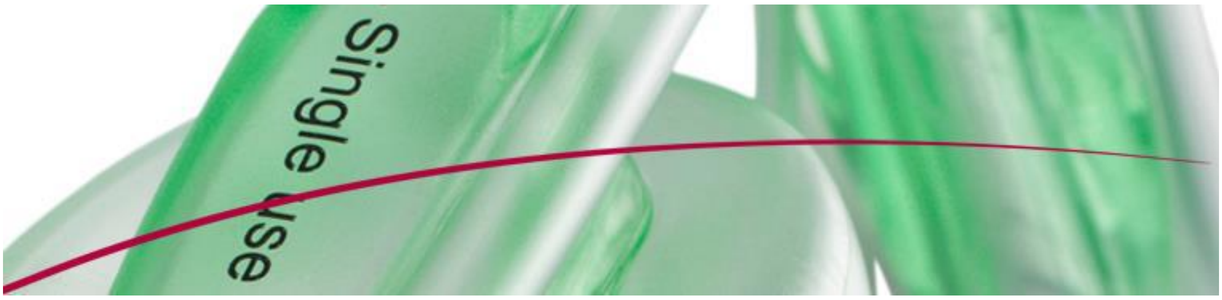

Annual general meeting in Ambu A/S

Report of the Board of Directors and Management

CHAIRMAN OF THE BOARD JENS BAGER

2013/14 was the first full year after the acquisition of King Systems and a year which saw the launch of four products by Ambu, including the introduction of aScope 3 on the North American market. The integration of King Systems and the product launches are central to the growth and earnings outlook outlined in Ambu's four-year strategy – Climbing New Heights – which we kicked off last year.

2013/14 was an extremely busy and eventful year for Ambu. The integration of King Systems was completed with the implementation of Ambu's ERP system at the factory in Noblesville. Noblesville is located in the state of Indiana, and ERP is an abbreviation for Enterprise Resource Planning. It is a system for managing finances, orders and inventories. All Ambu's production units are now using the same ERP platform, and this represents an important milestone in our continued endeavours to further improve productivity.

In 2013/14, we posted total growth of 6% in sales of King products, and this is a good indication of the successful integration of King Systems. The sales growth is also a sign that the King business is now stronger than before Ambu's acquisition of King Systems.

The year also saw launches of a number of Ambu's own products. One year ago – at the end of 2012/13 – aScope 3 was launched in selected markets, i.e. Germany, the UK, Scandinavia and Australia. At the end of 2013/14, the product had been launched globally, and also in North America. The development in sales is extremely positive, and this means that aScope 3 has been – and is expected to continue to be – extremely important for Ambu's revenue and growth potential.

The demand for aScope 3 has now reached the level of the existing production capacity, but we expect to be able to double capacity with the start-up of the new factory in Malaysia at the end of the calendar year 2014.

In 2013/14, Ambu saw strong sales growth in the region we call the Rest of the world, and which primarily covers Asia and Latin America. Posting a growth rate of 32%, the Rest of the world now accounts for 12% of total revenue and is beginning to contribute significantly to the group's total revenue and earnings.

Let me end my preliminary report by confirming that Ambu's strategy, Climbing New Heights, is progressing according to plan.

Ambu's organic growth exceeds the underlying market growth, and Ambu is thus winning market share. We have launched new, innovative products, and earnings and cash flows have been strengthened. And we are starting to see the results of the scalability of Ambu's organisation.

We are now one year into the four-year strategy period, and as evidenced by the results for 2013/14, Ambu is well on the way to meeting its 2017 targets, i.e. revenue of approx. DKK 2bn and EBIT of approx. 17-18% of revenue.

PRESIDENT & CEO LARS MARCHER

Let me start by presenting the financial highlights from the most recent full financial year.

Revenue for 2013/14 amounted to DKK 1,584m, representing growth of 15%, of which 7% is organic. In Q1, changes to our distribution model in the USA resulted in negative growth. I am therefore pleased with the momentum which we have gained in the last three quarters and which has resulted in combined growth of 7% for the year.

