IT breakdowns. The emergency support system includes, among other things, the conclusion of service level agreements for all business-critical systems and the use of external data hosting, while redundancy has been established for the most important business systems. In recognition of the complexity of maintaining the emergency support system – and for example retaining the necessary IT expertise – a decision has been made to outsource certain IT operations. As from the end of Q3 2016/17, the operation and maintenance of networks and servers, including back-up processes, access control and firewalls, will be outsourced to a partner.

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

Financial risks

The developments in Ambu's results and equity are impacted by a number of financial risks, including foreign exchange risks, interest rate risks, liquidity risks and credit risks. Ambu has centralised the management of financial risks in the group's finance function, which also acts as a service centre for all subsidiaries. The group does not engage in speculative transactions. Financial risks and financial risk management are described in further detail in note 4.1 to the consolidated financial statements.

Corporate governance

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

Shareholders

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

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

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

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

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

Board of Directors

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

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

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

A gradual succession has taken place in recent years among the members elected by the shareholders. While the chairman and the vice-chairman have been members of the Board of Directors for six years, the other members have been on the Board of Directors for between one and five years. The succession has brought new competences to the Board of Directors, and a good mix of different experience, backgrounds and ages has been created.

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

None of the members elected by the shareholders represent a controlling shareholder or have direct or indirect interests in the company over and above their interests as shareholders. All members elected by the annual general meeting are considered to be independent members, as defined by NASDAQ Copenhagen.

Duties of the Board of Directors
The Board of Directors held a total of 12 meetings during the financial year, of which 11 were physical meetings and one was a conference call. The previous year, seven meetings were held. On one occasion, one board member elected by the general meeting was unable to attend.

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

Moreover, the Audit Committee held four meetings during the year. The Audit Committee consists of three members of the Board of Directors, in addition to which the President & CEO and the CFO participate in the meetings. The auditors appointed by the general meeting also participate in the meetings. The purpose of the committee is to assist the Board of Directors in ensuring the quality and integrity of the presentation of the company's financial statements, reporting and auditing.

The Audit Committee reviews and discusses Ambu's risk exposure and initiatives launched to counter these risks. At the same time, the committee monitors all accounting and reporting processes, the auditing process and the work and independence of external auditors. The Charter of the Audit Committee and the review of the control and risk management systems in connection with the financial reporting can be found at www.ambu.com/auditcom.

The Board of Directors has set up a Remuneration Committee with three members of the Board of Directors, which held four meetings in the course of the financial year. Ambu's President & CEO participates in the meetings. The duties of the committee are to ensure that the remuneration offered by Ambu is competitive and sufficient to attract and retain the members of the Executive Board and to recommend future incentive schemes. The Charter of the Remuneration Committee can be found at www.ambu.com/remunerationcom.

In addition, the Board of Directors has established a Nomination Committee, which consists of the chairman and the vice-chairman of the Board of Directors. Ambu's President & CEO occasionally participates in the committee meetings. The committee has held one meeting. The Nomination Committee is charged with evaluating the composition of the Executive Management Team and with evaluating and possibly renewing the Board of Directors so as to ensure that the board members live up to the requirements and possess the skills needed in a fast-growing company. The Charter of the Nomination Committee can be found at www.ambu.com/nominationcom.

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

Executive Board

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

The Executive Board consists of President & CEO Lars Marcher and CFO Michael Højgaard.

Corporate governance

The Board of Directors has considered the new recommendations from the Committee on Corporate Governance (www.corporategovernance.dk) from May 2013, and which was most recently amended in November 2015, and has systematically reviewed the recommendations in a document which can be found on the Ambu website (www.ambu.com/corpgov).

Ambu complies with all the committee's recommendations.

Report on the gender composition of management, pursuant to Section 99 b of the Danish Financial Statements Act

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

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

According to this policy, Ambu will work to find more female candidates with a view to increasing the underrepresented gender's share of members of the Board of Directors elected by the annual general meeting to at least one out of six by 2017. At present, all members of the Board of Directors elected by the shareholders are men, while two of the employee-elected members of the Board of Directors are women. In December 2015, two of the Board members elected by the shareholders were replaced with a view to strengthening the skills of the Board of Directors within production and innovation. In order to identify the right candidates, the Nomination Committee was assisted by an external recruitment agency, which was asked to present the Nomination Committee with a broad field of international applicants, including at least one qualified candidate of each gender for the two seats on the Boards of Directors. However, the choice fell on two male candidates as they were deemed to be the most highly qualified, and the above targets have thus not yet been met.

For companies covered by the requirements of Section 99 b of the Danish Financial Statements Act, the proportion of female managers at other management levels, i.e. employees with staff responsibility, is 40%.

In recruiting managers, Ambu will continue to ensure that the proportion of female candidates short-listed for a position equals the proportion of female applicants. In connection with promotions to managerial positions, Ambu will endeavour to ensure that at least one female candidate is considered.

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

Board of Directors and Executive Board

Board of Directors

Jens Bager, born 1959
Chairman, member of the Board since 2010.
Chairman of the Nomination Committee and the Remuneration Committee.
Position: Professional board member since 2016.
Honorary offices: Better Collection A/S (MB)
Special competences: General management of international, listed companies within the ingredients and pharmaceutical industries.
No. of shares: 80,240 (80,240).

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

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

Oliver Johansen, born 1971
Member of the Board since 2015.
Member of the Remuneration Committee.
Position: Senior Vice President, Global R&D, Coloplast A/S.
Honorary offices: Acarix A/S (MB).
Special competences: General management and special experience in the field of global innovation, production, sales and distribution of medtech products.
No. of shares: 884.

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

Allan Søgaard Larsen, born 1956
Member of the Board since 2011.
Member of the Remuneration Committee.
Position: CEO of Falck Holding A/S.
Honorary offices: Companies in the Falck Group (C), LøkkeFonden (C), Confederation of Danish Enterprise (MB).
Special competences: General management and special experience within the development and operation of international business activities in the cross-field between the public and private sectors.
No. of shares: 40,000 (40,000).

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

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

Henrik Ehlers Wulff, born 1970
Member of the Board since 2015.
Member of the Audit Committee.
Position: Executive Vice President of Novo Nordisk A/S.
Honorary offices: Novo Nordisk Pharmatech A/S (C), NNE Pharmaplan A/S (MB).
Special competences: General management with experience in the field of global production, supply chain management and quality management, particularly in the area of GMP.
No. of shares: 0

Executive Board

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

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

Honorary offices and shareholdings as per 1 October 2016. C = Chairman of the Board of Directors, VC = Vice-Chairman of the Board of Directors, MB = Member of the Board of Directors

Remuneration

Remuneration policy
According to the remuneration policy adopted by the general meeting, the remuneration paid to the Board of Directors and the Executive Board must be competitive and ensure that Ambu is able to attract and retain the necessary competences. The remuneration offered must also be structured so as to promote value creation and appropriately align the interests of the management with the interests of the shareholders.

Executive Board
The remuneration for the Executive Board is determined by the Board of Directors based on market levels, Ambu's financial position and the competences, efforts and results of the individual members of the Executive Board. Members of the Executive Board receive a fixed basic remuneration, the usual benefits such as company car and telephone, pension as well as cash bonuses and share options. In the past financial year, the remuneration received by the Executive Board totalled DKK 15.9m (DKK 13.0m), which is composed as follows for the two executives:

DKKm	Lars Marcher		Michael Højgaard	
	2015/16	2014/15	2015/16	2014/15
Fixed salary	4.8	4.4	2.3	2.1
Pension	0.5	0.4	0.2	0.2
Bonus	4.1	3.3	1.4	1.1
Share options	1.5	0.8	0.7	0.4
Other	0.3	0.2	0.1	0.1
Total	**11.2**	**9.1**	**4.7**	**3.9**

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

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

Board of Directors
Members of the Board of Directors do not receive variable remuneration and are not part of share-based incentive programmes, but receive a fixed annual remuneration, which is approved by the general meeting.

In 2015/16, the basic remuneration for board members, which was most recently adjusted at the general meeting in December 2014, constituted DKK 225,000. The Chairman receives three times the basic remuneration, while the Vice-Chairman receives two times the basic remuneration. Furthermore, the chairmen of the board committees receive a remuneration of DKK 125,000, while committee members receive DKK 75,000. The total remuneration paid to the Board of Directors, including the board committees, constituted DKK 3,250,000 in 2015/16. (2014/15: DKK 3,250,000). Members of the Nomination Committee do not receive a separate fee.

Share options
In November 2015, Ambu introduced a new share option scheme for the Executive Management Team, as the allocation of shares under the previous scheme from 2013 stopped at the end of FY 2014/15.

The new 2015 scheme comprises a total of 289,708 share options, which were allocated in November 2015. Final allocation is conditional upon the achievement of certain financial targets in each of the financial years 2015/16, 2016/17 and 2017/18. The financial targets are determined by the Board of Directors for one year at a time and announced in the annual report.

Calculated according to the Black-Scholes model, the total value of the scheme is DKK 7m, and the costs associated with the scheme have been expensed on a continuous basis – in 2015/16, a total of DKK 1.9m was expensed in respect of the scheme.

Based on the results for FY 2015/16, 77,134 options will be allocated to the two members of Ambu's Executive Board, while 33,788 options will be allocated to the other three members of the Executive Management Team. 178,786 options already allocated are now outstanding for final allocation during the next two financial years subject to the achievement of the financial targets.

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

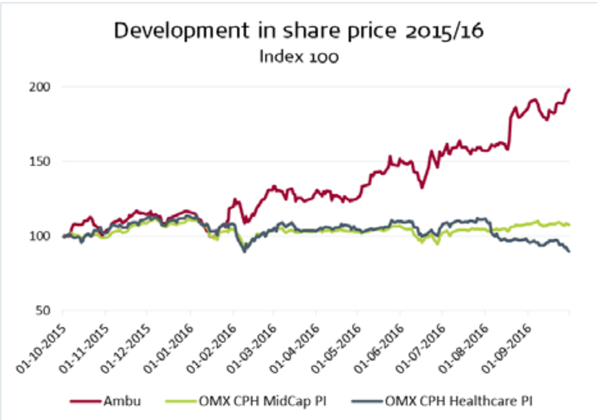
Final allocation of share option and warrant schemes

Year of allocation	Finally allocated	Options (O)/ warrants (W)	Executive Board's share (%)	Outstanding Persons	Outstanding Options/ warrants	Exercise period
2016	110,922	O	70%	5	110,922	2018-21
2016	154,000	W	0%	45	153,000	2018-21
2015	470,778	O	67%	4	470,778	2018-21
2014	400,000	W	0%	20	380,000	2017-20
2013	400,000	W	0%	44	350,000	2016-19
2014	403,588	O	66%	4	403,588	2017-20
2013	346,184	O	100%	1	155,460	2016-19
2012	507,600	W	0%	4	51,200	2015-17
2011	444,000	W	0%	0	0	2014-16
2011	252,000	O	100%	0	0	2014-17

Shareholders and investor relations

Return
The opening price quoted for Ambu's Class B share at the beginning of the financial year was 181, rising to a closing level at the end of the financial year of 356, thereby securing a 97% return for shareholders, exclusive of dividend. By comparison, the MidCap index on NASDAQ OMX Copenhagen rose by 8% in the same period, while the Health Care index decreased by 9%.

The change in the share price increased Ambu's market capitalisation from DKK 8.7bn to DKK 17.2bn, with the value of both Class A and Class B shares being recognised at the price quoted for the Class B share. Ambu's market capitalisation is thus the highest among the MidCap companies listed on NASDAQ Copenhagen.



Liquidity
Approx. 12.6 million (14.3 million) shares were traded in the course of the financial year, corresponding to an average of 50,000 shares per business day, and 30% of the total number of Class B shares were thus traded, down from 35% the year before. At the end of September 2016, Ambu was thus the 35th-most traded share on NASDAQ Copenhagen based on trading over the preceding nine months.

