ANNUAL REPORT
2020/21

Ambu A/S, Baltorpbakken 13, DK-2750 Ballerup
Registration no. 63644919

Ambu

MANAGEMENT'S REVIEW

Introduction

Strategy and financial targets

Financial results

Corporate governance and shareholder information

FINANCIAL STATEMENTS

Consolidated financial statements 2020/21

Management's statement and independent auditor's report

Financial statements 2020/21 – Parent company

INTRODUCTION

The #1 single-use endoscopy company

Ambu is emerging from the pandemic as a stronger company. During the past year, we achieved important milestones. We continued our accelerated growth and took decisive measures to fulfil our strategic aspiration to emerge as the #1 single-use endoscopy company. We strengthened our modular innovation engine, expanded our high-scale low-cost manufacturing setup, and continued to build dedicated commercial organisations focused on creating the single-use endoscopy market.

As the pandemic continued, like other companies we faced challenges and disruption on an unprecedented scale – from lockdowns to freight congestion and inflated prices for logistics and raw materials. These challenges had a short-term impact on our sales and profitability, but we remained firm in our strategy to maximise our first-mover advantage and lead the way in the creation of the single-use market.

Transition from reusable to single-use continues to accelerate

Last year, the single-use endoscopy market continued to accelerate, as health systems and regulators increased their focus on infection control. The FDA issued guidance that will drive single-use adoption across bronchoscopy and urological endoscopes, adding to the recommendations for duodenoscopy from 2020.

Published reports showed that cross-contamination cases in the USA rose eleven-fold in 2020 compared to 2014, across GI (gastroenterology), bronchoscopy, and urology. In the case of single-use duodenoscopes, special reimbursement measures have been put in place, which will drive further adoption. The benefits and economics of transitioning from reusable to single-use endoscopy are becoming more and more compelling, and we see major group purchasing organisations creating dedicated single-use endoscopy categories.

Reaching more patients

Last year, more than 1.5 million patients were treated with an Ambu single-use endoscope – a reach that is greater than for all other single-use endoscopy competitors combined. This represents a 41% increase by volume over prior year. The rapid growth has consolidated Ambu's position as the number one single-use endoscopy player.

We expanded our pulmonology offering with the launch of our integrated kit for bronchoscopy sampling and our camera-enhanced airway tube. These launches cement our position as the most versatile partner for single-use pulmonary endoscopy. We continued to see a rapid uptake of our expansion into new endoscopy segments – our rhinolaryngoscope in ENT and our cystoscope in urology. We also upgraded our aScope Duodeno, based on early user feedback, and implemented several technical advancements which – together with the European regulatory clearance – demonstrate Ambu's ability to support even the most complex endoscopy procedures with technologically advanced products, and rapidly iterate and fulfil customer needs.

These achievements show how Ambu is leading the creation of the single-use endoscopy market. They also show how customers value not only guaranteed sterility, but also availability and workflow benefits – eliminating service, repair and reprocessing costs – and also the health economic benefits of single-use endoscopy.

> "We believe healthcare systems deserve a solution that is 100% sterile, and which provides convenience, flexibility and attractive economic benefits"

Our advances in healthcare must go hand in hand with our sustainability efforts. Our sustainability achievements during the past year include augmenting our renewable electricity ratio and committing to aligning our carbon emission targets with the Paris Agreement's 1.5ºC climate goal.

Forever forward

At Ambu, our primary goal is to continue to lead the creation of the single-use endoscopy market. With the expansion of our modular R&D engine, this coming year we will introduce more than ten products across all major endoscopy segments – more than in the last four years combined, and also more than our main competitors combined.

By the end of next year, we will have built the most comprehensive portfolio and ecosystem within single-use endoscopy. Our new plant in Mexico will be operational as the world's largest single-use endoscopy factory, expanding our manufacturing capacity at the pace required to support the growing demand and help us counter the current supply chain challenges.

We believe there is a better way to perform endoscopy. We believe healthcare systems deserve a solution that is 100% sterile, and which provides convenience, flexibility and attractive economic benefits. We believe each patient deserves a new, sterile endoscope. We are proud to be helping to increase patient safety around the world, and we are proud to be recognised as the world's most innovative single-use endoscopy company.

Most of all, we are proud of the entire Ambu organisation, which continues to advance healthcare, forever forward.

Jørgen Jensen
Chairman of the Board

Juan Jose Gonzalez
CEO

FINANCIAL HIGHLIGHTS

DKKm	2020/21	2019/20	2018/19	2017/18	2016/17
Income statement					
Revenue	4,013	3,567	2,820	2,606	2,355
Gross margin, %	62.4	62.0	58.0	59.4	56.5
EBITDA before special items	556	609	589	678	555
Depreciation, amortization and impairment	-216	-181	-109	-115	-105
EBIT before special items	340	428	480	563	450
EBIT	340	428	306	563	450
Net financials	-32	-106	107	-98	-57
Profit before tax	308	322	413	465	393
Net profit for the year	247	241	317	337	301
Balance sheet					
Assets	5,740	4,926	4,558	4,234	2,500
Net working capital	789	581	387	535	457
Equity	3,952	2,372	2,182	1,882	1,279
Net interest-bearing debt	759	1,346	1,035	1,245	767
Invested capital	4,711	3,718	3,217	3,127	2,046
Cash flows					
Cash flow from operating activities	328	295	533	554	462
Cash flow from investing activities before acquisitions	-573	-428	-259	-233	-141
Investments in property, plant and equipment	-299	-213	-104	-129	-174
Free cash flow before acquisitions of enterprises and tech.	-245	-133	274	321	321
Acquisitions of enterprises and technology	-301	-2	-2	-928	0
Cash flow from operating activities, % of revenue	8	8	19	21	20
Investments, % of revenue	-14	-12	-9	-9	-6
Free cash flow before acquisitions of enterprises, % of revenue	-6	-4	10	12	14
Key figures and ratios					
Organic growth, %	16	26	4	15	14
Rate of cost, %	54	50	41	38	37
EBITDA margin before special items, %	13.9	17.1	20.9	26.0	23.6
EBIT margin before special items, %	8.5	12.0	17.0	21.6	19.1
EBIT margin, %	8.5	12.0	10.9	21.6	19.1
Tax rate, %	20	25	23	28	23
Return on equity, %	8	11	16	21	27
NIBD/EBITDA before special items	1.4	2.2	1.8	1.8	1.4
Equity ratio, %	69	48	48	44	51
Net working capital, % of revenue	20	16	14	21	19
Return on invested capital (ROIC), %	6	9	15	17	17
Average number of employees	4,437	3,617	2,957	2,712	2,503
Share-related ratios					
Market price per share, DKK	190	180	114	154	97
Earnings per share (EPS) (DKK)	0.98	0.98	1.30	1.39	1.27
Diluted earnings per share (EPS-D) (DKK)	0.98	0.97	1.28	1.36	1.24
Cash flow per share	1.27	1.17	2.12	2.20	1.90
Equity value per share	15	9	9	7	5
Price/equity value	12.4	19.2	13.1	20.6	18.6
Dividend per share	0.29	0.29	0.38	0.40	0.37
Pay-out ratio, %	30	30	30	30	30
P/E ratio	194	184	88	111	77