As can be seen, our gross margin has also improved, and we expect to be able to increase this further in the years to come based on the initiatives we have already introduced for the purpose of optimising production, and with the high-margin products which have already been launched.

In line with the outlook announced, EBIT was up 23%, resulting in an EBIT margin of 12.5% and an EBIT of DKK 198m.

Free cash flows totalled DKK 114m before special items, while leverage of 2.6 was posted.

As mentioned by the Chairman of the Board, Ambu and King Systems are now fully integrated. We have seen growth of 6% in the original King Systems business. And we have built a strong global organisation in terms of both our sales force and our production facilities.

Our balance sheet is seeing continued positive development. At the end of 2013/14, total net interest-bearing debt amounted to DKK 739m and is primarily made up of the corporate bonds issued in connection with the acquisition of King Systems in March 2013.

The corporate bonds were listed in December 2013, and the risk premium demanded by investors has since been reduced quite significantly. We see this as a sign of the investors' trust in Ambu.

With an equity ratio of 42% and leverage which has been reduced to 2.6, Ambu has a sound balance sheet structure.

A key element in our strategy is to create value through a reduction in the funds tied up in working capital. At the end of 2013/14, approx. 29% of our revenue is tied up in working capital; in the period up until 2017, we intend to achieve a marked reduction in this figure.

Let us take a quick look at the geographical distribution of our sales and the relative importance of our three business areas.

Several years ago, we made the decision to focus on hospital operating theatres, and Ambu is now the leading manufacturer and supplier of single-use products for anaesthesiologists. Posting organic growth within anaesthesia of 16% for the year and 24% in Q4, Ambu is growing faster than the market, while growth in our PMD business – i.e. our electrode business – is on a par with market growth.

So far, Europe has been Ambu's main market. However, for the first time, our revenue in North America and Europe is now the same. This is a very positive development. It means that Ambu's size now makes it much easier for us to be considered as a supplier and partner to the large customers and the general purchasing organisations – so-called GPOs – in North America.

Four years ago, we started to invest in Asia and South America, having our own salespeople who directly target hospitals in, for example, Australia, China, India and Malaysia. This investment is now beginning to pay off in the form of overall organic growth of 32% in 2013/14; also, the segment we refer to as the Rest of the world is now a significant part of our business, accounting for 12% of revenue.

Important drivers of revenue and earnings are our four new focus products: aScope, King Vision aBlade, AuraGain and SmartInfuser.

aScope stands out, among other things, by reducing the risk of bacterial cross-contamination between patients, in that aScope is 100% sterile. Due, among other things, to the Ebola situation, aScope is receiving increased attention from hospital doctors around the world. aScope 3 has now been launched in all the major markets, and it will be interesting to see whether penetration of the US market will be as swift as what we have seen in Europe and Australia in the past 12 months.

We launched the new aBlade for King Vision in May, after a significant delay. Due to this delay, we now expect sales to be lower during the three-year earn-out period agreed with the former owner of King Systems than originally anticipated. However, in the long term, we are convinced that King Vision will be a successful product for Ambu.

Ambu has developed and produced laryngeal masks for more than ten years. This year, we launched AuraGain, which is designed to improve patient safety and allow doctors to respond quickly to particular unforeseen events in the operating theatre. AuraGain sales are looking promising, and the product is also helping to boost sales of our other laryngeal masks.

SmartInfuser, our pain pump for regional anaesthesia, shows considerable potential, and we expect to generate double-digit growth for this product in 2014/15.

Ambu is better positioned than ever in relation to the important GPO contracts in the USA, and in the course of the year, we have secured several large contracts. GPOs are purchasing organisations which buy hospital equipment for large associations of hospitals.

All in all, it is our very promising pipeline of new products which should enable us to further accelerate top-line growth in the years to come.

Even though we have achieved many good results in Ambu, not everything is going according to plan.