Shareholders
The share capital has increased to DKK 120,926,800 following three capital increases in connection with the exercise of employee warrants issued in 2011 and 2012. The number of Class B shares has increased from 41,397,920 to 41,506,720 shares of DKK 2.50 each. The number of Class A shares is unchanged at 6,864,000 shares of DKK 2.50 each. There have been no changes in the rights attached to the shares or in the negotiability of the shares.

Ambu's Class B share is listed on NASDAQ Copenhagen under ISIN code DKK0010303619 and shortname AMBU-B, while the Class A share is unlisted and non-negotiable. All Class A shares are owned by the three lines of descendants of Ambu's founder Holger Hesse.

Back in 1987, a shareholders' agreement was made by the holders of the Class A shares, which was described in the prospectus in connection with the listing of Ambu A/S in 1992. In November 2015, a new shareholders' agreement was made between the holders of the Class A shares, in which the agreed terms and conditions were updated. The updated shareholders' agreement now regulates the relationship between the three lines of the family and the family's views on the company's dividend policy, the appointment of candidates to the Board of Directors of the company, decisions concerning the possible conversion of Class A shares into Class B shares as well as the process of transferring or selling Class A shares.

The shareholders' agreement regulates only the family's holdings of Class A shares, while family's holdings of listed Class B shares are not regulated by the shareholders' agreement.

Ambu's Articles of Association also contain provisions on the trading of Class A shares.

In addition to the Class A shares, the family also holds 2,864,859 Class B shares, corresponding to 6.9% (of the Class B share capital). The family thus controls a total of 20.1% (20.8%) of the combined Class A and Class B share capital and 64.9% (65.2%) of the votes. In the course of the year, the family sold approx. 0.4 million Class B shares.

The international ownership interest has increased slightly, and it is estimated that just over 26% (25%) of the capital is now owned by institutional investors from Sweden, the UK, Germany, the USA etc.

On 30 September 2016, the total number of shareholders in Ambu having arranged name registration of their holding was 6,393 (5,233), who held a combined 97% (90%) of the total share capital.

As at 30 September 2016, the following shareholders had filed ownership of more than 5% of the share capital and/or votes:

	Share of votes %	Share of capital %
Dorrit Ragle*, Kongens Lyngby	19.4	2.1
Inga Kovstrup*, Fredericia	18.3	1.9
Tove Hesse, Lyngby-Taarbæk	11.1	4.1
N.P. Louis Hansen ApS, Nivå	6.8	15.6
Hannah Hesse, Frederiksberg	5.2	1.3
Simon Hesse, Virum	5.2	1.2
Chr. Augustinus Fabrikker A/S, Copenhagen	5.2	11.8

** Dorrit Ragle and Inga Kovstrup have transferred a number of Class A shares to family members, but retain the voting rights associated with the shares transferred.*

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

Since the introduction in March 2013, the spread between the bond and the mid-swap curve has narrowed from 2.18% to approx. 0.93% as at 30 September 2016.

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

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

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

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

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

Ambu's IR policy now prescribes a four-week 'quiet period' as opposed to three weeks. This means that Ambu does not comment on topics relating to Ambu's business and which may be price-sensitive during a period of four weeks up to the release of financial reports.

In the course of the financial year, Ambu issued 50 company announcements, of which 22 were announcements concerning insiders' trading in the share, share buy-back programmes and major shareholder announcements.

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

President & CEO Lars Marcher – lm@ambu.com
CFO Michael Højgaard – miho@ambu.com

Financial calendar 2016/17

2016	
8 November	Annual report 2015/16
12 December	Annual general meeting

2017	
5 January	Quiet period ending 1 February 2017
1 February	Interim report for Q1 2016/17
5 April	Quiet period ending 2 May 2017
2 May	Interim report for Q2 2016/17
27 July	Quiet period ending 23 August 2017
23 August	Interim report for Q3 2016/17
30 September	End of FY 2016/17

Financial calendar 2017/18

2017	
13 October	Quiet period ending 9 November 2017
9 November	Annual report 2016/17
13 December	Annual general meeting

Proposals to the annual general meeting

The annual general meeting will be held on 12 December 2016 at IDA Mødecenter, Kalvebod Brygge 31-33, 1780 Copenhagen V, Denmark.

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

The Board of Directors proposes to the annual general meeting that a dividend of DKK 1.55 (DKK 0.95) per share be declared for 2015/16, corresponding to 30% (30%) of the net profit for the year. The Board of Directors deems this to be a reasonable level in view of Ambu's financial resources and the outlook for the coming financial year.

Against this background, the Board of Directors proposes that the net profit for the year of DKK 250m be appropriated as follows (DKKm):

Dividend of DKK 1.55 per share	75
Retained earnings	175
Total	**250**

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

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

- that the Class A shares be registered with VP securities and that the existing Class A share certificates be cancelled.

The agenda for the annual general meeting with annexes is expected to be announced on Friday 18 November 2016. On the website, shareholders can sign up to attend the annual general meeting, and download all relevant material in relation to the general meeting.

CSR report, pursuant to Section 99 a of the Danish Financial Statements Act

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

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

Guidelines on Ambu's CSR work
1. We respect internationally proclaimed human rights and do not want to be complicit in human rights abuses.
2. We prohibit the use of forced and child labour.
3. We work for a safe and healthy work environment.
4. We do not accept bribery or other kinds of corruption.
5. We focus on reducing Ambu's environmental impact in our work on innovation and in the production and distribution of our products.
6. We use materials efficiently, and strive to optimise packaging and waste handling.
7. We work to reduce energy consumption.

We are committed to abiding by the laws and regulations of the countries in which we operate. In the absence of adequate laws and regulations, we refer to recognised international standards and industry norms.

Organisation of CSR work
The CSR organisation has been strengthened, and the CSR work is now being handled by the executive vice presidents for Finance, Operations and Sales together with staff from R&D and the legal department. The CSR unit meets every quarter and on an ad hoc basis as and when required.

Ambu's CSR work in 2015/16

Below follows a description of the initiatives announced in the latest annual report, including the results achieved by Ambu in 2015/16.

Substitution of classified phthalates in products
Ambu is dedicated to ensuring that our products are as safe for the environment and for patients as at all possible. Ambu has very successfully substituted classified phthalates in a wide range of products, for example laryngeal masks, face masks and resuscitators. In 2015/16, Ambu updated and extended its policy on the use of phthalates in medical devices to also include training manikins. The goal is to ensure that, by the end of 2019, all Ambu's products and training manikins are free of classified phthalates.

Human rights and business ethics
We work continuously to strengthen our profile in the field of human rights and do not accept discrimination on the grounds of religion, race, skin colour, gender, age, sexual or political orientation, and we focus on ensuring that nobody is exposed to injustice or abuse, and that everybody enjoys freedom of speech.

We are continuing our work on human rights, among other things through our Code of Conduct, which supports the basic human rights, prohibits child labour and guarantees a safe work environment. Our Code of Conduct also prohibits bribery and corruption. With a view to aligning our ethical guidelines for important suppliers and distributors, we have in the current year combined our two codes of conduct for suppliers and distributors into a common set of rules, and the process of implementing the new Code of Conduct has been initiated.

We have not made observations that may indicate that our rules have been broken.

Ambu collaborates with educational institutions, which means that we take on trainees, interns and students for the benefit of both Ambu and the people concerned.

Work environment
Ambu remains focused on ensuring a safe and healthy work environment, which has resulted in another green smiley from the Danish Working Environment Authority. Our production units follow the same management system.

Evaluating experience with end-of-life environmental profiles
In cooperation with external partners, Ambu has prepared an end-of-life environmental profile for the aScope 3 videoscope. In the course of 2015/16, experience with end-of-life environmental profiles has been gained from the market. Environmental documentation in the form of end-of-life profiles are deemed to be relevant, but sometimes difficult to communicate.

Climate
Ambu has obtained climate data from its production units pursuant to the guidelines described in the Green House Gas Protocol (GHGP) Scope 1 and Scope 2 for the past three years, and the data have been converted into CO_2 equivalents per year. The data show that the development in CO_2 emissions (in %) is less than the increase in production output (in tonnes). Ambu expects significant growth in the years to come. Increased production means an increased impact on the environment. Ambu will continue its work to reduce the increase in CO_2 equivalents from production relative to the increase in production volumes.

Environment

The production units have been working to increase the recycling of production waste via waste separation at source as well as selling the waste for recycling outside Ambu. Over a two-year period, we have succeeded in increasing the level of recycling significantly through focused efforts.

Initiatives in 2016/17

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

- Continue the substitution of classified phthalates
- Work to establish climate targets for the increase in CO_2 equivalents relative to the increase in production volumes
- Continue the implementation of the updated Code of Conduct

Statements and reports

Ambu has developed training manikins since the 1960s. In 2016, we launched the new generation of Ambu® Man, which is a wireless manikin for training first aid. The product family consists of manikins in the following sizes: adult, junior and baby.

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 2015 to 30 September 2016.

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

In our opinion, the consolidated financial statements and the financial statements give a true and fair view of the group's and the company's assets, liabilities and financial position as at 30 September 2016, and of the results of the group's and the company's operations and cash flows for the financial year 1 October 2015 to 30 September 2016.

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

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

Copenhagen, 8 November 2016

Executive Board

Lars Marcher President & CEO	Michael Højgaard CFO

Board of Directors

Jens Bager Chairman	Mikael Worning Vice-Chairman	Oliver Johansen
Allan Søgaard Larsen	Christian Sagild	Henrik Ehlers Wulff
Pernille Bartholdy Elected by the employees	Anita Krarup Frederiksen Elected by the employees	Jakob Bønnelykke Kristensen Elected by the employees

Independent auditor's report

To the shareholders of Ambu A/S

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

We have audited the consolidated financial statements and the financial statements of Ambu A/S for the financial year 1 October 2015 to 30 September 2016, pp. 40-93, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including significant accounting policies for both the group and the company. The consolidated financial statements and the financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

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

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

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

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

Our audit has not resulted in any qualifications.

Opinion
In our opinion, the consolidated financial statements and financial statements give a true and fair view of the group's and the company's assets and liabilities and financial position as at 30 September 2016 as well as of the results of their activities and cash flows for the financial year 1 October 2015 to 30 September 2016 in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Statement on the management's review

We have read the management's review pursuant to the Danish Financial Statements Act (*Årsregnskabsloven*), pp. 4-35. We have not performed procedures additional to the audit of the consolidated financial statements and the financial statements. Against this background, we believe that the information provided in the management's review is in accordance with the consolidated financial statements and the financial statements.

Copenhagen, 8 November 2016
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Jens Otto Damgaard
State Authorised Public Accountant

Martin Lunden
State Authorised Public Accountant

Consolidated financial statements 2015/16

Laryngeal masks are used to create free airways, ensuring that anaesthetised patients can be supplied with oxygen during surgical procedures.
Ambu® AuraGain™ is our third-generation laryngeal mask, which includes more features than a traditional laryngeal mask.

