



## Annual General Meeting in Ambu A/S

### The Chairman of the Board of Directors' supplementary comments at Ambu's annual general meeting on 13 December 2012

Ambu is a great company which we have every reason to be pleased with and proud of. I am particularly happy to be able to say this in the year when Ambu celebrated its 75th anniversary.

Moreover, the future is looking very bright for the company, so there is much to celebrate. Now, we are all hoping that Ambu will soon be able to realise the acquisition which will bring the company into a new league and herald a new era. And I can promise you that strong efforts are being made to ensure this.

Nothing overshadows the general picture, however: Ambu is doing well. With a few minor flaws, of course, but these we both can and will address.

#### Highlights in 2011/12

For the first time ever, Ambu achieved revenue in excess of DKK 1bn; a milestone, but we have also fought hard for revenue growth in a difficult market. At the same time, we improved our EBIT margin, which was 15% before special items. Ambu also achieved a very good free cash flow before acquisitions of DKK 111m.

Ambu made a minor acquisition within the electrode segment, and we completed the establishment of a new European distribution centre with a view to improving logistics and reducing inventories – yet another step towards an improved cash flow and an optimised cost structure.

We have developed a new videoscope, vScope, and based on this we have entered into partnerships within completely new business segments within the veterinary area – an area for which we have very high hopes. We will continue to focus further on partnerships with other medical companies in the coming years. We have changed our outlook in one area, namely new products' share of total revenue, which is now expected to make up 15% against 30% previously – primarily as a result of a slower-than-anticipated development in sales of the aScope.

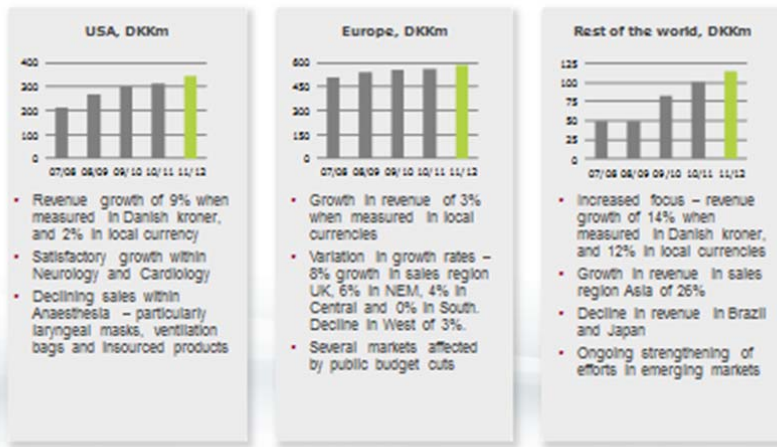
During the year, we further consolidated our sales in the Chinese and Indian markets, and we expanded our salesforce in the USA. We are excited to have introduced online ordering, and we have strengthened our sales management.

2011/12 was thus yet another good year for Ambu, resulting in a historically high dividend.

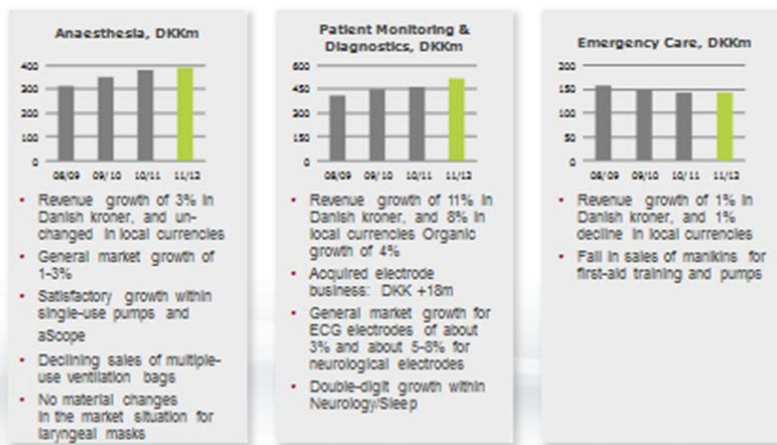


Review of developments in markets and business areas

Development – markets



Development – business areas



The slides shown speak for themselves.



## **Income statement**

I will now turn to the income statement. Revenue was DKK 1.045m, up 6% in Danish kroner and 4% when reported in local currencies. The organic growth was 2% when reported in local currencies. The acquired electrode business accounted for DKK 18m of revenue. Changes in foreign exchange rates – particularly USD and GBP – made a positive contribution of DKK 28m relative to last year.