When we took over King Systems, we knew that some of the older production equipment at the Noblesville factory would have to be validated, i.e. that the production process would have to be documented in writing. We had expected this validation to take some time, but the US health authorities (the FDA) decided to accelerate the project and demand that it be completed in six months.

As a result of this, we had to postpone many of the planned improvements and instead focus on the validation project, which has taken up many resources. Unfortunately, this had an impact on our production capacity and caused a backlog of orders for one of the most important King Systems products, the breathing circuits. Validation was completed in the summer, and the backorder situation is improving all the time.

The other major challenge in 2013/14 concerned the new generation of King Vision. When Ambu took over King Systems, the plan was to soon launch a single-use blade – the aBlade – for King Vision. There are two important aspects of aBlade which should be mentioned.
Firstly, it is lower-priced than the original multiple-use blade for King Vision. Secondly, King Vision was originally aimed at rescue and ambulance services, whereas aBlade can match our competitors' prices for the hospital sector, where the potential for video laryngoscopy is far greater.

aBlade was launched in Q3 – which was later than expected – and the delay has meant that the growth contribution from King Vision has been lower than expected. There is, however, a positive side to this.

The organic growth of 7% posted by Ambu for 2013/14 is in the high end of the announced range, which is satisfactory. As mentioned before, the gross margin is up from 49.1% to 50.4%, while the EBIT margin was 12.5%, corresponding to an EBIT of DKK 198m.

Due to the delayed launch of the King Vision aBlade, the expected future earn-out payments have been adjusted, resulting in an improvement of net financials by DKK 31m. This contributes to the increase in net profit, which lands at DKK 151m. The tax rate is 27% relative to 31% last year.

The solid development in the free cash flows is driven by strong cash flows from operating activities. The increase in investments reflects the establishment of the new aScope factory, which I will talk about in a moment.

Now, I would like to share some of the Ambu spirit with you by showing you a short film. The film is composed of a marketing section, which presents our new products for doctors, and an internal section, where some of our almost 2,400 employees talk about some very specific targets for next year.

As will be seen, in Ambu we are very performance-oriented. This means that we operate with a few but important general objectives, which everything we do must contribute to fulfilling. Moreover, specific targets are defined for each and every country, each and every department and each and every employee within the area in which he or she can make a difference.

We talk about climbing mountains as a metaphor for our company. Mountaineering is about first analysing the situation, then devising a good plan and finally realising the plan one step at a time. And this is exactly what we are doing to take Ambu to new heights.

When we complete the Climbing New Heights strategy in 2017, we will have a stronger Ambu than we have now. Our fundamental objective will be the same. Saving lives and improving patient care. But we will be a recognised global market-leading supplier of innovative single-use solutions for hospitals. We will be financially stronger and create more value. Our operations will be even more efficient. And we will be focused on Anaesthesia and Patient Monitoring & Diagnostics.

We will still not be the size of our big American competitors. But we will be more flexible, more customer-oriented and faster on your feet. And the two absolute key figures we are working towards are revenue of approx. DKK 2bn and an EBIT of 17-18%.

In 2017, Ambu will be celebrating its 80th anniversary. My ambition is that by then I will be able to say that it took Ambu 75 years to top one billion kroner in revenue. And it took us five years to get to two billion.

So how are we going to meet our strategic targets? As mentioned at the annual general meeting last year, the key to our success will be our ability to take Ambu up a notch from 5-6% organic growth to 8-10% organic growth.

And as I said last year, there are five areas which will play a particular role in achieving this: Our focus on visualisation, our new products, our ability to generate cross-sales, our new markets and – last but not least – our ability to forge the right partnerships.

Visualisation is about the products which enable doctors to see and record images of, for example, the lungs of a patient. In step with developments within the field of modern camera technology, visualisation is an area seeing rapid development. And Ambu is right in front. We are still the only supplier to offer hospitals a flexible single-use videoscope, namely the Ambu aScope.