Income statement and statement of comprehensive income – Group

1 October – 30 September

DKKm

Income statement	Note	2015/16	2014/15
Revenue	2.1	2,084	1,889
Production costs	2.2, 2.4	-960	-928
Gross profit		**1,124**	**961**
Selling and distribution costs	2.2, 2.4	-481	-469
Development costs	2.2, 2.4, 2.5	-66	-55
Management and administration	2.2, 2.4, 5.4	-221	-196
Other operating expenses	2.6, 5.5	0	-5
Operating profit (EBIT)		**356**	**236**
Financial income	4.3	6	52
Financial expenses	4.3	-36	-73
Profit before tax		**326**	**215**
Tax on profit for the year	2.8	-76	-63
Net profit for the year		**250**	**152**
Earnings per share in DKK			
Earnings per share (EPS)	4.6	5.27	3.16
Diluted earnings per share (EPS-D)	4.6	5.13	3.06

Statement of comprehensive income	2015/16	2014/15
Net profit for the year	250	152
Other comprehensive income:		
Items which are moved to the income statement under certain conditions:		
Translation adjustment in foreign subsidiaries	-4	91
Tax on translation adjustments in foreign subsidiaries	0	-3
Adjustment to fair value for the period:		
Cash flow hedging, realisation of previous years' deferred gains/losses	3	0
Cash flow hedging, deferred gains/losses for the year	3	1
Tax on hedging transactions	-1	0
Other comprehensive income after tax	**1**	**89**
Comprehensive income for the year	**251**	**241**

Balance sheet – Group

30 September

DKKm

Assets	Note	30.09.16	30.09.15
Acquired technologies, trademarks and customer relations	3.1	185	103
Completed development projects	3.1	101	61
Rights	3.1	92	54
Goodwill	3.1	819	810
Development projects in progress	3.1	41	58
Intangible assets		**1,238**	**1,086**
Land and buildings	3.3	122	128
Plant and machinery	3.3	99	93
Other plant, fixtures and fittings, tools and equipment	3.3	27	34
Prepayments and plant under construction	3.3	23	25
Property, plant and equipment		**271**	**280**
Deferred tax asset	2.9	61	30
Other receivables	4.2	6	5
Other non-current assets		**67**	**35**
Total non-current assets		**1,576**	**1,401**
Inventories	3.4	287	278
Trade receivables	3.5, 4.2	418	473
Other receivables	4.2	22	15
Income tax receivable		2	4
Prepayments		26	35
Cash	4.2, 4.4	35	48
Total current assets		**790**	**853**
Total assets		**2,366**	**2,254**

Equity and liabilities	Note	30.09.16	30.09.15
Share capital	4.5	121	121
Other reserves		871	915
Equity		**992**	**1,036**
Credit institutions	4.2, 4.4	226	2
Provision for deferred tax	2.9	5	17
Corporate bonds	4.2, 4.4	699	698
Other provisions	4.2, 5.1	37	48
Non-current liabilities		**967**	**765**
Current portion of non-current liabilities	4.2, 4.4	51	2
Other provisions	4.2, 5.1	4	6
Bank debt	4.2, 4.4	14	77
Trade payables	4.2	104	115
Income tax		66	72
Other payables	4.2	134	140
Derivative financial instruments	4.2	34	41
Current liabilities		**407**	**453**
Total liabilities		**1,374**	**1,218**
Total equity and liabilities		**2,366**	**2,254**

Cash flow statement – Group

1 October – 30 September

DKKm

	Note	2015/16	2014/15
Net profit for the year		250	152
Adjustment of items with no cash flow effect	3.6	215	191
Income tax paid		-75	-37
Interest expenses and similar items		-29	-28
Changes in working capital	3.7	8	-70
Cash flows from operating activities		**369**	**208**
Purchase of non-current assets		-84	-104
Divestment of subsidiary	5.5	0	3
Cash flows from investing activities before acquisitions of enterprises and technology		-84	-101
Free cash flows before acquisitions of enterprises and technology		**285**	**107**
Acquisition of technology		-59	0
Acquisitions of enterprises	3.8, 5.1	-96	-17
Cash flows from acquisitions of enterprises and technology		-155	-17
Cash flows from investing activities		**-239**	**-118**
Free cash flows after acquisitions of enterprises and technology		**130**	**90**
Raising of long-term debt		273	-3
Capital increase, Class B share capital		5	19
Exercise of options		3	11
Cash settlement, options		-32	0
Purchase of Ambu A/S shares, treasury shares		-283	-74
Dividend paid		-46	-45
Dividend, treasury shares		1	0
Cash flows from financing activities		**-80**	**-92**
Changes in cash and cash equivalents		**50**	**-2**
Cash and cash equivalents, beginning of year		-29	-33
Translation adjustment of cash and cash equivalents		0	6
Cash and cash equivalents, end of year		**21**	**-29**
Cash and cash equivalents, end of year, are composed as follows:			
Cash		35	48
Bank debt		-14	-77
Cash and cash equivalents, end of year		**21**	**-29**

Statement of changes in equity – Group

30 September

DKKm

	Share capital	Share premium	Reserve for hedging transactions	Reserve for foreign currency translation adjustment	Retained earnings	Proposed dividend	Total
Equity 30 September 2015	**121**	**32**	**-3**	**128**	**712**	**46**	**1,036**
Net profit for the year					175	75	250
Other comprehensive income for the year			5	-4			1
Total comprehensive income	**0**	**0**	**5**	**-4**	**175**	**75**	**251**
Transactions with the owners:							
Exercise of options					3		3
Cash settlement, options					-32		-32
Share-based payment					7		7
Tax deduction relating to share options					50		50
Purchase of treasury shares					-283		-283
Distributed dividend						-45	-45
Dividend, treasury shares					1	-1	0
Capital increase, Class B share capital	0	5					5
Equity 30 September 2016	**121**	**37**	**2**	**124**	**633**	**75**	**992**

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

Other reserves are made up of share premium, reserve for hedging transactions, reserve for foreign currency translation adjustment, retained earnings and proposed dividend and total DKK 871m (2015: DKK 915m).

Notes on the consolidated financial statements

Sections 1-5:

Section 1:

Basis of preparation of consolidated financial statements

This section provides an overview of the accounting policies applied as well as material estimates and assessments by management.

All the companies in the Ambu group follow the same accounting policies, and the basic practice is described in this section. The specific accounting policies are included under the respective notes in Sections 2-5.

Basis of preparation of consolidated financial statements

Notes on the consolidated financial statements – Section 1

1.1 Basis of preparation

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

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

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

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

The accounting policies described below have been applied consistently in the preparation of the consolidated financial statements in the years presented. Accounting policies have been applied consistently with previous years with the exception of the changed classification described in note 1.2.

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

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

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

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

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

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

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

2.1 Revenue	3.1 Intangible assets	3.4 Inventories
2.9 Provision for deferred tax	3.2 Impairment test	

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

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

1.1 Basis of preparation (continued)

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

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

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

The financial statements of foreign subsidiaries are translated to Danish kroner at the exchange rates for balance sheet items applicable at the balance sheet date and at average exchange rates as far as income statement items are concerned. Exchange rate differences arising from the translation of the net assets of such subsidiaries at the beginning of the year using the exchange rates applicable at the balance sheet date and the translation of income statement items from the exchange rates applicable at the transaction date to the exchange rates applicable at the balance sheet date are recognised in other comprehensive income and presented as a separate reserve for foreign currency translation adjustments under equity.

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

New accounting regulation
Ambu has adopted all relevant new and updated accounting standards issued by the IASB effective as of 1 October 2015. The adoption of these standards has not had a material financial effect on the statement of Ambu's results, assets and liabilities or equity in connection with the preparation of the financial statements for the financial years presented.

No accounting standards need to be adopted in FY 2016/17 which will have a material financial effect on the statement of Ambu's results, assets and liabilities or equity in connection with the preparation of the financial statements for 2016/17.

Standards not yet adopted
Other relevant standards and interpretations adopted by the IASB, but not yet approved by the EU, have not been incorporated into this annual report. These standards and interpretations are expected to be adopted when they become mandatory.

IFRS 15 'Revenue from Contracts with Customers' was issued in May 2014 and amended in April 2016. It will enter into force for financial years starting on 1 January 2018 and will thus apply as from Ambu's FY 2018/19. The management is currently assessing the effect of the new standard.

IFRS 16 'Leases' was issued in January 2016 and enters into force on 1 January 2019. The standard regulates the accounting treatment of leases and is expected to have a significant impact on the group's financial statements. The management has not made any calculations yet to clarify the impact of IFRS 16 on the group's accounting figures.

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

Production costs
Production costs comprise costs incurred in generating the revenue for the year. Such costs include direct and indirect costs for commodities and consumables, freight costs incurred in connection with the purchase of commodities etc., production wages and salaries for support functions and factory management, rent and leases as well as depreciation and impairment of plant.

Selling and distribution costs
Selling and distribution costs comprise costs for sales staff, advertising and exhibitions, depreciation, impairment and operation of central warehouses, as well as all costs relating to the transport of goods from the group's factories to the customers. In addition, amortisation of the identified intangible assets acquired by the company is recognised: Customer relations and trademarks.

1.1 Basis of preparation (continued)

Development costs
Development costs comprise salaries and costs which, directly or indirectly, can be attributed to product improvements and the development of new products which do not meet the criteria for capitalisation of an internally generated development project. In addition, the amortisation and impairment of capitalised development costs as well as amortisation of rights and acquired technologies are recognised.

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

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

Equity
Reserve for foreign currency translation adjustments in the consolidated financial statements comprises exchange rate differences arising from the translation of the financial statements of foreign subsidiaries to DKK as well as foreign currency translation adjustments of intercompany balances regarded as a supplement to the net investment in foreign subsidiaries. Reserve for foreign currency translation adjustments was zeroed on 1 October 2004 in accordance with IFRS 1.

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

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

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

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

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

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

1.2 Change in the classification of certain items in the income statement

The comparative figures for FY 2014/15 have been restated as a result of a reclassification made between certain items in the income statement.

As a consequence of this reclassification, the group's costs for the transport of goods from the group's factories to central warehouses and to Ambu's customers have been grouped under Selling and distribution costs, and costs relating to function-specific employees, including middle managers and quality assurance staff, have been reclassified from Management and administrative expenses to either Production costs or Selling and distribution costs.

With this reclassification, the management assesses that the financial statements will to a greater extent reflect the actual distribution of the group's costs and resources between the various functions.

The impact of the changes on the comparative figures is shown below.

Income statement	According to the 2014/15 annual report	Effect of changed classification	Restated comparative figures
Revenue	1,889	0	1,889
Production costs	-973	45	-928
Gross profit	**916**	**45**	**961**
Selling and distribution costs	-382	-87	-469
Development costs	-54	-1	-55
Management and administration	-239	43	-196
Other operating expenses	-5	0	-5
Operating profit (EBIT)	**236**	**0**	**236**
Financial highlights			
Capacity costs	680	45	725
Gross margin, %	48.5	2.4	50.9
Rate of cost, %	36	2	38

Section 2:
Net profit for the year

This section contains notes relating to the profit for the year from the group's activities.

In 2015/16, Ambu improved its operating profit (EBIT) by 4.6 percentage points to 17.1%, corresponding to an increase of DKK 120m.

The absolute increase was driven by reported growth of 10%, while a 3.0 percentage point improvement in the gross margin and a reduction in capacity costs of 1 percentage point increased the EBIT margin. By maintaining the same level of capacity costs, including the number of employees, Ambu has demonstrated the scale of the existing business.

Reported growth	Rate of cost	EBITDA
10%	37%	DKK 458m
DKK 2,084m	-1 percentage point	+38%

EBIT	Effective tax rate	Profit for the year
DKK 356m	23%	DKK 250m
+51%	-6 percentage points	+64%

DKKm

2.1 Revenue

	2015/16	2014/15
Revenue by activities:		
Anaesthesia	1,263	1,098
Patient Monitoring & Diagnostics	821	791
Total revenue	**2,084**	**1,889**
Revenue by markets:		
Europe[1]	865	780
North America[2]	989	894
Rest of the world	230	215
Total revenue	**2,084**	**1,889**

1) Denmark is included in Europe by DKK 51m (2014/15: DKK 50m).

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

§ Accounting policies

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

Revenue is measured at the fair value of the agreed consideration, exclusive of VAT and taxes collected on behalf of a third party. At the time of recognition of income, estimates are also recorded for a number of discounts. These are recognised as a reduction of gross revenue to revenue.

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

! Material accounting estimates

Sales discounts

Sales discounts are offset against Trade receivables and primarily concern sales in the USA. Distributor discounts in the US market are subject to estimation uncertainty as the actual discount is not determined until the distributor's sale to the end-customer (hospitals, clinics etc.). Sales discounts are the difference between the price agreed with the end-customer and the distributor's list price. Sales discounts are calculated on the basis of a combination of previous experience and sales data from distributors. Sales discounts total DKK 51m (2014/15: DKK 76m).