EBIT before special items amounted to just over DKK 157m, up 8.7%. Special items – originating from the acquisition of the electrode business – totalled DKK 6m. In 2010/11, the company settled the patent case against LMA, which explains the large amounts recognised under special items this year.

The EBIT margin was 15% before and 14.7% after special items, both figures representing an improvement when compared to last year. Net financials were positively affected by the foreign currency translation adjustment of primarily balance sheet items.

Tax corresponded to 23.4% of the profit for the year, primarily due to special tax conditions in Malaysia. It should be added that Ambu has a very stringent transfer pricing policy, which complies with all relevant international standards.

Net profit for the year thus amounted to DKK 115m.

## **A special issue in relation to the income statement**

In an article in the weekly press this autumn, Ambu was suspected of channel stuffing, meaning that the company was accused of allegedly delivering products to the company's suppliers subject to extraordinarily high discounts or long credit periods without the suppliers being able to sell the products afterwards. Such publicity is highly provocative to the company's employees and to all those people who follow Ambu closely and like the company. Others probably take hardly any notice of it.

It is absolutely decisive to Ambu that its business is conducted according to decent business and management principles, and this kind of suspicion was very unpleasant for the company. Consequently, we immediately launched an internal investigation, supported by our external auditors' special investigation into the matter. Of course, the rumours turned out not to be true.

Furthermore, I would like to add that both the development in sales and the cash flow in the first few months of the new financial year fully meet our expectations, and we can once again disprove all talk about channel stuffing or other suspicious activities. Unfortunately, what our investigations revealed was that people outside Ambu had tried to throw suspicion on Ambu's business and day-to-day management. Hopefully, this has been stopped once and for all.

## **Balance sheet, equity and liquidity**

The most important changes in the balance sheet relative to 2011 are the increase in current assets from DKK 486m to DKK 558m and the increase in equity.

The asset increase is primarily attributable to inventories and receivables. The increase in inventory levels is largely due to the takeover of the electrode business in the UK, whereas the increase in receivables is due to increased activity levels and the effect of exchange rates. It should be noted that Ambu has a strong focus on Southern Europe and the debtor situation and has been satisfied with the payments received from Spain throughout the year.

As concerns equity and liabilities, the strong capital structure is reflected in equity of DKK 678m, a solvency ratio of 70% and net interest-bearing debt of only just over DKK 57m.

The cash flow has also been positive, and a free cash flow before acquisitions of DKK 111m was achieved against DKK 64m last year.

Ambu made investments of DKK 46.5m in 2011/12. Investments in the development of new products topped DKK 20m. A number of new products and updates of existing products have been launched. Nine of these new products are mentioned on page 18 of the annual report.

Our development department is staffed by almost 50 employees, half of whom are based in Denmark and half at our production units in Asia.

In 2012/13, which we have just moved into, focus will be on further developing Ambu's pipeline of new platforms within visualisation. Focus will also be on further developing our existing product portfolio to include new family members, on developing 'green' versions of products and on cutting production costs.

### **Appropriation of profit**

The profit for the financial year was approx. DKK 115m for the group and DKK 64m for the parent (Ambu).

The Board of Directors proposes that dividend of DKK 35.7m be paid, corresponding to DKK 3 per share. The proposed dividend corresponds to 31% of Ambu's group profit. According to Ambu's current dividend policy, 30% of the group profit should generally be distributed as dividend, which means that the proposal is in line with the dividend policy.

The remainder of the net profit for the year is transferred to equity. The appropriation of profit appears from page 47 of the annual report.

We cannot discuss dividend without discussing share prices, too. Considerable price movements were seen during the year, particularly this autumn, where small transactions have had a substantial impact on the price.

The price graph on page 33 in the annual report illustrates the price movements during the year.

On the whole – in terms of price development and dividend – the Ambu share yielded a return of 9% in 2011/12.

### **Proposal for the general meeting – corporate governance**

As can be seen from the notice, the current Board of Directors is up for re-election, except for myself. I have been on the Board of Directors since 1999. As mentioned earlier, the company is doing well, and the future looks both promising and exciting, and so I am pleased that new people are ready to inspire and motivate Ambu for the future. I am very pleased that Christian Sagild, CEO of the Topdanmark group, has agreed to stand for election to the Board of Directors. Christian's common sense and knowledge of risk management and value creation can further strengthen the competences of the Board of Directors. I would like to add that the current Vice-chairman, Jens Bager, is expected to be appointed new Chairman of the Board of Directors at the board meeting held after the general meeting.