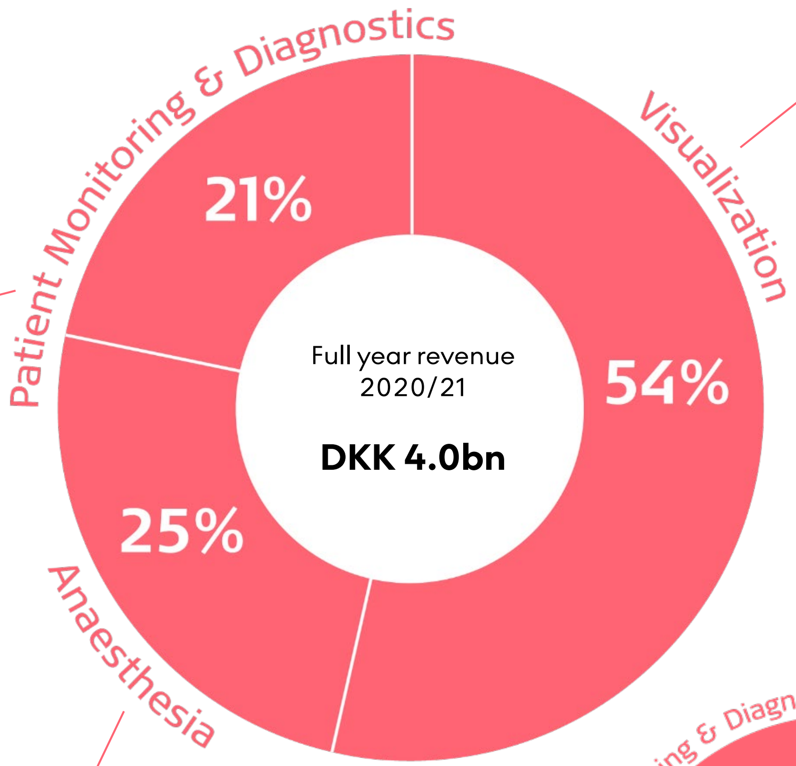
AMBU – AT A GLANCE

Single-use medical devices for hospitals, clinics and rescue services

The most innovative single-use endoscope company (Frost & Sullivan 2021)

Production in China, Malaysia and the USA. New Mexican factory to open in 2022

4,500+
dedicated employees globally



Visualization

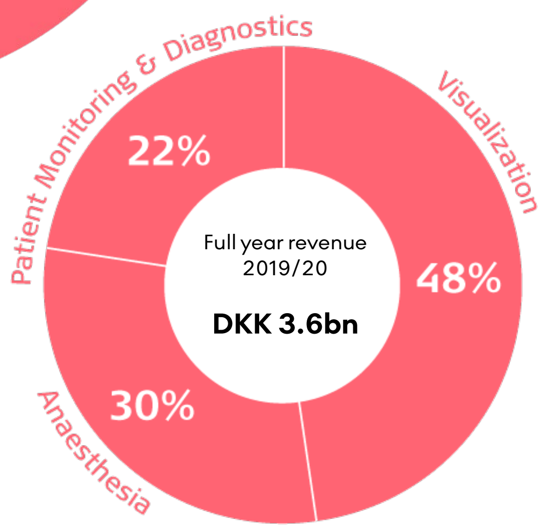
- Single-use endoscopes
- Display & processor units
- Video laryngoscopes
- Airway tubes with integrated camera

PMD

- Cardiology electrodes
- Neurology electrodes
- Training manikins
- Neck collars

Anaesthesia

- Resuscitators
- Laryngeal masks
- Anaesthesia masks
- Breathing circuits



HIGHLIGHTS 2020/21

Revenue
DKK 4,013m
16% organic growth

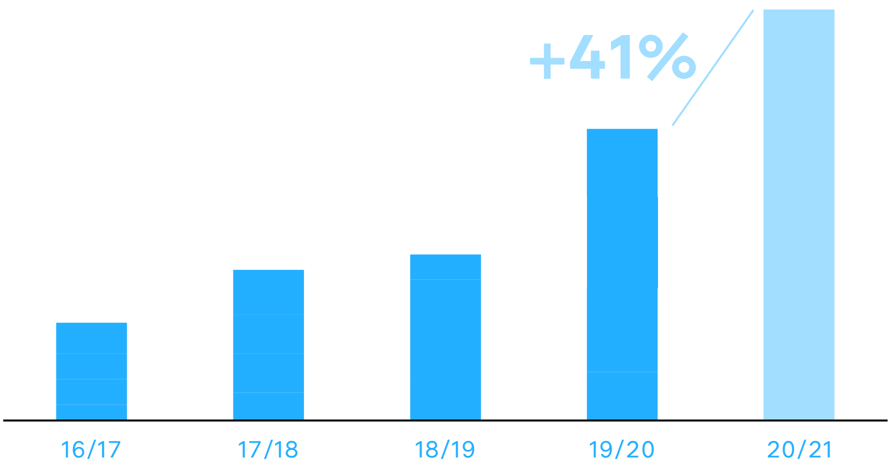
Gross margin
62.4%
+0.4 percentage points

EBIT
DKK 340m
21% down from last year

EBIT margin
8.5%
-3.5 percentage points

Free cash flow
DKK -245m
DKK -112m down from last year

Proposed dividend
DKK 0.29/share
Unchanged from last year



Number of endoscopes sold
1,528,000 units
+41%

STRATEGY AND FINANCIAL TARGETS

BUSINESS MODEL

Ambu develops, manufactures and sells medical devices to hospitals, clinics and rescue services all over the world.

Single-use focus

Our devices are single-use, which means that they are only used during a single procedure for a specific patient. At the end of the procedure, they are discarded. The main advantages of single-use devices are that each patient is treated with a clean device – for improved patient safety – and that patient-ready devices are readily available. For advanced products, like endoscopes, the single-use concept means that healthcare professionals always have the latest technology at hand.

MODULAR HIGH-TECH PRODUCT DEVELOPMENT

We develop our products in close collaboration with **healthcare professionals**, in order to ensure that our solutions solve real-life clinical challenges in the best possible way.

Our product development organisation is global and focused on **rapid high-tech innovation in a modular organisation,** leveraging advances in consumer electronics. Our main innovation centres are in Denmark, Germany and Malaysia, where we focus our efforts on developing new products. In addition, we have local development departments at our factories in China and the USA.

During the past two years, we have **increased our global R&D organisation by 163%**, and our engineers cover fields such as mechanics, electronics, optics, software, artificial intelligence, usability, and clinical research & biosafety. We rely on an organisation of around **400 in-house engineers** and a number of exclusive consultants and technology companies.

HIGH-SCALE, LOW-COST MANUFACTURING

We own and operate factories in **Malaysia (Penang), China (Xiamen) and the USA (Indiana).** Our expertise and continuous optimisation efforts have resulted in an ability to maintain a high output of quality single-use devices at low cost.

To secure our production capacity of single-use endoscopes beyond 2022/23, and to manage our risk exposure, we are establishing a **new manufacturing site in Mexico.** The site will become operational in 2021/22.

SPECIALISED SALES FORCE

Most of our revenue is generated through our own **direct sales force**, which has experience with single-use devices and is specialised within Visualization, Anaesthesia and Patient Monitoring & Diagnostics. Ambu has direct sales in 20 countries and sales via distributors on other markets.

Selling single-use endoscopes involves several stakeholders, from clinical users to group purchasing organisations. In order to **drive the conversion of hospitals from reusable to single-use,** we have built a sophisticated commercial organisation with corporate accounts, healthcare economists, sales representatives, marketing experts and clinical trainers.

STRATEGY

Ambu is a company with 84 years of heritage. The current chapter in the company's story, however, is dominated by the decision in the late 2000s to develop the world's first single-use flexible bronchoscope.

During the past 12 years, Ambu has spearheaded the establishment of single-use endoscopy as a clinical practice and as a business. In recent years, we have expanded from pulmonology into other areas of endoscopy, which will ultimately expand the combined market potential 30 times: These are ENT (ear, nose and throat), urology and GI (gastroenterology). We are on a journey with extraordinary potential.

This part of our business – which we call Visualization – has grown rapidly and now represents more than half of our overall business, and we also have a comprehensive pipeline of single-use endoscopes to be launched in the coming years. Most of our investments in innovation and sales & marketing are aimed at maximising the value from this part of our business.

We estimate that the single-use endoscopy market has a total value of USD 0.5 billion in 2021 and will reach USD 2.5 billion by 2025. And we aim to continue to be the market leader.