And we can see that we are succeeding in driving sales of our visualisation products. Despite the delayed launch of aBlade, we have realised an 18% increase in King Vision sales.

Innovation is key in Ambu. Our focus on innovation and new ways of thinking means that we can continue to develop new products that help our customers optimise their work routines, reduce costs and improve patient treatment.

New products are crucial to remaining a relevant partner for our customers. And new products are crucial to ensuring that our salespeople can offer several solutions to the individual customer. We are therefore working actively to boost our relevance vis-à-vis customers by drawing attention to cross-selling. Let me give you an example. If a customer is happy with our laryngeal masks, we enquire about the customer's use of visualisation products. And if a customer expresses an interest in aScope, we use it as an opportunity to draw attention to the fact that Ambu actually invented the ventilation bag back in 1956 and today offers some of the best ventilation bags in the market.

Through cross-selling, our new products are helping to boost sales of our existing product portfolio. And this goes some way towards explaining the 16% organic growth rate realised within anaesthesia this year.

The fourth driver in our strategy is our activities in new markets. Ambu's revenue is now equally divided between Europe and North America. However, we are seeing increasing contributions from other markets which are characterised by rapid socio-economic development.

In 2013/14, we realised organic growth of 32% outside our core markets. This growth can, among other things, be ascribed to the strengthening of our position in South America through the acquisition of King Systems, and to our stronger presence – in the form of our own salespeople, customer services, dealers and logistics solutions – in countries such as China, India, Malaysia, Australia and New Zealand.

We are working hard to realise good ideas in the best possible ways. However, we are also fully aware that there is no need for us to reinvent the wheel. Therefore, we are still keen to enter into partnerships which can strengthen our business.

We have developed a veterinary version of aScope, which we are now selling to veterinary surgeons in both Denmark and the rest of Europe through partnerships. This year, we have signed two agreements which point the other way, so to speak. What it means is that we have included a product in our portfolio which has been developed by another company. We do this when we can see that a non-Ambu product can boost sales of our own products – as in the case of the Myoguide – or when another product can strengthen our dialogue with customers who are buying our products anyway, as in the case of our distribution agreement with Fuji Systems.

In other words, we are in the process of taking Ambu up a notch from 5-6% organic growth to 8-10% organic growth. As can be seen from the organic growth realised in the course of the four quarters of 2013/14, we are in the process of realising this target.

We started 2013/14 with a 4% fall in sales. This was due to a changed sales strategy vis-à-vis a small number of large distributors in the USA as well as a large single order in the prior-year period. These were two special circumstances, and our organic growth for the rest of the year was within or just above the target range of 8-10% defined in Climbing New Heights.

Ambu's success is based on a strong corporate culture and on its talented and motivated employees. This was confirmed by an anonymous questionnaire-based survey conducted among Ambu's employees this year. The survey showed that Ambu's employees are more satisfied, more motivated, more loyal and more proud of their workplace than employees in comparable companies.
Moreover, the survey showed that my colleagues in Ambu have a strong belief in the strategic direction and the ambitious targets defined by management.

Our efforts to improve employee satisfaction are continuing, and the survey conducted this year will also inform a discussion of the potential for further improvements.

In the past year, we have implemented a large-scale project in the USA aimed at integrating the North American inventory management and distribution systems, of which there used to be two. Ambu's North American sales and warehouse facility has been located in Baltimore since our establishment in the USA in 1983. And following the acquisition of King Systems in 2013, a new production and warehouse facility in Noblesville was added.

In 2013/14, we carried out an analysis to find out which model would be the most suitable. The result is that we have moved our two warehouses to Louisville, where an external company is now responsible for handling our North American inventories. This solution reduces our inventory costs, improves flexibility as well as cutting delivery times.

The first order was dispatched from the new warehouse facility on 17 November, i.e. exactly one month ago.

aScope is produced at our factory in Malaysia. And in 2013/14, we added a new building in connection with our Malaysian factory.