DKKm

2.2 Staff costs

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

	2015/16	2014/15
Production costs	238	232
Selling costs	243	221
Development costs	28	21
Management and administration	115	101
Total staff costs	**624**	**575**
Staff expenses included in property, plant and equipment	-2	-1
Staff expenses included in intangible assets	-24	-17
Total staff expenses	**598**	**557**

Staff costs are distributed between the Executive Board, the Board of Directors and other employees as follows:

	2015/16	2014/15
Remuneration, Executive Board	14	12
Share-based payment	2	1
Staff costs, Executive Board	**16**	**13**
Wages and salaries	545	484
Pension contributions	11	9
Social security costs	43	60
Share-based payment	5	5
Remuneration, committees	1	1
Remuneration, Board of Directors	3	3
Total staff costs	**624**	**575**
Average number of employees	2,337	2,270
Number of full-time employees at year-end	2,450	2,225

Remuneration paid to the Executive Board and the Board of Directors totals DKK 20m (2014/15: DKK 17m).

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

2.3 Share-based payment

The Board of Directors is authorised by the annual general meeting to allocate share options (to the Executive Board and the Executive Management Team) and warrants (to a broad circle of middle managers etc.) and in accordance with the group's guidelines on incentive pay. Each option entitles the holder to buy an existing Class B share in Ambu A/S. A warrant entitles the holder to buy a newly issued Class B share in Ambu A/S. The vesting period of all schemes is three years from the date of allocation, after which the exercise period runs for three years. For the 2011 and 2012 warrant schemes, however, the exercise period runs for two years.

The overview shows the assumptions for allocated schemes that had not been fully exercised at the beginning of the financial year. A detailed explanation of each scheme is provided at the bottom of the note.

					Assumptions for allocation			
Scheme	**Final allocation**	**Original allocation**	**No. of unexercised options/ warrants**	**Vested, not exercised**	**Average exercise price**	**Black-Scholes value at the time of allocation**	**Volatility/ Risk-free interest rate**	**Dividend per share**
1. Share options[1]	Oct. 2009	756,000	-	-	DKK 22.66	DKK 4m	31% / 1.5%	DKK 0.63
2. Share options[2]	Sept. 2013	346,184	155,460	155,460	DKK 43.20	DKK 2m	28% / 0.2%	DKK 0.75
3. Share options[2]	Sept. 2014	403,588	403,588	-	DKK 46.75	DKK 2m	28% / 0.2%	DKK 0.75
4. Share options[2]	Sept. 2015	470,778	470,778	-	DKK 50.40	DKK 2m	28% / 0.2%	DKK 0.75
5. Share options[2]	Sept. 2016	110,922	110,922	-	DKK 196.30	DKK 3m	26% /-0.1%	DKK 0.95
6. Warrants[1]	Apr. 2011	444,000	-	-	DKK 40.13	DKK 4m	30% / 1.3%	DKK 0.50
7. Warrants[1]	Apr. 2012	507,600	51,200	51,200	DKK 39.50	DKK 4m	30% / 1.3%	DKK 0.63
8. Warrants[1]	Dec. 2013	400,000	350,000	-	DKK 66.30	DKK 4m	24% / 0.6%	DKK 0.75
9. Warrants[1]	Dec. 2014	400,000	380,000	-	DKK 115.30	DKK 6m	24% / 0.1%	DKK 0.94
10. Warrants[2]	Sept. 2016	154,000	153,000	-	DKK 196.30	DKK 4m	26% /-0.1%	DKK 0.95

1) Allocation is not subject to any assumptions.
2) The Board of Directors lays down performance-related targets for the allocation, which are determined for one year at a time and announced in the annual report.

This year's expenses for share-based payment amount to DKK 7m (2014/15: DKK 6m).

At the end of September 2016, there were 155,460 vested share options at an average exercise price of DKK 43.20 as well as 51,200 vested warrants at an average exercise price of DKK 39.50.

	Share options				Warrants	
	Executive Board	Average exercise price	Senior employees	Average exercise price	Senior employees	Average exercise price
Outstanding as at 1 October 2015	**915,804**	**DKK 44.45**	**408,746**	**DKK 47.13**	**900,000**	**DKK 82.19**
Allocated during the year[1]	77,134	DKK 196.30	33,788	DKK 196.30	154,000	DKK 196.30
Exercised during the year	-177,844	DKK 32.22	-116,880	DKK 43.20	-108,800	DKK 39.66
Forfeited during the year	-	-	-	-	-11,000	DKK 73.25
Outstanding as at 30 September 2016[1]	**815,094**	**DKK 61.60**	**325,654**	**DKK 63.97**	**934,200**	**DKK 106.05**
Share price at the time of exercise		DKK 204.86		DKK 210.30		DKK 221.75

1) A total of 233,922 options have been allocated to the Executive Board this year. 77,134 options are based on the achievement of the financial targets set for 2015/16. The remaining 156,788 options are subject to the achievement of the financial targets in 2016/17 and 2017/18, respectively. A total of 971,882 options for the Executive Board were outstanding as at 30 September 2016 (average exercise price of DKK 87.22).
A total of 55,786 options have been allocated to senior employees this year. 33,788 options are based on the achievement of the financial targets set for 2015/16. The remaining 21,998 options are subject to the achievement of the financial targets in 2016/17 and 2017/18, respectively. A total of 347,652 options for senior employees were outstanding as at 30 September 2016 (average exercise price of DKK 73.87).

	Share options				Warrants	
	Executive Board	Average exercise price	Senior employees	Average exercise price	Senior employees	Average exercise price
Outstanding as at 1 October 2014	**1,000,632**	**DKK 34.21**	**291,464**	**DKK 43.44**	**1,019,600**	**DKK 49.38**
Allocated during the year	315,172	DKK 50.40	155,606	DKK 50.40	400,000	DKK 115.30
Exercised during the year	-400,000	DKK 23.28	-38,324	DKK 32.75	-487,600	DKK 39.73
Forfeited during the year	-	-	-	-	-32,000	DKK 96.93
Outstanding as at 30 September 2015	**915,804**	**DKK 44.45**	**408,746**	**DKK 47.13**	**900,000**	**DKK 82.19**
Share price at the time of exercise		DKK 104.75		DKK 108.42		DKK 165.92

2.3 Share-based payment (continued)

Below is a description of schemes which had not been fully exercised at the beginning of the financial year.

1. Share option scheme (Executive Board)
In October 2009, CEO Lars Marcher was awarded a total of 756,000 share options, which were allocated successively over a period of three years by one-third each year. The share options were allocated for the first time on 1 October 2009. The share options can be exercised for a period starting three years after the respective share options have been allocated and ending six years after the share options have been allocated. The first subscheme entitles the holder to buy one Class B share of DKK 20.94, with the price of other subschemes increasing by 8.0% p.a.

2., 3., 4. Share option scheme (Executive Management Team)
In February 2013, the Executive Management Team was allocated a total of 1,225,590 share options (of which 811,804 are reserved for the Executive Board), which will be allocated successively over a period of three years provided that specific financial targets are achieved. The annual targets are determined by the Board of Directors and published in the annual report prior to the vesting year. The first subscheme entitles the holder to buy one Class B share of DKK 43.20, with the price of other subschemes increasing by 8.0% p.a.
The financial targets were achieved in full for FY 2012/13, and based on this, 346,184 options were allocated, 229,304 of which went to the Executive Board. The financial targets were achieved in full for FY 2013/14, and based on this, 403,588 options were allocated, 267,328 of which went to the Executive Board. The financial targets were partially achieved for FY 2014/15, and based on this, 470,778 options were allocated, 315,172 of which went to the Executive Board.

5. Share option scheme (Executive Management Team)
In November 2015, a total of 289,708 share options were allocated to the Executive Management Team (233,922 of which are reserved for the Executive Board). The share options will be allocated successively over a period of three years, provided that specific financial targets are achieved. The annual targets are determined by the Board of Directors and announced in the annual report for the coming year. The first subscheme entitles the holder to buy one Class B share of DKK 196.30, with the price of other subschemes increasing by 8.0% p.a.
The financial targets were achieved in full for FY 2015/16, and based on this, 77,134 options are allocated to the Executive Board, while 33,788 options are allocated to the three other members of the Executive Management Team.

6., 7., 8., 9., 10. Warrant scheme (broad circle of middle managers etc.)
Warrant schemes were established in April 2011, April 2012, December 2013, December 2014 and November 2015. The purpose of the warrant schemes is to promote the creation of value in Ambu by achieving the company's strategic objectives and creating identical interests among the participants in the warrant schemes and the company's shareholders. The warrant schemes established in 2011, 2012, 2013, 2014 and 2015 comprised 49, 69, 52, 22 and 46 senior employees in Denmark and abroad. Under all warrant schemes, each warrant entitles the holder to buy one Class B share with a nominal value of DKK 2.50 at a price of 40.13 under the 2011 scheme, at a price of 39,50 under the 2012 scheme, at a price of 66.30 under the 2013 scheme, at a price of 115.30 under the 2014 scheme and at a price of 196.30 under the 2015 scheme.Warrants under the 2015 scheme are allocated on the condition that specific financial targets are achieved. These targets are determined by the Board of Directors and published in the 2014/15 annual report. The total number of warrants allocated under the 2011 scheme was 444,000, 507,600 under the 2012 scheme, 400,000 under the 2013 scheme, 400,000 under the 2014 scheme and 154,000 under the 2015 scheme, corresponding to 0.9%, 1.1%, 0.8%, 0.8% and 0.3% of Ambu's share capital. The financial targets were achieved in full for FY 2015/16, and based on this, 153,000 warrants will be finally allocated.

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

DKKm

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

	2015/16	2014/15
Amortisation of intangible assets identified in connection with acquisition of enterprise	18	17
Amortisation of intangible development projects and rights	37	31
Depreciation of property, plant and equipment	45	48
Impairment losses on property, plant and equipment	2	0
Total depreciation, amortisation and impairment losses	**102**	**96**

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

	2015/16	2014/15
Production costs	31	33
Selling costs	6	6
Development costs	49	43
Management and administration	16	14
Total depreciation, amortisation and impairment losses	**102**	**96**

§ Accounting policies
For a description of accounting policies, see notes 3.1, 3.2 and 3.3.

2.5 Development costs

	2015/16	2014/15
EBIT impact for development costs	**66**	**55**
÷ Amortisation of assets recognised in connection with acquisition of enterprise	-12	-12
÷ Amortisation of development projects, rights and other non-current assets	-37	-31
EBIT impact for development costs	**17**	**12**
+ Investments in development projects	49	43
+ Investments in rights	1	5
Investments	**50**	**48**
Liquid development costs for the year	**67**	**60**
Fraction for development costs in the income statement relative to liquid development costs	1.0	0.9

2.6 Other operating expenses

	2015/16	2014/15
Accounting loss on disposal of subsidiary	0	5
Total other operating expenses	**0**	**5**

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

DKKm

2.7 Financial risks from operating activities

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

Sensitivity analysis
The following table shows the impact on the group in the event of a 10% fluctuation in the main exchange rates relative to the recognised financial instruments. The development of 10% constitutes the management's assessment of a realistic exchange rate development within the main currencies. The financial instruments comprised by the sensitivity analysis include the group's trade receivables, cash, short-term and long-term payables, trade payables and forward exchange contracts.

	Decrease of 10% in main exchange rates		**Increase of 10% in main exchange rates**	
	2015/16	**2014/15**	**2015/16**	**2014/15**
Income statement	-29	-21	29	21
Other comprehensive income	0	0	0	0
	-29	**-21**	**29**	**21**

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

	2015/16		**2014/15**	
	Revenue	**EBIT**	**Revenue**	**EBIT**
USD	-100	-25	-84	-24
MYR	0	10	0	26
CNY	0	15	0	18
GBP	-15	-10	-15	-10

	Contract value		**Fair value**	
Fair value of financial instruments	**2015/16**	**2014/15**	**2015/16**	**2014/15**
Commodity hedging:				
Silver price hedging	12	12	2	-1
Currency swaps:				
Currency swap, USD 40m, floating to fixed rate, maturity 15 March 2018	267	266	-35	-36
Interest rate swaps:				
Interest rate swap, EUR 13m, floating to fixed rate, maturity 31 December 2016	86	89	-1	-4
Total financial liabilities	**365**	**367**	**-34**	**-41**

Hedging of expected future transactions
In order to hedge future expected net cash flows for purchasing silver for the production, the group has entered into a derivative financial instrument which hedges the purchase price of silver throughout 2016/17. Interest rate swaps have been entered into in order to hedge a variable interest element in leased domicile.