The growth potential in the business areas of Anaesthesia and PMD is less radical, but our strong position in these segments justifies the allocation of dedicated resources for further product development and commercial focus on these parts of our business.

Investing in Visualization
During 2020/21, we continued the strategy of investing aggressively in innovation in order to maintain and cement our long-term position. During the past three years, we have expanded our investments in innovation activities by 149%, from DKK 226m to DKK 562m. During these years, we have also expanded our commercial infrastructure to maximise our first-mover advantage.

The four pillars of our strategy

Focus on highest-potential segments and geographies

We focus on a successful entry into GI and urology, while strengthening our position in pulmonology. We will increase our growth in Anaesthesia and PMD by focusing on circuits, laryngeal masks and neurophysiology.

North America, Western Europe and Japan are our primary markets.

Scale innovation and manufacturing engines

We are expanding our Research and Development and our regulatory infrastructure to increase the speed at which we can bring new innovations to market.

Our high-scale, low-cost manufacturing is the backbone of our ability to supply healthcare workers with affordable quality devices. We are scaling up with the establishment of a new manufacturing plant.

Invest to build best-in-class commercial organisation

We are building a 100% direct endoscopy sales force in our key markets, with focus on hospitals. In addition, we are strengthening our sales support activities to increase digital marketing, healthcare economics and clinical affairs.

Ambu's global scaling-up entails a focus on upgrading IT, business processes and cybersecurity.

Grow sustainably, for our people and our planet

We have set environmental, social and governance goals on which we will deliver through commitment at both strategic and operational levels.

We are building and sustaining a healthy culture based on our company values of Results with Speed, Collaboration and Integrity.

Drivers of single-use endoscopy

The market for endoscopy is changing, and we believe that five key factors will drive the shift from reusable towards single-use endoscopy.

The risk of contamination will continue to be a driver of single-use endoscopy within all markets. Based on concerns raised by authorities, there are significant opportunities from eliminating the operational challenges associated with the sterilisation and reprocessing of reusable scopes. The COVID-19 pandemic has raised awareness of contamination issues significantly, and we expect a heightened sense of urgency going forward.

Convenience and availability are challenges that can be resolved with single-use scopes. Always having the latest technology available and not having to wait for the scope to be cleaned, but rather making sure that hospitals can perform an endoscopy when the clinical need is there, will further drive the shift to single-use.

Healthcare economics are under pressure, and reusable scopes are costly to reprocess and repair, while also being prone to wear and tear. Studies show that single-use scopes are often financially advantageous compared to reusable scopes and can reduce healthcare sector costs.

Technology is advancing rapidly, and technical progress in such areas as sensors, image enhancement software and monitor processing power means that the image resolution and clinical performance of single-use endoscopy products are improving over time, relative to reusables.

Regulators are supporting the creation of the single-use endoscopy market to deal with cross-contamination risks. The U.S. Food and Drug Administration (FDA) has issued safety communications across key endoscopy areas highlighting potential problems with reusable endoscopes.

Each of these drivers is becoming stronger every year and, in combination, make the shift from reusable to single-use a reality. The drivers represent substantial growth opportunities for a future market within single-use endoscopy. As we improve the technology and invest in innovation, we believe that Ambu can be a significant single-use player in all endoscopy markets.

Ambu's key advantages

First-mover advantage, since Ambu has been working in the single-use market for over ten years. This gives us a significant understanding of what it takes to develop and commercialise single-use endoscopes.

Modular R&D engine and rich pipeline, whereby innovation teams work across a wide group of technological areas. With our modular organisation we increase our speed of innovation, as technologies and upgrades can be deployed across several parallel products in development.

Offering a broad range of products is an integrated part of our strategy. As the range of our product offering grows and we enter more clinical areas, there are positive effects when we go to a healthcare system and can present offerings across all areas of flexible endoscopy.

A high-scale, low-cost manufacturing setup based on decades of know-how in lean and intelligent production that enables us to supply quality products at price points that can drive conversion, and thereby accelerate the transition from reusable to single-use.

A dedicated sales force trained in our value proposition and our customers' complex workflows can drive the conversion effectively. Effectiveness, combined with continuous and increasing product launches, creates a significant opportunity for value and operational scale.

Pipeline overview

Single-use pure player
Ambu develops products with a focus on becoming a single-use pure player within all main endoscopy areas. We are broadening our range within each area so as to offer the most comprehensive portfolio and an ecosystem with cross-platform integrations.

Display and processor unit technology
One of the main drivers of single-use endoscopy is the quality of the image on the display unit. Ambu has developed portable monitors with advanced full HD imaging for enhanced image quality, and with more processing power and improved functionality. In addition, substantial resources are being invested in the development of software, including image enhancement software, to assist users and improve patient outcomes.

Pulmonology
Pulmonology was the first market we entered in 2009 and represents 3 million annual endoscopy procedures. The latest generation of our single-use bronchoscope – aScope™ 4 Broncho – is the cornerstone of our Visualization business. During 2020/21, we expanded our footprint in pulmonology by launching two new devices – VivaSight 2 DLT and aScope™ 4 Broncho Sampler Set – in the most comprehensive range of single-use pulmonology devices on the market. In 2021/22, we are launching the fifth generation of our bronchoscope, which will give us the opportunity to penetrate the bronchoscopy suite market, which represents an incremental 2 million procedures. In addition, we are developing tailor-made versions of our bronchoscope for selected markets and procedures, as well as a video laryngoscope that is integrated with the aView™ monitor platform.

ENT (ear, nose and throat)
With its 11 million nose and throat procedures, the ENT endoscopy market represents significant opportunities. Ambu launched aScope™ 4 RhinoLaryngo in 2018/19, and this product has contributed significantly to the overall growth in 2020/21. We are developing a new version for expanded clinical application, as well as high-resolution scopes for ENT that will be launched over the next two years.

Urology

Urology represents another important market for Ambu, with a total of 8 million procedures. Our aScope™ 4 Cysto was cleared for sale in the USA in April 2020, and in Japan and Europe in Q1 2020/21. The aScope™ 4 Cysto has been received very well on all markets and in its first year of launch already made a significant contribution to the overall growth. In 2021/22, we will launch an HD version. Our cystoscope targets bladder and urethra procedures, which account for 6 million out of a total of 8 million annual urology procedures. To complete our urology portfolio, again in 2021/22, we will introduce a ureteroscope to target kidney procedures, which account for 2 million procedures a year. The combination of a single-use cystoscope and an ureteroscope is ideal, since in many cases physicians use both on the same patient.

Gastroenterology (GI)

The single-use duodenoscope – aScope™ Duodeno – was launched in the USA in 2019/20 and achieved European regulatory clearance in Q4 2020/21. Based customer feedback, we implemented several technology upgrades and, going into 2021/22, the commercial launch of aScope™ Duodeno is one of our key priorities. Ambu's entry into the GI market represents a major opportunity, with a total of 72 million procedures split across colonoscopy (50 million), gastroscopy (20 million) and duodenoscopy (2 million). GI is a very important market to which we will bring a gastroscope and a colonoscope during 2021/22, as well as the second generation of our duodenoscope. Ambu will thereby be able to commercialise a broad range of GI scopes that share the same advanced technology and aBox modular system.

Product news in 2020/21

Ambu® VivaSight 2 DLT
Second-generation single-use airway tube with built-in camera for single-lung ventilation procedures, for instance to enable lung or heart surgery.

Ambu® aScope™ 4 Broncho Sampler Set
A sterile, single-use solution for bronchial wash (BW) and bronchoalveolar lavage (BAL) procedures. Unique in the market.

Ambu® aScope™ Duodeno
Single-use duodenoscope used for procedures in the pancreas and bile ducts (ERCP procedures). Rapid product upgrades throughout the year and European regulatory clearance in August 2021.

Expected product launches in 2021/22

Fifth-generation bronchoscope
Single-use bronchoscope featuring HD camera chip and improved working channel. The product will allow us to enter the bronchoscopy suite. Variants are:
Bronchoscope for smaller patients
Bronchoscope for selected procedures
BronchoSampler

Video laryngoscope 2.0
Second-generation laryngoscope for easy intubation.