This drawing from the beginning of last year shows the new building between the two existing buildings. Construction has gone according to plan, and we will be starting up the new production of aScope at the end of this month. Production capacity will thus be increased from the current approx. 60,000 to approx. 120,000 aScopes a year.

All in all, we have had a good first year in the strategy period. We have now entered year two, where we will be focusing on growth.

Our overriding objective for 2014/15 is to achieve solid organic growth in our core business. At the same time, sales of our new products must drive growth.

We possess a good deal of experience and still have plenty of scope for optimising our production. Both in the USA and the UK as well as in China and Malaysia. We must persist in our endeavours to reduce costs, which we will do through economies of scale. Furthermore, we must improve our working capital. And then we are in the process of developing new and exciting products, which we look forward to launching.

Thank you for your support in the past year. We will continue our efforts to help doctors improve patient care and save lives.

I can promise you that 2014/15 will not be a boring year in Ambu.

CHAIRMAN OF THE BOARD JENS BAGER

For a number of years, Ambu has pursued a policy of distributing dividend corresponding to approx. 30% of net profit for the year.

The Board of Directors finds that the company's financial resources are satisfactory, and in anticipation of increasing earnings in the new financial year, the Board of Directors wishes to adhere to this policy for 2013/14. We therefore propose a dividend of DKK 3.75 per share corresponding to total dividend payments of DKK 45m, or 30% of net profit for the year. The dividend will be paid out to the shareholders within the next two to three business days.

In the course of the financial year, the price of the Ambu share went up by 90%. Ambu has reached a market value of more than DKK 5bn and has consolidated its position as one of the major Mid Cap companies on NASDAQ OMX Copenhagen.

During the year, we have seen an increase in the number of international investors that have met the company at one of the many roadshows organised by management. In the past year, an average of more than 12,000 Ambu shares were traded per business day, while trading in the Ambu share increased by 10% relative to the year before.

The Board of Directors wants to create the best possible basis for maintaining good liquidity and thus a precise valuation of the Ambu share. I will return to this point when talking about the proposed share split.

We have completed the first year of our four-year strategy, and we are well geared for the three years ahead of us.

In 2014/15, we expect to realise organic growth of 7-8%, and growth of approx. 10% when calculated in local currencies. This equates to revenue of approx. DKK 1.74bn and thus represents another step towards the 2017 target of revenue of approx. DKK 2bn.

We expect an EBIT margin of 13.5-14% when measured in local currencies, and 12.5-13% when measured in Danish kroner. The strengthening of the US dollar relative to the Danish krone is reducing our EBIT margin by approx. 1 percentage point. This is due to the fact that much of our production takes place in China and Malaysia, where the local currencies correlate with the US dollar.

We expect free cash flows of DKK 130-140m, which will contribute to reducing our net interest-bearing debt, and consequently to reducing leverage, i.e. the debt-to-earnings ratio, from 2.6 to approx. 2.2.

All in all, these are ambitious targets for the new financial year. With a number of new products, geographical markets with good growth potential, a skilled management and motivated employees to execute the plans, we believe that it is possible to meet our targets for the year.

It has been a busy year characterised by a high level of activity in Ambu. This is also reflected in the Board of Directors' meeting schedule; ten board meetings were held in the course of the year, as well as a number of committee meetings.

The remuneration for the Board of Directors was adjusted at the annual general meeting last year, and the Board of Directors therefore sees no need for any further adjustments this year; it recommends to the general meeting that the same remuneration be paid for the new financial year 2014/15.

As stated at last year's annual general meeting, Ambu has considered the corporate governance recommendations from May 2013. There is still only one recommendation with which Ambu has decided not to comply, and one recommendation with which Ambu partly complies.