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

DKKm

2.8 Tax on profit for the year

	2015/16	2014/15
Current tax on profit for the year	78	70
Deferred tax on profit for the year	-2	-7
Adjustment, previous years	0	1
Adjustment, change in tax rates	0	-1
Total tax on profit for the year	**76**	**63**
Tax on profit for the year comprises (%):		
Calculated 22.0% (2014/15: 23.5%) tax on income from ordinary activities before tax	22.0	23.5
Effect of tax rate in foreign subsidiaries	-0.5	-1.6
Income not subject to tax	-0.2	-0.1
Non-deductible costs	1.4	1.0
Adjustment, change in tax rates	0.1	-0.3
Value adjustment, earn-out	0.0	-3.0
Tax adjustment in respect of previous years	0.2	0.3
Impairment of tax asset	0.4	9.6
Effective tax rate	**23.4**	**29.4**

§ Accounting policies
The tax for the year, which consists of current tax and changes in deferred tax, is recognised in the income statement with the portion attributable to the profit or loss for the year, and in equity with the portion attributable to amounts recognised directly in other comprehensive income. Tax is provided on the basis of the tax rules and tax rates applicable in the individual countries.

2.9 Provision for deferred tax

	30.09.16	30.09.15
Deferred tax, beginning of year	-13	12
Translation adjustment	1	0
Deferred tax on other comprehensive income and transactions with the owners	-42	-19
Deferred tax for the year	-2	-7
Adjustment, change in tax rates	0	-1
Change in respect of previous years	0	2
Deferred tax at year-end	**-56**	**-13**
Deferred tax relates to:		
Intangible assets	76	66
Property, plant and equipment	21	27
Current assets	-25	-20
Deferred tax on other comprehensive income and transactions with the owners	-66	-27
Payables	-7	-14
Tax loss carry-forward	-127	-90
Impairment of tax loss carry-forward and timing differences	72	45
	-56	**-13**

DKKm

2.9 Provision for deferred tax (continued)

	30.09.16	30.09.15
Classified in the balance sheet as follows:		
Deferred tax asset	-61	-30
Deferred tax	5	17
	-56	**-13**
Deferred tax falling due within 12 months	-32	-34

§ Accounting policies

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

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

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

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

Deferred tax is calculated on share-based payment to the extent that the individual scheme is tax-deductible for the group. Deferred tax is calculated as the difference between the value of the share-based payment at the time of allocation and the fair value, whichever is the higher. Deferred tax assets from share-based payment schemes are recognised proportionately over the vesting period.

! Material accounting estimates

At the end of September 2016, the company recognised a tax loss and other timing differences of DKK 89m (2015: DKK 67m) stemming from the US operating activities. Based on the management's expectations for the future and approved budgets, the value of these tax losses and timing differences has been recognised at DKK 41m (2015: DKK 21m).

In the period prior to the acquisition on 28 September 2016, ETView had built up a tax loss stemming from operating activities in Israel. This loss totals DKK 24m, which Ambu will be able to set off against future taxable income from Israel. The management has estimated the value of this asset to be DKK 0m.

As at 30 September 2016, the unrecognised tax asset totalled DKK 72m (2015: DKK 45m).

Section 3:
Invested capital and working capital

This section consists of explanatory notes relating to Ambu's total investments of DKK 239m, including development projects, production capacity and the acquisition of ETView Medical Ltd. The section also contains notes describing the working capital of DKK 521m at the end of the financial year.

Investments for the year are relatively high relative to previous years – primarily as a result of the acquisition of IP relating to breathing circuits as well as the acquisition of ETView Medical Ltd.

Ambu is working continuously to optimise inventories through production planning and the reduction of safety stocks. However, the physical location of our factories in Asia does entail transport times of up to eight weeks from the factories to the regional warehouses in Europe and the USA. A significant proportion of inventories is therefore in transit at any one time and thus not available for sale.

Trade receivables had fallen by 12% from DKK 473m to DKK 418m at the end of September 2016. This has been achieved concurrently with reported growth of 10% for the year. At the same time, debtor days were reduced from 82 to 67.

The development in trade receivables is attributable to an increased focus on debt collection through improved monitoring and business processes.

Working capital	%	30.09.16	%	30.09.15
Inventories	14	287	15	278
Trade receivables	20	418	25	473
Other operating assets	3	54	3	55
Trade payables	-5	-104	-6	-115
Other payables	-6	-134	-7	-140
	25	**521**	**29**	**551**

Working capital, % of revenue

25%

-4 percentage points

Total investments for the year

DKK 239m

+103%

Free cash flows

DKK 285m

+166%

DKKm

3.1 Intangible assets

2015/16	Acquired technologies, trademarks and customer relations	Completed development projects	Rights	Goodwill	Development projects in progress	Total
Acquisition price, beginning of year	155	225	84	810	58	1,332
Translation adjustment	1	0	0	2	0	3
Additions during the year	0	0	63	0	49	112
Additions in connection with acquisition	99	0	0	7	0	106
Disposals during the year	0	0	-18	0	0	-18
Transferred during the year	0	64	0	0	-66	-2
Acquisition price at year-end	**255**	**289**	**129**	**819**	**41**	**1,533**
Amortisation and impairment losses, beginning of year	52	164	30	0	0	246
Translation adjustment	0	0	0	0	0	0
Disposals during the year	0	0	-6	0	0	-6
Impairment losses for the year	0	0	0	0	0	0
Amortisation for the year	18	24	13	0	0	55
Amortisation and impairment losses at year-end	**70**	**188**	**37**	**0**	**0**	**295**
Carrying amount at year-end	**185**	**101**	**92**	**819**	**41**	**1,238**

Disposals during the year include DKK 12m relating to changed assumptions in respect of provisions for the capitalised purchase price of technologies (see note 5.1).

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

3.1 Intangible assets (continued)

§ Accounting policies

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

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

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

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

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

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

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

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

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

Acquired technologies, trademarks and customer relations	5-15 years
Completed development projects	5 years
Rights	5-20 years

Goodwill is not amortised.

! Material accounting estimates

Intangible assets identified in connection with the acquisition of enterprises

When applying the purchase method in connection with the acquisition of enterprises, the management makes material estimates and assessments. On 28 September 2016, Ambu acquired the entire share capital in ETView Medical Ltd. at a price of DKK 90m, and on 15 February 2013, Ambu acquired the entire share capital in King Systems Corp. at a price of DKK 813m.

In connection with the acquisition of ETView Medical Ltd., the management identified technologies worth DKK 99m.In connection with the acquisition of King Systems Corp., intangible assets of DKK 131m were identified: technologies (DKK 105m), trademarks (DKK 18m), customer relations (DKK 5m) and order book (DKK 3m).

All identified intangible assets have finite useful lives and will therefore affect EBIT negatively until the fair value, calculated at the date of the acquisition, is fully amortised.

Useful lives of intangible assets

The assessment of the useful lives of identified intangible assets in connection with the acquisition of enterprises is subject to material estimates where the assessments made are based on the management's experience as well as advice from specialists. The useful lives of completed development projects are estimated on completion of the project at which time amortisation of cost begins. The useful life of the asset may subsequently be changed if the management believes that the original assumptions on which the useful life and any residual value are based have changed significantly.

3.2 Impairment test

Goodwill
The Ambu group is managed as one single unit, for which reason the management monitors goodwill as a whole. Consequently, the impairment test is based on the Ambu group's total cash flows. The market value of Ambu A/S's shares based on the traded price for the shares on NASDAQ Copenhagen is far higher than the booked equity. Therefore, the management has concluded that the net selling price calculated on the basis of a level 1 fair value measurement proves that there is no indication of impairment of goodwill.

Other intangible assets
Continuous impairment tests are made in respect of both completed development projects and development projects in progress where the management compares the estimated future net cash flows with the carrying amount of the asset. The impairment tests made have not resulted in any indication of impairment.

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

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

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

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

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

! Material accounting estimates
Impairment tests require material estimates of how future events will affect the value of development projects. The value of completed development projects amounts to DKK 101m (2015: DKK 61m), while the value of development projects in progress is DKK 41m (2015: DKK 58m).

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

DKKm

3.3 Property, plant and equipment

2015/16	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	236	286	129	25	676
Translation adjustment	2	1	0	0	3
Additions during the year	0	4	3	27	34
Disposals during the year	-2	-7	-35	0	-44
Transferred during the year	2	23	6	-29	2
Acquisition price at year-end	**238**	**307**	**103**	**23**	**671**
Depreciation and impairment losses, beginning of year	108	193	95	0	396
Translation adjustment	-1	-2	0	0	-3
Disposals during the year	-1	-6	-33	0	-40
Impairment losses for the year	0	1	1	0	2
Depreciation for the year	10	22	13	0	45
Depreciation and impairment losses at year-end	**116**	**208**	**76**	**0**	**400**
Carrying amount at year-end	**122**	**99**	**27**	**23**	**271**

There are no contractual obligations concerning the purchase of property, plant and equipment. The carrying amount of assets held under finance leases is DKK 2m (2014/15: DKK 0). Land and buildings include investment property where the market value in all material respects corresponds to the carrying amount.

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

DKKm

3.3 Property, plant and equipment (continued)

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

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

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

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

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

Land is not depreciated.

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

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

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

3.4 Inventories

	30.09.16	30.09.15
Commodities and consumables	75	75
Finished goods	212	203
	287	**278**
Cost of sales for the year	765	733
Write-down of inventories included in production costs for the year	1	2

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

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

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

! Material accounting estimates
Production overheads with the value of inventories added are calculated on the basis of a standard cost method, which is reviewed on a regular basis to ensure valid assumptions. Changes in the assessments made will affect the valuation of inventories and operating profit (EBIT). The carrying amount of capitalised production overheads totals DKK 43m (2014/15: DKK 45m).

DKKm

3.5 Trade receivables

	30.09.16	30.09.15
Not due	329	299
1-90 days	55	62
91-180 days	15	63
> 180 days	19	49
Trade receivables	**418**	**473**
At year-end, trade receivables, mainly due > 180 days, were written down by	7	7

Trade receivables had fallen by 12% from DKK 473m to DKK 418m at the end of September 2016. This has been achieved concurrently with reported growth of 10% for the year. The development of trade receivables is attributable to the management's increased focus on debt collection through monitoring and improved business processes in 2015/16.

Credit risks

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

§ Accounting policies

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

3.6 Adjustment of items with no cash flow effect

	2015/16	2014/15
Depreciation, amortisation and impairment losses	102	96
Accounting loss on disposal of subsidiary	0	5
Share-based payment	7	6
Net financials and similar items	30	21
Tax on profit for the year	76	63
	215	**191**

3.7 Changes in working capital

	2015/16	2014/15
Changes in inventories	-6	-17
Changes in receivables	57	-100
Changes in trade payables etc.	-43	47
	8	**-70**

DKKm

3.8 Business combinations

In 2015/16, Ambu acquired the Israeli company ETView Medical Ltd. with subsidiaries in Israel and the USA (collectively referred to as 'ETView'), which produces single-use airway tubes with integrated camera.

	Previous ownership interest	Acquired ownership interest	Acquisition date	Type	Area	Cost
ETView Medical Ltd.	0%	100%	28 Sept. 2016	Share purchase	Anaesthesia	90

Pre-acquisition balance sheet	**ETView Medical Ltd.**
Technologies	99
Total intangible assets	99
Inventories	3
Trade receivables	1
Cash	1
Bank debt	-3
Payables	-18
Identifiable net assets	83
Goodwill	7
Total purchase price	**90**
The purchase price comprises:	
Cash and cash equivalents	90
	90
Transaction-related costs included in management and administrative expenses	2
Cash flows for the acquisition of enterprises as at 30 September 2016	93

Description of the acquired activities
ETView Medical Ltd. is located in Misgav, Israel, and produces single-use airway tubes with integrated camera through strategic suppliers. The airway tubes are sold globally and mostly through distributors; however, at the acquisition date, ETView was directly represented on the US market through its own sales staff. The acquisition of ETView strengthens Ambu's portfolio of visualisation products.