Rhinolaryngoscope FEES
Expansion of clinical application to fibreoptic endoscopic evaluation of swallowing (FEES).

Single-use gastroscope
Used for examination of the food pipe (oesophagus), stomach and the first part of the small intestine (duodenum).

Second-generation box display and processor unit
Reusable display/processor for scopes across segments.

Second-generation duodenoscope
Single-use duodenoscope used for procedures in the pancreas and bile ducts (ERCP procedures).

Single-use colonoscope
Used for examination of the large intestine (colon) and rectum.

Second-generation cystoscope
Single-use cystoscope with HD camera chip. Used for bladder and urethra procedures.

Single-use ureteroscope
Used for examination of the ureter and bladder.

Ambu single-use endoscopy – launch plan 2021/22 and 2022/23

		Expected launch
Display and processor units	aView™ 2 Advance	Launched
	aBox™ 2	Submitted for FDA clearance
Pulmonology	aScope™ 4 Broncho	Launched
	aScope BronchoSampler™	Launched
	VivaSight™	Launched
	VivaSight™ 2 DLT	Launched
	aScope™ 5 Broncho HD	2021/22
	aScope™ 5 Broncho for smaller patients	2021/22
	aScope™ 5 Broncho for selected procedures	2021/22
	Video laryngoscope 2.0	2021/22
	aScope™ 5 BronchoSampler™	2021/22
ENT	aScope™ 4 RhinoLaryngo Intervention	Launched
	aScope™ 4 RhinoLaryngo Slim	Launched
	ENT FEES (expanding the clinical application)	2021/22
	ENT High-Resolution	2022/23
Urology	aScope™ 4 Cysto	Launched
	Ureteroscope	2021/22
	Cystoscope HD	2021/22
Gastroenterology (GI)	aScope™ Duodeno	Launched
	aScope™ Duodeno 2	2021/22
	Cholangioscope	2022/23
	aScope™ Gastro	Submitted for FDA clearance
	aScope™ Colono	2021/22

OUTLOOK FOR 2021/22

In 2020/21, Ambu was able to continue to grow rapidly despite the challenging environment with continued impact from the pandemic disturbing the activity levels at hospitals paired with headwind from disruptions in the global supply chain and raw material inflation starting to show effects. As we move into 2021/22, we expect the market to continue to normalise, while supply chain disruption and the increased cost levels from raw materials and energy inflation will continue to show impact.

With higher awareness of the contamination challenges from reusable endoscopy and a steady flow of evidence showing the benefits for hospitals of converting to single-use, the prospects for the accelerated emergence of the single-use market looks promising.

With Ambu's product portfolio and rich pipeline, we are well-positioned to continue leading the creation of the single-use endoscopy market.

In the following, we will describe the detailed assumptions on which we build our view of the expected financial performance for 2021/22.

Market conditions
We expect the single-use endoscopy market to continue to grow at a rapid pace driven by awareness and focus on infection control among medical authorities, but also by the strong appeal to hospitals of the good clinical performance, economics, and opportunities for workflow efficiencies which our single-use solutions offer.

We continue to monitor the development of the COVID-19 pandemic with respect to intensive care bronchoscopy, elective procedure activity and hospital productivity. Subject to hospital planning and the willingness of patients to enter hospitals, we expect the demand to further improve throughout the year and to fully return to pre-COVID levels in the second half of 2021/22.

The COVID-19 pandemic has disrupted the global supply chain, and for Ambu this has led to higher lead-times and higher costs of running our supply chain. This situation has caused a need for higher output of products from our factories and thereby increased our inventory levels. In addition, comes cost of raw materials and energy. We consider the main part of these disruptions to be temporary but to remain throughout most of, if not the full, financial year 2021/22. For 2021/22, we will thus expect the cost of running our supply chain to remain at a high level and we expect an increasing impact from raw material inflation as fixed-price contracts will start to expire, and mitigations applied in 2020/21 are exhausted.

Specifically, on freight costs we have in 2020/21 spent DKK 70m more than initially planned, including DKK 50m on airfreight, to adjust inventories to the increased lead-times. Going into 2021/22, we expect freight costs to remain at a high level.

Applied assumptions
The expected financial performance for 2021/22 assumes the following important external factors:

- A continued recovery from the COVID-19 pandemic in our key markets with elective procedures returning to pre-COVID levels in the second half of 2021/22.
- A gradual recovery of the global freight market and of cost index of raw materials in 2022/23.

Financial guidance 2021/22
On this basis, we have set the financial targets for 2021/22 as follows:

Organic growth 15-19%

The organic growth will be driven by Visualization's most recent product launches, while Anaesthesia and PMD are expected to be positively impacted by a gradually normalising demand.

As we move through 2021/22, the organic growth will be back-end loaded as we gain momentum from product launches. In addition, organic revenue for Q1 2021/22 is expected to be flat over Q1 2020/21, as we face a high comparable driven by last year's NHS safety stock orders.

We expect the average selling prices across our single-use endoscopy portfolio to remain stable within product categories and geographies.

EBIT margin 7-9%

In 2021/22, we will invest in commercial resources and manufacturing capacity – our new plant in Mexico – to support our product launches.

Furthermore, we expect a negative impact from raw material inflation and continued high supply chain costs. For Q1 2021/22, our EBIT margin is expected to be low single digit and gradually improve as we build financial scale.

Organic growth is expected to be 15-19% and will be driven by Visualization, which will continue to deliver high double-digit growth rates. Our recent launches, i.e. aScope™ RhinoLaryngo, aScope™ 4 Cysto and aScope™ Duodeno, are expected to contribute a large share of the organic growth as we create the markets and move through the year. The contribution to growth from products that will be launched in 2021/22 is expected to be modest during this first year of launch but will be important growth drivers going forward.

The Anaesthesia and PMD business have in 2020/21 been negatively impacted by a slower than expected return of elective procedures. Both businesses are in 2021/22 expected to gradually improve as the external market conditions return to pre-COVID levels.

The phasing of the quarterly growth in 2021/22 will be back-end loaded as the recently launched products are expected to gain traction and elective procedures reach full recovery. Furthermore, the organic growth in Q1 2021/22 is expected to be close to 0% due to COVID-19 driven orders to the NHS in England in Q1 2020/21.

We expect the average selling prices across our single-use endoscopy portfolio to remain stable and with minimum price evolution within product categories and geographies.

We expect the gross margin for 2021/22 to be slightly below 2020/21. The gross margin will be impacted by two opposite factors: 1) the high double-digit growth rates in Visualization that will increase the gross margin while 2) inflation from raw materials and additional overhead costs related to the ramp-up of the manufacturing facility in Mexico.

EBIT margin is expected to be 7-9% and will be impacted by the high costs of running the supply chain as well as the raw material inflation with some expected improvements late in the year. As we move into 2021/22, we have built a comprehensive commercial infrastructure that will ensure our ability to effectively launch and create the markets. The OPEX ratio to revenue will be highest in the early part of the year and improve together with the EBIT margin as we move through the year, meaning that the EBIT-margin for H1 2021/22 is expected to be low single digit.

Free cash flow is expected to be negative and will be impacted by the profit levels and continued CAPEX investments into innovation, manufacturing including Mexico and IT infrastructure. The majority of CAPEX will be related to innovation and to enable manufacturing to start up production lines of new devices in line with the planned product launches.

The perimeter of the manufacturing site in Mexico is based on a financial lease with a value of approx. DKK 225m which Ambu will take ownership of in Q1 2021/22. CAPEX relating to the interiors of the manufacturing site is expected at approx. DKK 70m. We expect the site in Mexico to be operational in the second half of 2021/22.

The NIBD/EBITDA ratio is expected to increase in the first half of 2021/22 and then decrease towards the end of the financial year. Our loan documentation is designed to support the expected evolution of the NIBD/EBITDA ratio.