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Item 4 on the agenda concerns remuneration to the Board of Directors for the current financial year. The chairman of the meeting will go through this item later. The remuneration for the Board of Directors is unchanged relative to 2011/12, but reflects the heavier workload that is expected for Ambu's two committees in future: the audit and the remuneration/nomination committees.

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The proposal contained in item 7.1 on the agenda is quite significant as it involves authorisation to increase the share capital with Class B shares with or without a pre-emption right for shareholders by what corresponds to 9.9% of the share capital.

Firstly, the proposal is based on the assumption that such a capital increase can be completed without a full prospectus, which in itself is a highly time-consuming and labour-intensive process, secondly because the capital increase can be used for acquisitions and thus strengthen the company's capital base in connection with such acquisitions and, thirdly, such a capital increase offered in the market may contribute to giving the liquidity in the company's shares a much needed boost.

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Item 7.2 on the agenda contains the usual authorisation to issue warrants to Ambu's employees. This authorisation has been exercised twice before, and we consider this option to be an important factor in retaining the right employees. So far, the warrants in question have been allocated on the basis of past performance.

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The remuneration policy is mentioned under item 7.3 on the agenda. I will not comment any further on this item other than what I have already said about the remuneration for the Board of Directors, and what I will say under item 7.4.

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Under item 7.4 of the agenda, an update of the company's existing overall guidelines on incentive pay is proposed. It has become increasingly clear that in a global company like Ambu it is useful to have a financial incentive that ties the senior management group together across geographical borders.

As the incentive programme for the CEO and the other members of the senior management group has moreover expired, the intention is to establish a new programme which also comprises new managers who come to work for Ambu, either in its existing form or through acquisitions. This is the background for the proposal.

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And, finally, under item 7.5 there is the usual authorisation to acquire treasury shares.

### **Outlook 2012/13**

I will round off the review by talking about the financial year which we are now well into, and I refer to pages 16-17 of the annual report.

Let me start by stating that the two first months of the financial year fully confirm what we expect to be achievable, as stated in the annual report.

And let me then point out that an acquisition like the one Ambu wants to carry out in the current financial year will, of course, change the outlook considerably on practically all parameters. However, this presupposes that it is possible to realise such an acquisition.

From Ambu's point of view, the situation is as follows: we are still operating in a world characterised by economic and political uncertainty, and where public health systems around the world will also continue to act in a cautious and conservative manner. We do, however, expect that the new markets, China, India and South America, will continue to show strong growth within Ambu's market segments, and we see exciting partnership opportunities. We see ourselves as being well-positioned and are therefore able to grow more than the market.

Against this background, we expect revenue in the region of DKK 1.125m, corresponding to growth of 7-8%, including the full-year effect of the acquired electrode business, which contributed for four months only in 2011/12. This corresponds to organic growth of 3-4%. We would like to see a higher organic growth rate, but under the current market conditions, the figure is satisfactory.

We expect an EBIT margin of approx. 15%, i.e. on a par with this year. Given the price pressure which we currently believe will characterise the year and the expected product mix, maintaining the EBIT margin is acceptable.

Profit before tax is expected to be in the region of 14.5% or DKK 163m, and we expect a satisfactory cash flow from operating activities of approx. DKK 100m (DKK 90-110m).

The expectations of the Board of Executives and the Board of Directors are, of course, subject to uncertainties as regards disasters around the world, crises and exchange rate instability. However, Ambu feels comfortable about its outlook for 2012/13. And the reason why we feel comfortable is that Ambu is staffed by committed employees and managers everywhere, both abroad but, in particular, in Denmark who are dedicated to realising Ambu's goals.

Thank you.

### Contact

Lars Marcher, President & CEO, tel. +45 5136 2490, e-mail: [lm@ambu.com](mailto:lm@ambu.com)

Ambu A/S  
Baltorpbakken 13  
2750 Ballerup  
Tlf. +45 7225 2000  
CVR-nr.: 63 64 49 19  
[www.ambu.com](http://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 Blue Sensor® electrodes to our latest landmark solutions such as the aScope™ – the world's first single-use flexible 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, and we have production facilities in China and Malaysia and on a smaller scale in the UK. Ambu has approximately 1,700 employees in Europe, North America, Asia and the Pacific region. Read more on [www.ambu.com](http://www.ambu.com).