The most important asset is identified acquired technologies consisting of a patented visualisation technology platform. The fair value measurement is based on future sales budgets and is thus subject to some estimation uncertainty. Technologies are valued in accordance with the Relief from Royalty method and is amortised over the estimated useful life of 15 years.

The statement of the pre-acquisition balance sheet for ETView still remains to be completed at the balance sheet date.

Goodwill
Goodwill is recognised at the amount by which the calculated purchase price exceeds the identifiable net assets. The calculated goodwill can be ascribed to employee know-how. The recognised goodwill is not deductible for tax purposes.

Information about the acquired enterprise
In the period from the acquisition date and until 30 September 2016, ETView has contributed DKK 0m to consolidated revenue and DKK 0m to the operating profit for the year. Had ETView been consolidated as from 1 October 2015, ETView would have contributed DKK 15m to revenue and DKK -16m to the operating profit. The stated figures have been calculated before the effect of purchase price allocations.

Section 4:

Financial risk management, capital structure and net financials

This section provides an overview of Ambu's capital structure, net financials as well as a description of the measures taken by management to prevent and reduce the financial risks to which Ambu is exposed.

Helped by a 38% increase in EBITDA, Ambu realised the expected debt multiple of 2.1 most recently announced.

In FY 2015/16, acquisitions were made of enterprises and technology totalling DKK 155m, which has increased the debt multiple by 0.4. Since arranging the bond loan in 2013, Ambu has been working to reduce the gearing to approx. 1.75, and this is still the intention.

At the end of September 2016, interest-bearing debt corresponds to a weighted cost of capital of 2.8%, which is predominantly fixed-interest. A significant part of the cost of capital pertains to the company's corporate bonds, with a nominal value of DKK 700.5m, maturing in March 2018.

Net financials are reduced by DKK 9m as a result of non-market value adjustments and other non-cash items. The underlying cash interest payment is unchanged, and in the region of DKK 30m.

Debt multiple

2.1 of EBITDA

Fall of -0.1

Interest-bearing debt

DKK 955m

DKK +224m

Cost of capital

2.8%

-0.5 percentage points

Net financials

DKK -30m

DKK -9m

DKKm

4.1 Financial risk management

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

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

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

The main part of the group's debt is arranged as fixed-rate loans through the issue of bonds. A probable change in interest rates will thus not have a significant effect on the income statement or equity.

Commodity prices
The world market price of silver can impact electrode production costs significantly. Management therefore hedges the silver purchases for the year. The hedging takes the form of derivatives hedging the expected purchases for the year. Reference is made to note 2.7 regarding the fair value of the hedge.

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

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

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

In March 2013, Ambu A/S issued bonds at a nominal value of DKK 700.5m. The bonds carry a fixed interest rate of 3.375% and a yield to maturity of 3.506%. The bonds must be repaid in full in March 2018. The fair value of the bonds issued was DKK 724m as at 30 September 2016 (2014/15: DKK 729m). The debt can be attributed to level 1 of the fair value hierarchy as the bond is listed on NASDAQ Copenhagen.

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

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

	30.09.16	**30.09.15**
Unutilised credit facilities	135	197

Credit risks
Ambu is exposed to credit risks in respect of bank deposits and trade receivables. The maximum credit risk corresponds to the carrying

Cash is not deemed to be subject to any credit risks as the company's primary banks are SIFI banks.

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

Provisions are made for bad debts on the basis of an individual assessment of the risk. No material changes were made during the financial year with regard to provisions for bad debts nor were any material losses ascertained.

DKKm

4.2 Categories of financial instruments

Ambu has recognised the following financial instruments:

	30.09.16	30.09.15
Trade receivables	418	473
Other receivables	28	20
Cash	35	48
Receivables and cash and cash equivalents	**481**	**541**
Credit institutions	277	4
Corporate bonds	699	698
Other provisions	38	48
Bank debt	14	77
Trade payables	104	115
Other payables	134	140
Financial liabilities recognised at amortised cost	**1,266**	**1,082**
Earn-out obligation (level 3)*	3	6
Derivative financial instruments (level 2)*	35	36
Financial liabilities stated at fair value in the income statement	**38**	**42**
Derivative financial instruments (level 2)*	-1	5
Financial liabilities stated at fair value in other comprehensive income	**-1**	**5**

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

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

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

Earn-out obligations recognised at fair value

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

Earn-out obligations – level 3 of the IFRS fair value hierarchy	**30.09.16**	**30.09.15**
Fair value as at 1 October	6	40
Foreign currency translation adjustment	0	4
Used during the year	-3	-16
Adjustments made through the income statement:		
Effect for the year of shorter discount period	0	3
Value adjustment to fair value	0	-25
Fair value as at 30 September	**3**	**6**

DKKm

4.2 Categories of financial instruments (continued)

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

Derivative financial instruments are recognised as from the transaction date and are measured at fair value in the balance sheet. The fair value of derivative financial instruments is calculated on the basis of current market data as well as accepted valuation methods.

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

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

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

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

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

4.3 Net financials

	2015/16	2014/15
Other financial income:		
Foreign exchange gains, net	6	27
Fair value adjustment, earn-out	0	25
Financial income	**6**	**52**

	2015/16	2014/15
Interest expenses:		
Interest expenses, banks	6	5
Interest expenses, bonds	24	24
Other financial expenses:		
Effect of shorter discount period, earn-out	0	3
Effect of shorter discount period, acquisition of technology	4	4
Fair value adjustment, swap	2	37
Financial expenses	**36**	**73**

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

DKKm

4.4 Net interest-bearing debt

2015/16	Contractual cash flows 0-1 year	1-5 years	> 5 years	Total	Fair value	Carrying amount	Weighted average effective rate of interest
Credit institutions	51	226	0	277	277	277	1.0%
Corporate bonds	24	724	0	748	724	699	3.5%
Bank debt	14	0	0	14	14	14	1.6%
Interest-bearing debt	**89**	**950**	**0**	**1,039**	**1,015**	**990**	**2.8%**
Cash	35	0	0	35	35	35	0.0%
Interest-bearing assets	**35**	**0**	**0**	**35**	**35**	**35**	**0.0%**
Net interest-bearing debt	**54**	**950**	**0**	**1,004**	**980**	**955**	**2.8%**

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

In addition to the above, short-term contractual cash flows exist for the following: trade receivables, other receivables, trade payables and other payables. With the exception of non-current other receivables, these fall due within one year, and the contractual cash flows correspond to the carrying amount.

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

4.5 Share capital and treasury shares

Share capital

Ambu's share capital is divided into two share classes of DKK 2.50 per share each. A Class A share carries 10 votes per share, while a Class B share carries one vote per share. There is no difference between the economic rights pertaining to the individual share classes. All shares are paid in full.

	Class A shares		Class B shares		No. of shares	
	2015/16	**2014/15**	**2015/16**	**2014/15**	**2015/16**	**2014/15**
No. of shares issued, beginning of year	6,864,000	1,716,000	41,397,920	10,227,580	48,261,920	11,943,580
Share split 1:4	0	5,148,000	0	30,682,740	0	35,830,740
Additions	0	0	108,800	487,600	108,800	487,600
No. of shares issued at year-end	**6,864,000**	**6,864,000**	**41,506,720**	**41,397,920**	**48,370,720**	**48,261,920**

The Board of Directors' proposal for a 1:4 share split was approved by Ambu's shareholders on 17 December 2014. In FY 2015/16, several capital increases were implemented in connection with the exercise by employees of warrants issued in 2011 and 2012. In consequence hereof, Ambu's share capital was increased by a nominal amount of DKK 272,000 through the issue of 108,800 Class B shares at a weighted price of 39.66.

DKKm

4.5 Share capital and treasury shares (continued)

Treasury shares

	No. of shares		Nominal value		In % of share capital	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
Treasury shares, beginning of year	242,900	43,968	0.6	0.4	0.5%	0.3%
Share split 1:4	0	131,904	0.0	0.0	0.0%	0.0%
Additions	1,222,572	505,352	3.1	1.3	2.5%	1.0%
Disposals	-100,000	-438,324	-0.3	-1.1	-0.2%	-0.8%
Treasury shares at year-end	**1,365,472**	**242,900**	**3.4**	**0.6**	**2.8%**	**0.5%**

Treasury shares have been purchased to cover option schemes. With the current holding of treasury shares, all allocated share option schemes up to 2018 have been fully hedged. The portfolio of and transactions with treasury shares only include Class B shares.

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

4.6 Earnings per share

	2015/16	2014/15
Net profit for the year	250	152
Average no. of Class A and Class B shares in circulation (no.)	47,437,984	48,054,275
Diluted effect of outstanding share options and warrants (no.)	1,346,398	1,418,067
Average number of outstanding Class A and Class B shares including the diluting effect of share options and warrants (no.)	**48,784,382**	**49,472,342**
Earnings per DKK 2.50 share (EPS) in DKK	5.27	3.16
Diluted earnings per DKK 2.50 share (EPS-D) in DKK	5.13	3.06

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

Section 5:
Provisions, other liabilities etc.

In Section 5, we have included notes which are compulsory or of secondary importance to understanding Ambu's financial results and financial position.

Proposed dividend	No. of treasury shares
DKK 1.55/share	1.4 million
+63%	+1.1 million

DKKm

5.1 Other provisions

	2015/16	2014/15
Provisions as at 1 October	54	73
Additions during the year	0	10
Used during the year	-4	-21
Reversal of unused amounts	-12	0
Value adjustment	4	-18
Foreign currency translation adjustment	-1	10
Other provisions as at 30 September	**41**	**54**
Provisions expected to fall due:		
Current liabilities	4	6
Non-current liabilities	37	48
Other provisions as at 30 September	**41**	**54**

During the financial year, Ambu settled provisions in the amount of DKK 4m (2014/15: DKK 21m) in respect of earn-out and technology purchases.

Reversal of unused amounts concerns a change in the assumptions underlying the value-in-use calculation of the purchase price payable in connection with technology acquisitions in the amount of DKK 12m.The value adjustment for the year, which can be ascribed to the shorter discount period, amounts to DKK 4m (2014/15: The effect of the shorter discount period amounted to DKK 7m, to which should be added remeasurement of the earn-out agreement of DKK -25m).

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

§ Accounting policies

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

5.2 Operating leases

	2015/16	2014/15
Payments due within 0-1 year	31	30
Payments due within 1-5 years	69	83
Payments due after 5 years	61	68
Total operating leases	**161**	**181**
Operating leases expensed in the income statement	32	27

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

DKKm

5.3 Contingent liabilities and other contractual liabilities

Contingent liabilities
Ambu's ongoing operations and the use of Ambu's products in hospitals and clinics etc. involve the general risk of claims for damages and sanctions against Ambu. The risk is deemed to be customary for the industry.

Other contractual liabilities
A change-of-control clause exists in respect of committed borrowing facilities, which constitute the main part of Ambu's loan financing, not including corporate bonds, however.
Change-of-control remuneration to members of the Executive Board is subject to a maximum value corresponding to two years' remuneration.

5.4 Fee to auditors appointed by the annual general meeting

	2015/16	2014/15
Audit fee	2	2
Other assurance engagements	0	0
Tax consultancy services	2	1
Other services	2	2
Total fees	**6**	**5**

5.5 Divestment of subsidiary

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

	2015/16	2014/15
Goodwill	0	16
Other plant, fixtures and fittings, tools and equipment	0	1
Inventories	0	6
Other receivables	0	2
Trade payables	0	-7
Other payables	0	-2
Net assets divested	**0**	**16**
Accounting loss on disposal of subsidiary	0	-5
Selling price	0	11
Cash in divested subsidiary	0	2
Cash payment	**0**	**8**
Deferred selling price	0	-5
Cash flows from the divestment of subsidiary	**0**	**3**

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

5.6 Related parties

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

During the year, no transactions, except for payment of the management's remuneration, have been carried out with the Board of Directors, Executive Board, senior employees, major shareholders or other related parties as stated in notes 2.2 and 2.3.