Currency expectations

The financial outlook for 2021/22 is based on the following exchange-rate assumptions:

Currency	Realised in 2020/21	Expected for 2021/22
USD/DKK	622	642
MYR/DKK	151	155
CNY/DKK	96	100
GBP/DKK	852	877

Approx. 55% of Ambu's total revenue is invoiced in USD. In addition, approx. 32% of revenue is invoiced in EUR or DKK, and approx. 7% in GBP, while the remaining 6% is invoiced in other currencies. Production and capacity costs are predominantly settled in USD, DKK, EUR, MYR and CNY.

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

DKKm	USD	MYR	CNY	GBP
Revenue	264	0	6	33
EBIT	59	-35	-19	22
EBIT margin	+0.7%	-0.7%	-0.4%	+0.4%

Forward-looking statements

Forward-looking statements, in particular relating to future sales, operating income and other key financials, are subject to risks and uncertainties. Various factors, many of which lie outside Ambu's control, may cause the realised results to differ materially from the expectations presented 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 concerning risks on page 31.

FINANCIAL RESULTS

BUSINESS PERFORMANCE – REGIONS

Comparative figures for 2019/20 are stated in brackets.

Ambu has organised its sales in three regions:

- North America
- Europe
- Rest of World

DKKm	20/21	19/20	Organic growth	Fx	Reported Growth
North America	1,739	1,594	17%	-8%	9%
Europe	1,787	1,551	15%	0%	15%
Rest of World	487	422	18%	-3%	15%
Revenue	**4,013**	**3,567**	**16%**	**-3%**	**13%**

Full-year revenue totalled DKK 4,013m (DKK 3,567m), corresponding to organic growth of 16% (26%) and reported growth of 13% (26%).

The year was characterised by global uncertainty since disruptive factors – such as the emergence of new COVID-19 variants and supply chain bottlenecks – impacted societies and economies, while potentially stabilising factors – of which the most crucial was the roll-out of vaccines – pointed towards post-pandemic normality.

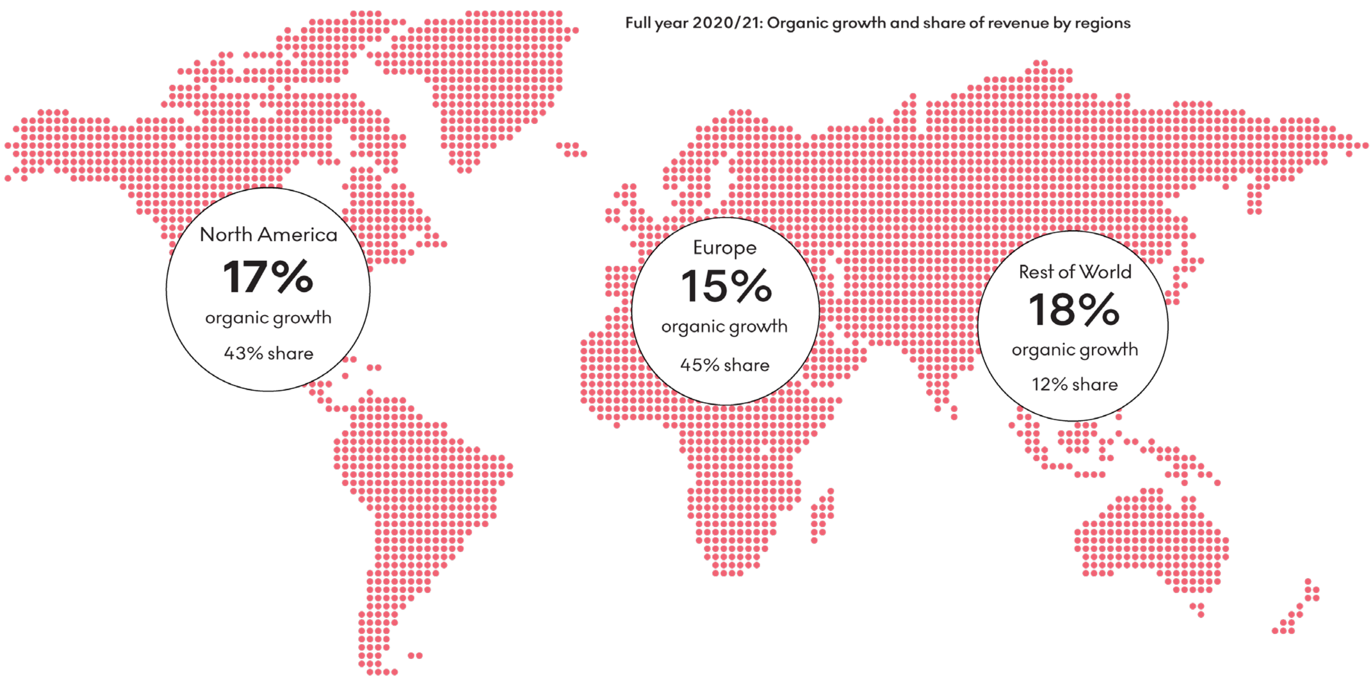
Despite the global volatility, all of Ambu's commercial regions grew by double-digit figures, but with significant quarterly fluctuations in the growth rates.

For Ambu, 2020/21 was a year of continued high demand for single-use endoscopes with significant geographical variations and fluctuating demand for our Anaesthesia and Patient Monitoring & Diagnostics portfolios. These variations and fluctuations matched the pace at which elective hospital activity gradually began to recover. The return to normal hospital activity was on its way as we entered 2020/21, but in parts of the world was slowed down by surges in COVID-19 infections, national lockdowns and supply chain disruptions leading to a backlog of orders, especially within the Anaesthesia product range, as we exit 2020/21.

North America accounted for 43% of revenue in 2020/21, compared to 45% last year, based on organic growth of 17% (25%) and reported growth of 9% (26%). The difference of eight percentage points between organic and reported growth is due to the depreciating USD/DKK exchange rate during the past year.

We saw steady revenue growth during the year, driven by strong sales of Visualization products with 33% growth, a moderate uptake of 2% growth in Anaesthesia sales – comprising high demand for resuscitators, but lower demand for most other products in the Anaesthesia portfolio – and a marked improvement of 10% growth in Patient Monitoring & Diagnostics sales after the decline in sales during 2019/20.

Elective procedures remained below normal levels with significant variation across states and with quarters in which hospitals were scaling back on elective activities, due to the impact of the COVID Delta variant.



During the year, we expanded our contracts with the major Group Purchasing Organisations (GPOs) in the USA securing access to our existing portfolio and coming pipeline. With these expansions, Ambu is on contract with all four major GPOs, with either a full or partial portfolio of single-use endoscopy categories available for the customers that are served by the GPOs.

As of October 2021, the CMS (the U.S. Centers for Medicare & Medicaid Services) has implemented reimbursement for inpatient single-use duodenoscopy. In addition to the outpatient reimbursement that was previously approved, this development makes it more economically advantageous for many North American healthcare centres to use single-use duodenoscopes, since part of the device cost is covered by Medicare.

Europe accounted for 45% of revenue in 2020/21, compared to 43% last year, based on organic and reported growth of 15% (32%).

Despite the depressed elective procedure activity and supply chain constraints, Europe achieved double-digit growth driven by the strong Visualization growth across all key markets, especially in the UK, Italy and Spain.

Visualization sales showed organic growth of 26% for the year, peaking in Q1 by almost tripling sales compared to Q1 of the prior year, partly due to an extraordinary order from the NHS (United Kingdom National Health Service). The consensus view in European healthcare in favour of switching to single-use endoscopes to reduce infection rates continued to benefit sales. Anaesthesia sales declined organically by 9% in Europe, due to lower elective activity and shipment delays towards the end of the year. The same negative effects held back our PMD sales, although shipment delays were less of a limiting factor for the PMD business, and organic growth amounted to 8% for the year following declining sales in the prior year.