Ambu has decided not to comply with the recommendation that the total remuneration granted to each member of the Executive Board be disclosed. Ambu discloses the combined remuneration paid to the members of the Executive Board. Through Ambu's Remuneration Committee, the Board of Directors considers the development in the remuneration and incentives for executive officers in comparable companies, thereby ensuring that the remuneration paid to members of Ambu's Executive Board is fair, market-conforming and aligned with the results achieved. We honestly believe that the way in which the remuneration is divided between the two members of the Executive Board, Lars Marcher and Michael Højgaard, is a private matter.

Ambu only partly complies with the recommendation about the frequency with which evaluations are carried out of the collaboration between the Board of Directors and the Executive Board. For a number of years, Ambu has carried out an evaluation of the collaboration every other year, whereas the Recommendations on Corporate Governance propose that an annual evaluation be made. We believe that the chosen frequency is suitable for Ambu in the present situation, but of course consider this issue regularly.

Pursuant to Ambu's Articles of Association, all the members of the Board of Directors elected by the general meeting are up for election every year, and it is recommended to the general meeting that all the present members of the Board of Directors be re-elected.

As mentioned earlier, the Board of Directors is very aware of the importance of supporting the best possible liquidity of the Ambu share. Roadshows with management and a good dialogue with our shareholders and the financial analysts who follow Ambu are effective tools to which the Board of Directors attaches importance.
Following the increase in the share price in recent years, we believe that the price has now reached a new and higher level which means that it makes sense to split the size of the share to encourage trading and thereby a more precise valuation of the shares.

The Board of Directors recommends a 1:4 split. This is a suitable split; at today's price, this will change the price of one share to approx. DKK 125, which we see as a good starting point for Ambu's onward journey.

As mentioned under the recommendations on corporate governance, the Board of Directors attaches importance to the remuneration for the Executive Board being fair, market-conforming and aligned with the results achieved.

To ensure this, the Board of Directors regularly seeks advice from an acknowledged firm of consultants on the composition of suitably market-conforming remuneration for the Executive Board.

With a view to allowing the Board of Directors a suitably flexible framework within which to operate, it is recommended that two minor amendments be made to the overall guidelines on incentive pay for the Board of Directors and the Executive Board.

The two amendments are:

1: To increase the maximum value of the number of options which may be awarded to the members of the Executive Board from the current three months' pay to four months' pay in future based on a calculation according to Black-Scholes.

2: To increase the maximum ordinary cash bonus which may be awarded to members of the Executive Board from the current 70% of their annual pay to nine months' pay in future. As nine months' pay corresponds to 75%, the value of this amendment is limited.

It is important for me to emphasise that the above amendments do not mean that a decision is going to be made at present about changing the actual remuneration for the Executive Board. The amendments are proposed to allow the Board of Directors greater flexibility as we seek to tailor the elements in the incentive schemes in a way which ensures the greatest possible value creation for the benefit of the company and its shareholders.

On behalf of the Board of Directors, I would like to thank you for attending this year's annual general meeting in Ambu.

Contact

Lars Marcher, President & CEO, tel. +45 5136 2490, email: lm@ambu.com

Ambu A/S
Baltorpbakken 13
DK-2750 Ballerup
Tel. +45 7225 2000
CVR no.: 63 64 49 19
www.ambu.com

About Ambu

Since 1937, breakthrough ideas have driven our work to bring efficient healthcare solutions to life within our fields of excellence: Anaesthesia, Patient Monitoring & Diagnostics and Emergency Care. Millions of patients and healthcare professionals worldwide depend and rely on the functionality and performance of our products. We are dedicated to improving patient safety and determined to advance single-use devices. The manifestations of our efforts range from early inventions like the Ambu bag and the legendary Blue Sensor® electrodes to our latest landmark solutions such as the aScope™ – the world's first single-use videoscope. Our commitment to bringing new ideas and superior service to our customers has made Ambu one of the most recognised medico-technical companies in the world. Our head office is situated in Ballerup near Copenhagen. Ambu has more than 2,350 employees in Europe, North America, Asia and the Pacific region. You can find more information about Ambu on our website: www.ambu.com.