5.7 Companies in the Ambu group

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

Company	Reg. office	Currencies	Nominal capital	Ambu A/S's ownership interest	Established/ acquired	Sales	Production	Other
Europe:								
Ambu Ltd.	UK	GBP	1,000	100%	1991	x		
Ambu United Kingdom Ltd.	UK	GBP	104,000	100%	2013			x
Ambu Sarl	France	EUR	170,245	100%	1989	x		
Ambu B.V.	Netherlands	EUR	22,700	100%	2006	x		
Ambu s.r.l.	Italy	EUR	68,200	100%	1992	x		
Firma Ambu, S.L.[1]	Spain	EUR	200,113	100%	1993	x		
Ambu GmbH	Germany	EUR	51,129	100%	1992	x		
North America:								
Ambu Inc.	USA	USD	250,000	100%	1983	x		
King Systems Holding Inc.	USA	USD	3,562	100%	2013			x
King Systems Corp.	USA	USD	843,800	100%	2013		x	
ETView Inc.	USA	USD	1	100%	2016			x
Rest of the world:								
Ambu Australia Pty. Ltd.	Australia	AUD	1	100%	2010	x		
Ambu India Private Limited	India	INR	5,000,000	100%	2015	x		
Ambu KK	Japan	JPY	20,000,000	100%	2000			x
Ambu Ltd.	China	CNY	6,623,760	100%	1998		x	
Ambu (Xiamen) Trading Co., Ltd.	China	CNY	479,885	100%	2008	x		
Ambu Sdn. Bhd.	Malaysia	MYR	2,400,000	100%	1995		x	
Ambu Mexico, S.A. DE C.V.	Mexico	MXN	1,000	100%	2014			x
ETView Medical Ltd.	Israel	NIS	181,820	100%	2016			x
ETView Ltd.	Israel	NIS	83,828	100%	2016	x		x

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

5.8 Subsequent events

No material events have occurred in the period between the end of the financial year and the Board of Directors' approval of the annual report.

DKKm

5.9 Adoption of the annual report and distribution of profit

At the board meeting on 8 November 2016, the Board of Directors approved the annual report presented. Subsequently, the annual report will be presented to Ambu A/S's shareholders for adoption at the annual general meeting on 12 December 2016. The Board of Directors proposes dividend of DKK 1.55 per share. In 2014/15, the Board of Directors proposed a dividend payment of DKK 0.95 per share, which was later distributed to Ambu A/S's shareholders.

	2015/16	2014/15
Proposed dividend for the year	75	46
Transferred to distributable reserves	175	106
	250	**152**

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

5.10 Key figure and ratio definitions

Income statement	
Gross margin, %	Gross profit in % of revenue.
EBITDA	Operating profit before depreciation, amortisation and impairment losses.
EBIT	Operating profit.
Capacity costs	Selling and distribution costs, development costs, management and administrative expenses as well as other operating income and expenses.
Balance sheet	
Working capital	Inventories, trade receivables, other receivables and prepayments less trade payables and other payables.
Net interest-bearing debt	Credit institutions, corporate bonds, current portion of non-current liabilities, finance leases and bank debt less cash. Net interest-bearing debt is abbreviated NIBD.
Cash flows	
Cash flows from operating activities	Cash flows from operating activities as defined in IAS 7.
Cash flows from investing activities before acquisitions of enterprises and technology	Cash flows from investing activities as defined in IAS 7 excluding cash flows for the acquisition of technologies and enterprises.
Free cash flows before acquisitions of enterprises and technology	The sum of cash flows from operating activities and cash flows from investing activities before acquisitions of enterprises and technology.
Acquisitions of enterprises and technology	Cash flows from the acquisition of enterprises and technologies, including payment to the seller, transaction costs and payment of earn-outs less cash in acquired enterprises.

5.10 Key figure and ratio definitions (continued)

Key figures and ratios	
Organic growth	Development in revenue, adjusted for fluctuations in foreign exchange rates and the effect of acquisitions, in % of revenue in the period of comparison.
Rate of cost	Capacity costs in % of revenue.
EBITDA margin	EBITDA in % of revenue.
EBIT margin	EBIT in % of revenue.
Liquid development costs for the year	Development costs for the year in the income statement plus related amortisation and depreciation with the subsequent addition of investments in development projects for the year, cash flows for the acquisition of technology and other rights which can be attributed to development activities.
Return on equity	Net profit/loss for the year for a rolling 12-month period in relation to average equity.
NIBD/EBITDA	Net interest-bearing debt/EBITDA.
Equity ratio	Equity's share of total assets at year-end.
Investments, % of revenue	Cash flows from investing activities, including assets disposed of, in % of revenue.
Working capital, % of revenue	Inventories, trade receivables, other receivables and prepayments less trade payables and other payables in % of revenue.
Return on invested capital (ROIC)	EBIT for a rolling 12-month period less tax in relation to assets less interest-bearing debt.
Share-related ratios	
Earnings per share (EPS)	Earnings per share for the year, calculated in accordance with IAS 33.
Diluted earnings per share (EPS-D)	Diluted earnings per share, calculated in accordance with IAS 33.
Cash flow per share	Cash flows from operating activities relative to number of shares at year-end.
Equity value per share	Total equity relative to number of shares at year-end.
Dividend per share	Dividend relative to number of shares at year-end.
Pay-out ratio	Dividend as a percentage of net profit/loss for the year.
P/E ratio	Market price relative to earnings per share (EPS).

Financial statements 2015/16 – parent company

Two types of electrodes exist: Surface electrodes, which are attached to the skin like stickers, and needle electrodes, which are inserted through the skin to measure impulses in muscles. Ambu sells some of the world's best needle electrodes, which provide doctors with clear signals and pass smoothly and painlessly through the skin of the patient.

Income statement and statement of comprehensive income – parent company

Ambu A/S Financial statements

DKKm

Income statement	Note	2015/16	2014/15
Revenue		1,643	1,516
Production costs	2.1, 2.2	-1,016	-1,022
Gross profit		**627**	**494**
Selling and distribution costs	2.1, 2.2	-85	-105
Development costs	2.1, 2.2	-51	-42
Management and administration	2.1, 2.2	-129	-101
Other operating expenses	2.3	0	-1
Operating profit (EBIT)		**362**	**245**
Financial income	4.2	15	78
Financial expenses	4.2	-39	-69
Profit before tax		**338**	**254**
Tax on profit for the year	2.4	-76	-58
Net profit for the year		**262**	**196**

Statement of comprehensive income	2015/16	2014/15
Net profit for the year	262	196
Other comprehensive income:		
Items which are moved to the income statement under certain conditions:		
Translation adjustment in foreign subsidiaries	0	5
Adjustment to fair value for the period:		
Cash flow hedging, realisation of previous years' deferred gains/losses	3	0
Cash flow hedging, deferred gains/losses for the year	3	1
Tax on hedging transactions	-1	0
Other comprehensive income after tax	**5**	**6**
Comprehensive income for the year	**267**	**202**

Balance sheet – parent company

Ambu A/S Financial statements

DKKm

Assets	Note	30.09.16	30.09.15
Completed development projects	3.1	70	49
Rights	3.1	104	71
Goodwill	3.1	147	147
Development projects in progress	3.1	31	31
Intangible assets		**352**	**298**
Property, plant and equipment	3.2	**31**	**32**
Investments in subsidiaries	3.3	975	885
Receivables from subsidiaries	4.1	5	55
Other receivables	4.1	6	5
Deferred tax asset	2.5	19	0
Other non-current assets		**1,005**	**945**
Total non-current assets		**1,388**	**1,275**
Inventories	3.4, 4.1	72	67
Trade receivables	3.5, 4.1	73	73
Receivables from subsidiaries	4.1	458	592
Other receivables	4.1	8	1
Prepayments		5	14
Cash	4.1	20	0
Total current assets		**636**	**747**
Total assets		**2,024**	**2,022**

Equity and liabilities	Note	30.09.16	30.09.15
Share capital		121	121
Other reserves		595	628
Equity		**716**	**749**
Credit institutions	4.1	226	2
Provision for deferred tax	2.5	0	10
Corporate bonds	4.1	699	698
Other provisions	4.1, 5.1	37	48
Non-current liabilities		**962**	**758**
Current portion of non-current liabilities	4.1	51	2
Other provisions	4.1, 5.1	4	6
Bank debt	4.1	0	77
Trade payables	4.1	15	24
Payables to subsidiaries	4.1	124	252
Income tax		64	67
Other payables	4.1	54	46
Derivative financial instruments	4.1	34	41
Current liabilities		**346**	**515**
Total liabilities		**1,308**	**1,273**
Total equity and liabilities		**2,024**	**2,022**

Cash flow statement – parent company

Ambu A/S Financial statements

DKKm

	Note	2015/16	2014/15
Net profit for the year		262	196
Adjustment of items with no cash flow effect	3.6	151	96
Income tax paid		-59	-27
Interest income and similar items		15	78
Interest expenses and similar items		-33	-28
Changes in working capital	3.7	43	-149
Cash flows from operating activities		**379**	**166**
Purchase of non-current assets		-51	-36
Divestment of subsidiary		0	5
Cash flows from investing activities before acquisitions of enterprises and technology		-51	-31
Free cash flows before acquisitions of enterprises and technology		**328**	**135**
Acquisition of technology		-59	0
Acquisitions of enterprises		-93	0
Cash flows from acquisitions of enterprises and technology		-152	0
Cash flows from investing activities		**-203**	**-31**
Free cash flows after acquisitions of enterprises and technology		**176**	**135**
Raising of long-term debt		273	-4
Capital increase, Class B share capital		5	19
Exercise of options		3	11
Cash settlement, options		-32	0
Purchase of Ambu A/S shares, treasury shares		-283	-74
Dividend paid		-46	-45
Dividend, treasury shares		1	0
Cash flows from financing activities		**-79**	**-93**
Changes in cash and cash equivalents		**97**	**42**
Cash and cash equivalents, beginning of year		-77	-119
Cash and cash equivalents, end of year		**20**	**-77**
Cash and cash equivalents, end of year, are composed as follows:			
Cash and cash equivalents		20	0
Bank debt		0	-77
Cash and cash equivalents, end of year		**20**	**-77**

Statement of changes in equity – parent company

Ambu A/S Financial statements

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	Share capital	Share premium	Reserve for hedging transactions	Reserve for foreign currency translation adjustment	Retained earnings	Proposed dividend	Total
Equity as at 1 October 2015	**121**	**32**	**-3**	**5**	**548**	**46**	**749**
Net profit for the year					187	75	262
Other comprehensive income for the year			5	0			5
Total comprehensive income	**0**	**0**	**5**	**0**	**187**	**75**	**267**
Transactions with the owners:							
Exercise of options					3		3
Cash settlement, options					-32		-32
Share-based payment					4		4
Tax deduction relating to share options					48		48
Purchase of treasury shares					-283		-283
Distributed dividend						-45	-45
Dividend, treasury shares					1	-1	0
Capital increase, Class B share capital	0	5					5
Equity as at 30 September 2016	**121**	**37**	**2**	**5**	**476**	**75**	**716**

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

Other reserves are made up of share premium, reserve for hedging transactions, reserve for foreign currency translation adjustment, retained earnings and proposed dividend and total DKK 595m (2015: DKK 628m).

DKKm

1.1 Basis of preparation

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

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

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

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

3.3 Investments in subsidiaries
4.2 Net financials

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

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

The accounting policies have been applied consistently in the preparation of the financial statements of the parent company in the years presented. The accounting policies have been applied consistently with previous years with the exception of the changed classification described below in note 1.2.

1.2 Change in the classification of certain items in the income statement

The comparative figures for FY 2014/15 have been restated as a result of a reclassification made between certain items in the income statement.

For a detailed description, reference is made to note 1.2 of the consolidated financial statements.