Rest of World – which comprises Asia-Pacific, the Middle East and Latin America – accounted for 12% of revenue in 2020/21, with Japan emerging as the single largest market in Rest of World. Organic growth was 18% (13%), and reported growth was 15% (12%).

The organic Visualization growth in Rest of World was 47% for the year, driven by sales in Australia and Japan. The market dynamics in Rest of World were similar to Europe with regard to the Anaesthesia and PMD business areas and resulted in a decline in sales of -5% in Anaesthesia and an increase in sales of 6% in PMD.

BUSINESS PERFORMANCE – BUSINESS AREAS

Visualization

DKKm	20/21	19/20	Organic growth	Fx	Reported Growth
North America	867	699	33%	-9%	24%
Europe	1,064	846	26%	0%	26%
Rest of World	237	166	47%	-4%	43%
Revenue	**2,168**	**1,711**	**31%**	**-4%**	**27%**

The Visualization business consists of flexible single-use endoscopes connected to multi-use display and processor units, for procedures inside the human body through natural openings.

In 2020/21, total Visualization revenue grew organically by 31% (81%), and reported growth ended at 27% (82%). Visualization thus accounts for 54% (48%) of the total revenue for the year.

The largest contributor to our Visualization revenue continues to be sales of single-use endoscopes for pulmonology; and our bronchoscopes in particular have played a significant role in the treatment of COVID-19 patients. However, single-use rhinolaryngoscopes (ENT) and cystoscopes (urology) also show rapid growth and contribute a sizeable and increasing share of revenue.

In Europe, national guidelines explicitly recommend the use of single-use scopes for COVID-19 patients, to limit the risk of cross-contamination. In the USA, the approach from the association of pulmonologists is to avoid bronchoscopy of suspected COVID-19 patients, if possible, to protect the hospital staff from aerosols. With the increasing vaccination rates, however, we have seen that treatment procedures in the USA and Europe are becoming more aligned.

On 1 April 2021, the US Food and Drug Administration (FDA) announced an investigation into the potential causes and contributing factors associated with reported infections and contamination issues caused by endoscopic urology procedures. On 25 June 2021, the FDA updated a safety communication recommending that healthcare providers consider using single-use bronchoscopes in situations where there is increased risk of spreading infection, or where no support for immediate reprocessing is available. In addition, the FDA now recommends that healthcare facilities consider using sterilisation for reprocessing instead of high-level disinfection, which is the less costly approach that is currently used.

More clinical data is also being published on the topic of single-use endoscopy. Recently, in October 2021, a US study of more than 14,000 patients' data concluded that single-use bronchoscopes can reduce hospital readmission rates by 53%.

All in all, there is a growing body of evidence and regulatory guidance to show that hospitals should consider the transition to single-use endoscopy as the standard of care, given the clinical, financial and operational benefits.

For 2020/21, organic growth in Visualization in North America was 33% (71%), and in Europe 26% (96%), while Rest of World contributed organic growth of 47% (55%).

At the beginning of the year, expected volume sales of single-use endoscopes were in the range of 1.3-1.4 million units. However, on 1 July, we adjusted upwards to +1.4 million units. The final volume sold was 1,528,000 (1,085,000), which is equivalent to an increase of 41% compared to last year.

During the past year, we expanded our product portfolio within pulmonology with two product launches – VivaSight 2 DLT and aScope™ 4 Broncho Sampler Set – and we implemented continuous enhancements to our duodenoscope and also secured its European market clearance, to strengthen our entrance into gastroenterology.

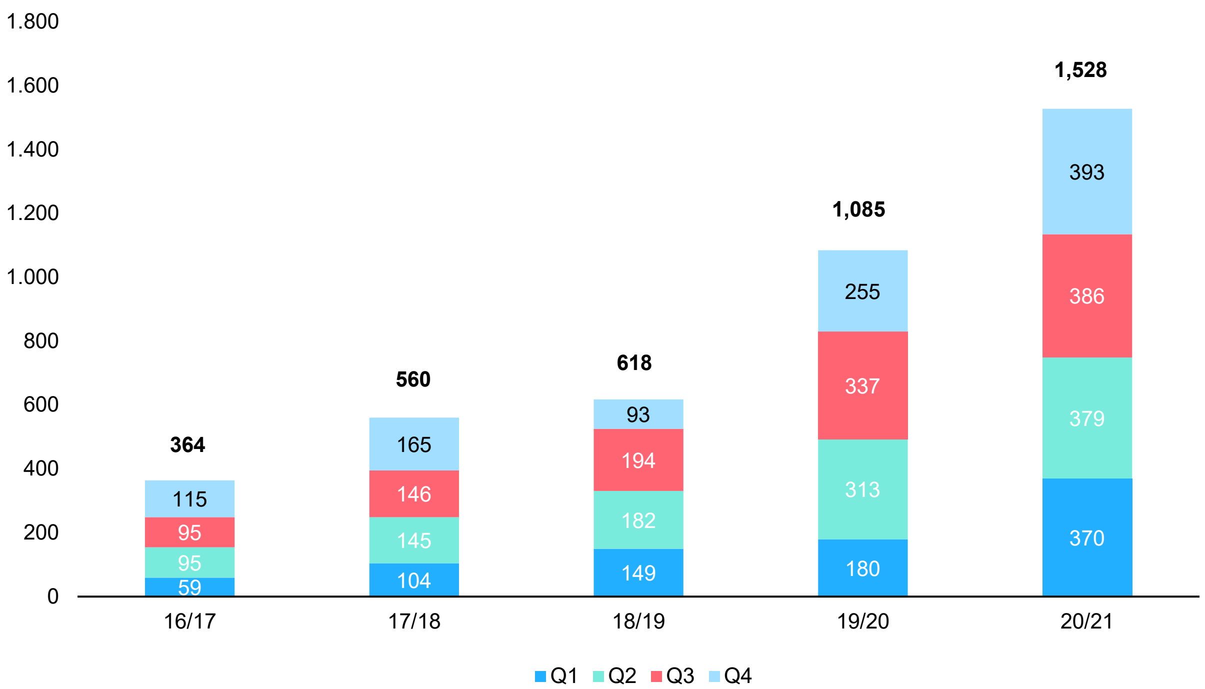
aScope™ Duodeno is Ambu's first device in the field of gastroenterology and addresses the need for a 100% sterile duodenoscope designed to eliminate the risk of patient cross-contamination and to enhance patient safety. The aScope™ Duodeno solution, which consists of a single-use endoscope and a reusable processor unit, achieved FDA clearance in July 2020 and gained CE mark on 18 August 2021.

During 2020/21, we conducted a controlled market release in the USA and used the customer input to develop product enhancements that are fully implemented in the aScope™ Duodeno as at year-end.

At the time of publishing the Annual Report, the first 29 cases are completed in the US clinical trial. The initial data shows a procedure success rate of 100%, meaning that all cases were successfully completed using aScope™ Duodeno, with no cases converted to a reusable duodenoscope. The cases included all complexity grades for endoscopic procedures – from 1 (easiest) to 4 (most difficult) as determined by the American Society for Gastrointestinal Endoscopy. The aScope™ Duodeno is now commercially available in the USA, Europe and Australia.

To increase our endoscope manufacturing capacity, we decided back in 2019/20 to initiate construction of a second endoscopy plant in Juarez, Mexico. In March 2021, we broke ground, and on 1 July 2021, we announced the acceleration of construction, effectively moving the target date for the plant to become operational from 2022/23 to 2021/22. The additional plant will expand our manufacturing capacity and also improve our global supply chain setup.

Number of endoscopes sold, '000 units



Anaesthesia

DKKm	20/21	19/20	Organic growth	Fx	Reported Growth
North America	639	669	2%	-6%	-4%
Europe	211	233	-9%	0%	-9%
Rest of World	147	158	-5%	-2%	-7%
Revenue	**997**	**1,060**	**-2%**	**-4%**	**-6%**

The Anaesthesia business consists of devices used for airway management in hospitals and ambulances typically for procedures that require general anaesthesia or for first aid.

The COVID-19 pandemic increased the demand for resuscitators and reduced the demand for devices used for elective hospital procedures. During 2020/21, the level of elective hospital activity increased gradually, however, with regional fluctuations and below pre-COVID activity levels. In addition, our Anaesthesia sales were impacted by shipment delays caused by the congestion of the global container freight market, and to ensure delivery of mainly Anaesthesia products we used extraordinary volume of airfreight to move products to customers in Europe and North America. Despite these efforts we finished the year with a backlog of orders for Anaesthesia products that we expect to ship in the first half of 2021/22.

Within Anaesthesia, revenue declined organically in 2020/21 by -2% (7%), and reported growth fell by -6% (7%). All in all, Anaesthesia accounted for 25% (30%) of Ambu's revenue in 2020/21.

Organic growth in North America was 2% (8%), while sales in Europe declined by -9% (6%) and in Rest of World by -5% (4%).

Patient Monitoring & Diagnostics

DKKm	20/21	19/20	Organic growth	Fx	Reported Growth
North America	233	226	10%	-7%	3%
Europe	512	472	8%	0%	8%
Rest of World	103	98	6%	-1%	5%
Revenue	**848**	**796**	**9%**	**-2%**	**7%**

The PMD business consists of devices for cardiology and neurophysiology – typically electrodes for the measurement of body signals – as well as products for first aid and the training of first aid skills.

Our PMD business caters almost exclusively for elective procedures and was therefore purely negatively impacted by the outbreak of COVID-19 in 2019/20. During the past year, some of the elective business has returned, but at a slower pace than we predicted going into 2020/21. This means that the PMD market is not back to pre-COVID activity levels yet.

In 2020/21, PMD accounted for 21% (22%) of Ambu's revenue, and organic growth in PMD was 9% (-10%) while reported growth was 7% (-10%).

Organic growth in North America was 10% (-8%), in Europe 8% (-10%) and in Rest of World 6% (-15%).

INCOME STATEMENT

DKKm	20/21	19/20	Change in value	Change %
Revenue	4,013	3,567	446	13%
Production costs	-1,510	-1,355	-155	11%
Gross profit	**2,503**	**2,212**	**291**	**13%**
Gross margin, %	*62.4*	*62.0*	-	-
Selling and distribution costs	-1,468	-1,228	-240	20%
Development costs	-225	-157	-68	43%
Management and administration	-470	-399	-71	18%
Total capacity costs	-2,163	-1,784	-379	21%
EBIT	**340**	**428**	**-88**	**-21%**
EBIT margin, %	*8.5*	*12.0*	-	-

Revenue for the year was DKK 4,013m, up DKK 446m from last year, corresponding to organic growth of 16% and a reported revenue growth of 13% (26% organic and reported growth was posted last year).

The combined effect of changes in end-customer prices in 2020/21 was in line with expectations and corresponds to -0.6 percentage points across all business areas.

Gross profit was up 13% at DKK 2,503m (DKK 2,212m), while gross margin increased by 0.4 percentage points to 62.4% (62.0%).

This year's gross profit was impacted positively by a better product mix due to the volume growth in Visualization. In addition, manufacturing has contributed to the improved scale with more output at almost unchanged levels of indirect production costs compared to last year offset by write-down of inventories of DKK 13m (DKK 6m).

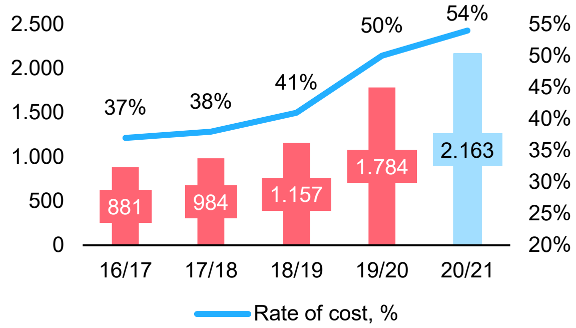
In 2020/21, approx. 49% of Ambu's total revenue was exposed to changes in the USD/DKK exchange rate. In addition, 36% of revenue was invoiced in EUR or DKK, and just below 10% in GBP, while the remaining 5% was invoiced in other currencies. Production and capacity costs were predominantly settled in USD, DKK, EUR, MYR and CNY.

In 2020/21, the average USD/DKK exchange rate was 622 (667), down 7%. The average CNY/DKK exchange rate appreciated slightly, and the MYR/DKK exchange rate depreciated by 5%, while GBP/DKK was almost unchanged.

The combined effect of exchange rate fluctuations on this year's revenue is a negative impact of 3%, while the net impact on earnings and EBIT margin is limited, due to the USD cost base, including factories in China and Malaysia, where approx. 63% of the direct manufacturing costs are settled in USD.

Capacity costs totalled DKK 2,163m (DKK 1,784m), corresponding to a 21% absolute increase of DKK 379m. The rate of cost was 54% (50%).

Total capacity costs and rate of cost, %



Selling and distribution costs were up DKK 240m or 20% at DKK 1,468m due to the full-year effect of expanding the commercial infrastructure during FY 2019/20 across regions, as well as higher freight rates and the year-on-year difference in bad debt provisions.

The full-year effect stems from the increase in the overall size of the commercial organisation.

In 2020/21, total selling and distribution staff costs increased by 29% (81%) or DKK 207m (DKK 316m) to DKK 915m (DKK 708m). The strategic rationale for expanding our commercial infrastructure was to support our urology launch and prepare for the entrance into GI.

During 2020/21, our operation has been disturbed by the congestion of the global supply chain which has led to delays in deliveries and increase in costs. To meet the demands of our customers, we have in 2020/21 spent DKK 75m more on freight than planned. This includes DKK 50m on airfreight. The extra freight costs equal 1.9% of revenue and have accelerated during the second half of the financial year.

Last year, management saw a higher risk of credit losses on trade receivables, following the impact of COVID-19 on healthcare systems. Against this background, an additional accrual of DKK 31m was allocated. During 2020/21, the risk was deemed to have subsided, and to this date no significant losses are realised. The COVID-19 accrual was partly reversed in Q2, and income of DKK 15m was taken to OPEX.

The year-on-year effect of the COVID-19 provision for bad debtors is therefore a reduction in costs of DKK 46m.

Development costs increased by 43% to DKK 225m, driven by expansion of our Visualization pipeline. The cost effect on EBITDA is an increase of DKK 50m, stemming from activities related to the EU Medical Device Regulation, clinical affairs, and overheads in our three major innovation centres including staff costs.

In the last three years, we have expanded our investments in innovation activities by 149%, from DKK 226m to DKK 562m.

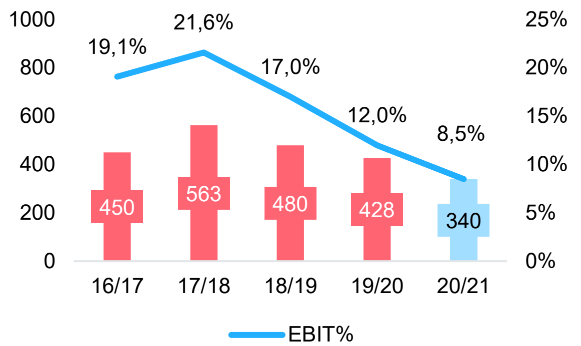
DKKm	20/21	19/20	18/19
Development costs in P/L	225	157	103
÷ Depreciation, amortisation and impairment losses	-109	-91	-58
+ Investments	446	306	181
= Cash flow	**562**	**372**	**226**

Development costs are capitalised in so far as this concerns the direct resources associated with approved innovation projects. The increase in amortisation in 2020/21 is due to the increased amortisation of acquired intangible assets.

Management and administration expenses were up 18% or DKK 71m at DKK 470m, including an increase in staff costs of DKK 57m to DKK 252m (DKK 195m), as additional talent within enabling functions was onboarded.