Income statement	According to the 2014/15 annual report	Effect of changed classification	Restated comparative figures
Revenue	1,516	0	1,516
Production costs	-1,070	48	-1,022
Gross profit	**446**	**48**	**494**
Selling and distribution costs	-58	-47	-105
Development costs	-41	-1	-42
Management and administration	-101	0	-101
Other operating expenses	-1	0	-1
Operating profit (EBIT)	**245**	**0**	**245**

DKKm

2.1 Staff costs

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

	2015/16	2014/15
Production costs	2	4
Selling costs	36	39
Development costs	21	14
Management and administration	77	63
Total staff costs	**136**	**120**

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

	2015/16	2014/15
Remuneration, Executive Board	14	12
Share-based payment	2	1
Staff costs, Executive Board	**16**	**13**
Wages and salaries	105	91
Pension contributions	7	7
Social security costs	2	2
Share-based payment	2	3
Remuneration, committees	1	1
Remuneration, Board of Directors	3	3
Total staff costs	**136**	**120**
Average number of employees	143	132
Number of full-time employees at year-end	164	131

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

	2015/16	2014/15
Amortisation of intangible development projects and rights	38	33
Depreciation of property, plant and equipment	8	10
Impairment losses on property, plant and equipment	1	0
Total depreciation, amortisation and impairment losses	**47**	**43**

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

	2015/16	2014/15
Production costs	1	3
Development costs	37	33
Management and administration	9	7
Total depreciation, amortisation and impairment losses	**47**	**43**

DKKm

2.3 Other operating expenses

	2015/16	2014/15
Accounting loss on disposal of subsidiary	0	1
Total other operating expenses	**0**	**1**

2.4 Tax on profit for the year

	2015/16	2014/15
Current tax on profit for the year	63	55
Deferred tax on profit for the year	13	3
Total tax on profit for the year	**76**	**58**
Tax on profit for the year comprises (%):		
Calculated 22.0% (2014/15: 23.5%) tax on income from ordinary activities before tax	22.0	23.5
Income not subject to tax	-0.9	-1.4
Non-deductible costs	0.9	0.2
Adjustment, change in tax rates	0.0	-0.2
Effect of shorter discount period	0.5	0.4
Tax adjustment in respect of previous years	0.0	0.3
Effective tax rate	**22.5**	**22.8**

2.5 Provision for deferred tax

	30.09.16	30.09.15
Deferred tax, beginning of year	10	26
Deferred tax on other comprehensive income and transactions with the owners	-42	-19
Deferred tax for the year	13	3
Deferred tax at year-end	**-19**	**10**
Deferred tax relates to:		
Intangible assets	51	35
Property, plant and equipment	1	2
Current assets	1	1
Deferred tax on other comprehensive income and transactions with the owners	-71	-26
Payables	-1	-2
	-19	**10**
Classified in the balance sheet as follows:		
Deferred tax asset	-19	0
Deferred tax	0	10
	-19	**10**
Deferred tax falling due within 12 months	0	-1

DKKm

3.1 Intangible assets

2015/16	Completed development projects	Rights	Goodwill	Development projects in progress	Total
Acquisition price, beginning of year	209	110	147	31	497
Translation adjustment	0	0	0	0	0
Additions during the year	0	63	0	41	104
Disposals during the year	0	-18	0	0	-18
Transferred during the year	41	0	0	-41	0
Acquisition price at year-end	**250**	**155**	**147**	**31**	**583**
Amortisation and impairment losses, beginning of year	160	39	0	0	199
Translation adjustment	0	0	0	0	0
Disposals during the year	0	-6	0	0	-6
Impairment losses for the year	0	0	0	0	0
Amortisation for the year	20	18	0	0	38
Amortisation and impairment losses at year-end	**180**	**51**	**0**	**0**	**231**
Carrying amount at year-end	**70**	**104**	**147**	**31**	**352**

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

DKKm

3.2 Property, plant and equipment

2015/16	Land and buildings	Plant and machinery	Other plant, fixtures and fittings, tools and equipment	Prepayments and plant under construction	Total
Acquisition price, beginning of year	84	5	80	3	172
Translation adjustment	0	0	0	0	0
Additions during the year	0	0	2	6	8
Disposals during the year	-1	-2	-19	0	-22
Transferred during the year	0	0	3	-3	0
Acquisition price at year-end	**83**	**3**	**66**	**6**	**158**
Depreciation and impairment losses, beginning of year	65	4	71	0	140
Translation adjustment	0	0	0	0	0
Disposals during the year	-1	-2	-19	0	-22
Impairment losses for the year	0	0	1	0	1
Depreciation for the year	2	1	5	0	8
Depreciation and impairment losses at year-end	**66**	**3**	**58**	**0**	**127**
Carrying amount at year-end	**17**	**0**	**8**	**6**	**31**

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

DKKm

3.3 Investments in subsidiaries

	2015/16	2014/15
Acquisition price, beginning of year	885	235
Additions	90	662
Disposals	0	-12
Acquisition price at year-end	**975**	**885**
Carrying amount at year-end	975	885

Reference is made to note 5.7 in the consolidated financial statements for an overview of the company's subsidiaries.

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

3.4 Inventories

	30.09.16	30.09.15
Commodities and consumables	2	2
Finished goods	70	65
	72	**67**
Cost of sales for the year	1,006	1,012
Write-down of inventories included in production costs for the year	1	1

3.5 Trade receivables

	30.09.16	30.09.15
Not due	56	55
1-90 days	5	3
91-180 days	2	14
> 180 days	10	1
Trade receivables	**73**	**73**
At year-end, trade receivables were written down by	1	0

DKKm

3.6 Adjustment of items with no cash flow effect

	2015/16	2014/15
Depreciation, amortisation and impairment losses	47	43
Share-based payment	4	4
Net financials and similar items	24	-9
Tax on profit for the year	76	58
	151	**96**

3.7 Changes in working capital

	2015/16	2014/15
Changes in inventories	-5	8
Changes in receivables	1	-29
Changes in balances with group companies	56	-135
Changes in trade payables etc.	-9	7
	43	**-149**

4.1 Categories of financial instruments

The parent company has recognised the following financial instruments:

	30.09.16	30.09.15
Receivables from subsidiaries	463	647
Trade receivables	73	73
Other receivables	14	6
Cash	20	0
Receivables and cash and cash equivalents	**570**	**726**
Credit institutions	277	4
Corporate bonds	699	698
Other provisions	38	48
Bank debt	0	77
Trade payables	15	24
Payables to subsidiaries	124	252
Other payables	54	46
Financial liabilities recognised at amortised cost	**1,207**	**1,149**
Earn-out obligation (level 3)*	3	6
Derivative financial instruments (level 2)*	35	36
Financial liabilities stated at fair value in the income statement	**38**	**42**
Derivative financial instruments (level 2)*	-1	5
Financial liabilities stated at fair value in other comprehensive income	**-1**	**5**

The parent company’s earn-out obligation amounts to DKK 3m (2014/15: DKK 6m) out of the group’s combined level-3 obligations in the fair value hierarchy. Reference is made to note 4.2 in the consolidated financial statements.

DKKm

4.1 Categories of financial instruments (continued)

The parent company's payables fall due as follows:

2015/16	0-1 year	1-5 years	> 5 years	Total
Credit institutions	51	226	0	277
Corporate bonds	0	699	0	699
Other provisions	4	22	15	41
Other financial liabilities	193	0	0	193
Derivative financial instruments	1	33	0	34
	249	**980**	**15**	**1,244**

2014/15	0-1 year	1-5 years	> 5 years	Total
Credit institutions	2	2	0	4
Corporate bonds	0	698	0	698
Other provisions	6	48	0	54
Bank debt	77	0	0	77
Other financial liabilities	322	0	0	322
Derivative financial instruments	1	40	0	41
	408	**788**	**0**	**1,196**

4.2 Net financials

	2015/16	2014/15
Interest income:		
Interest income, loans to subsidiaries	1	16
Other financial income:		
Dividend from subsidiaries	14	15
Foreign exchange gains, net	0	47
Financial income	**15**	**78**

	2015/16	2014/15
Interest expenses:		
Interest expenses, banks	6	4
Interest expenses, bonds	24	24
Other financial expenses:		
Effect of shorter discount period, acquisition of technology	3	4
Fair value adjustment, swap	3	37
Foreign exchange loss, net	3	0
Financial expenses	**39**	**69**

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

DKKm

5.1 Other provisions

	2015/16	2014/15
Provisions as at 1 October	54	38
Additions during the year	0	10
Used during the year	-4	-5
Reversal of unused amounts	-12	0
Value adjustment	3	4
Foreign currency translation adjustment	0	7
Other provisions as at 30 September	**41**	**54**
Provisions expected to fall due:		
Current liabilities	4	6
Non-current liabilities	37	48
Other provisions as at 30 September	**41**	**54**

5.2 Operating leases

	2015/16	2014/15
Payments due within 0-1 year	8	7
Payments due within 1-5 years	32	31
Payments due after 5 years	61	66
Total operating leases	**101**	**104**
Operating leases expensed in the income statement	7	10

5.3 Fee to auditors appointed by the annual general meeting

	2015/16	2014/15
Audit fee	1	1
Other assurance engagements	0	0
Tax consultancy services	1	0
Other services	0	0
Total fees	**2**	**1**

DKKm

5.4 Related parties

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

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

	2015/16	2014/15
Sale to subsidiaries	1,384	1,325
Purchase from subsidiaries	976	968

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

Outstanding balances and receivables in respect of related parties, arising from ordinary business relations, i.e. the purchase and sale of products, are included in the balance sheet of the parent company. Such transactions are carried out on the same terms as apply to the group's other customers and suppliers. For information on the year's interest on intercompany loans, reference is made to note 4.2.

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

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

	2015/16	2014/15
Guarantees and security furnished on behalf of subsidiaries	25	25

Company announcements in 2015/16

No. 1	Ambu publishes partnership with Coloplast on visualisation product for the urology market
No. 2	Annual report 2014/15 (Earnings release)
No. 3	Share option programme for the Executive Board
No. 4	Ambu initiates share buyback programme
No. 5	Launch of Global Incentive Programme
No. 6	Share buyback programme
No. 7	Capital increase in connection with exercise of warrants issued
No. 8	Major shareholder announcement
No. 9	Share buyback programme
No. 10	Disclosure requirement concerning share capital
No. 11	Share buyback programme
No. 12	Annual general meeting in Ambu A/S: Report of the Board of Directors and Management
No. 13	Information from the annual general meeting in Ambu A/S
No. 14	Share buyback programme
No. 15	Share buyback programme
No. 16	Share buyback programme
No. 17	Share buyback programme
No. 18	Interim report for Q1 2015/16
No. 19	Share buyback programme
No. 20	Capital increase in connection with exercise of warrants issued
No. 21	Share buyback programme
No. 22	Share buyback programme
No. 23	Disclosure requirement concerning share capital
No. 24	Share buyback programme
No. 25	Share buyback programme
No. 26	Share buyback programme
No. 27	Share buyback programme
No. 28	Ambu acquires patents that support approx. DKK 300m of Ambu's existing revenue
No. 29	Share buyback programme
No. 30	Share buyback programme
No. 31	Interim report for Q2 and H1 2015/16
No. 32	Capital increase in connection with exercise of warrants issued
No. 33	Disclosure requirement concerning share capital
No. 34	Ambu buys patented single-use airway tubes with integrated camera
No. 35	Share buyback programme
No. 36	Interim report for Q3 2015/16
No. 37	Capital increase in connection with exercise of warrants issued
No. 38	Share buyback programme
No. 39	Disclosure requirement concerning share capital
No. 40	Share buyback programme
No. 41	Share buyback programme
No. 42	Share buyback programme
No. 43	Ambu finalises acquisition of ETView Medical Ltd.
No. 44	Financial calendar 2016/17

Financial calendar 2016 and 2017

12/12/2016	Annual general meeting 2015/16
05/01/2017	Quiet period ending 1 February 2017
01/02/2017	Interim report for Q1 2016/17
05/04/2017	Quiet period ending 2 May 2017
02/05/2017	Interim report for Q2 2016/17
27/07/2017	Quiet period ending 23 August 2017
23/08/2017	Interim report for Q3 2016/17
30/09/2017	End of FY 2016/17
13/10/2017	Quiet period ending 9 November 2017
09/11/2017	Annual report 2016/17
13/12/2017	Annual general meeting

Ambu

Ideas that work for life