Operating profit (EBIT) was DKK 340m (DKK 428m), with an EBIT margin of 8.5% (12.0%). The impact from foreign exchange rates on absolute earnings and EBIT margin were negligible.

EBIT before special items – DKKm



Depreciation, amortisation and impairment losses were up DKK 35m to an expense of DKK 216m (DKK 181m). The increase is driven by right-of-use-assets and tangible assets with a combined effect of DKK 30m, as well as the full-year effect of amortisation of acquired technologies in the field of duodenoscopy of DKK 16m. On the other hand, impairment losses and amortisation decreased from last year by DKK 11m.

EBITDA was DKK 556m (DKK 609m), with an EBITDA margin of 13.9% (17.1%).

Net financials amounted to a net expense of DKK 32m (DKK 106m).

The result of financials is explained as follows:

- Interest income, others DKK 3m (DKK 0m).
- Foreign exchanges gave a net income of DKK 4m (net expense of DKK 30m).
- Fair value adjustment of derivative instruments comprised income of DKK 1m (DKK 3m).
- Interest expenses on bank and leases totalled DKK 24m (DKK 28m).
- The interest element from liabilities stated at present amortised value and other interest expenses was a net expense of DKK 6m (DKK 3m).
- Fair value adjustments of contingent consideration relating to the acquisition of Invendo Medical GmbH represent a net expense of DKK 10m (DKK 48m).

Tax on profit for the year totalled an expense of DKK 61m (DKK 81m), corresponding to an average effective tax rate on profit (ETR) of 20% (25%), which is below the ETR initially expected going into the year.

The reduced ETR is a consequence of the Danish Government's temporary increase in tax deductions for R&D costs, which can partly be applied to Ambu's development costs and capital expenditure. This substantial increase was activated during 2020/21, with effect from 2019/20 until the end of 2021/22.

Net profit was DKK 247m (DKK 241m).

Diluted earnings per share (EPS-D) were DKK 0.98 (DKK 0.97) for the financial year.

Balance sheet

Balance sheet condensed by main items

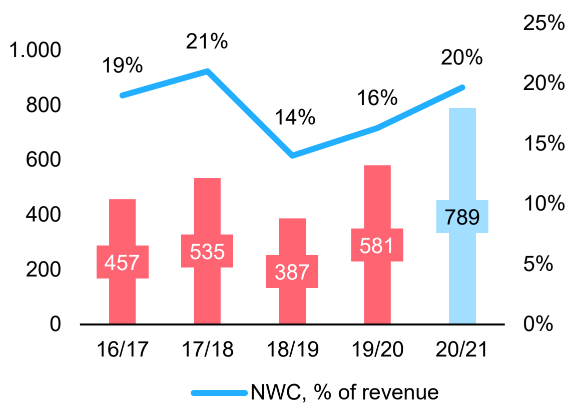
DKKm	20/21	19/20	Change in value
Non-current assets	4,132	3,689	443
Inventories	748	515	233
Trade receivables	699	521	178
Other current assets	97	103	-6
Cash	64	98	-34
Total assets	**5,740**	**4,926**	**814**
Equity	3,952	2,372	1,580
Contingent consideration	137	426	-289
Interest-bearing debt	823	1,444	-621
Trade and other payables	742	547	195
Other liabilities	86	137	-51
Total equity and liabilities	**5,740**	**4,926**	**814**

Total assets were DKK 5,740m (DKK 4,926m), and **invested capital** was DKK 4,711m, up DKK 993m from last year with a 6% (9%) return on invested capital based on EBIT less tax.

Non-current assets were DKK 4,132m, up DKK 443m from last year, driven by an increase in the carrying amount for development projects of DKK 344m (DKK 233m) as well as tangible assets of DKK 182m (DKK 143m).

Net working capital was DKK 789m (DKK 581m) by the end of 2020/21, corresponding to an increase of DKK 208m. Net working capital relative to revenue was 20% (16%), driven by higher inventories.

Net working capital in DKKm and net working capital relative to revenue, %



Inventories were DKK 748m (DKK 515m) at the end of the year, corresponding to 19% (14%) of revenue. In absolute values, inventories have increased by DKK 233m (DKK 9m) or 45%. This increase concerns an increase in safety stocks of raw materials at our factories and the effect of a constrained container market, with longer lead times, giving a combined effect of approx. DKK 169m.

Trade receivables totalled DKK 699m (DKK 521m), corresponding to 17% (15%) of revenue. Calculated at fixed exchange rates, the average number of credit days was 62 (54).

Last year, the credit risk associated with trade receivables was adversely affected by the consequences of COVID-19. By the end of September 2021, the risk is deemed to have contracted, so that the provision for bad debts is reduced to DKK 21m (DKK 38m).

Trade and other payables totalled DKK 742m (DKK 547m), corresponding to 18% (15%) of revenue. The increase from last year is driven by higher levels of procurement and the construction of the factory in Mexico.

Net interest-bearing debt and gearing

Cash and cash equivalents amounted to DKK 64m (DKK 98m), and net interest-bearing debt (NIBD) totaled DKK 759m (DKK 1,346m), corresponding to 1.4 (2.2) of EBITDA.

During 2020/21 NIBD was reduced by DKK 587m. The reduction is driven by the 1.86% capital increase and sale of treasury shares made in January 2021, with total proceeds of DKK 1,281m, offset by negative free cash flow of DKK -245m, additional leasing commitments by DKK 117m, payment of contingent consideration by DKK 398m and distribution of dividend to shareholders by DKK 73m.

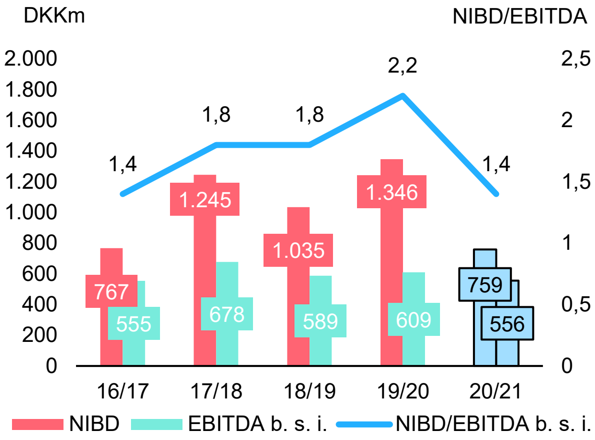
New financing agreement with primary banks

In accordance with the Group's Treasury Policy, Ambu signed in June 2021 a new credit facility agreement with the company's primary banks.

Total credit facilities available are now DKK 1,500m (DKK 2,300m) and the cost of financing includes sustainability targets as part of our ESG strategy.

At the end of September 2021, Ambu had unutilised capital resources from cash, overdraft and credit facilities of approx. DKK 1.0bn (DKK 1.2bn).

NIBD, EBITDA before special items and NIBD/EBITDA before special items



Contingent consideration was DKK 137m at the end of the year, which is a decrease of DKK 289m from last year due to the EUR 40m (equivalent to DKK 298m) payment in October 2020 following the FDA clearance of the duodenoscope, as well as the cost of unwinded cash flows of DKK 10m (DKK 48m) taken to financial expenses.

Other liabilities were DKK 86m, corresponding to a decrease over the past year of DKK 51m, primarily stemming from a reduction in deferred tax liabilities.

Equity

At the end of September 2021, equity totalled DKK 3,952m (DKK 2,372m), corresponding to an equity ratio of 69% (48%) of total assets.

Other comprehensive income

Other comprehensive income includes a net income of DKK 33m (net expense of DKK 81m) from foreign currency translation adjustments of foreign subsidiaries due to the appreciation of the USD/DKK exchange rate by 1% (depreciation by 7% last year) since the end of the previous financial year.

Other equity

At the annual general meeting held on 9 December 2020, it was decided to pay dividend of DKK 73m. Since the annual general meeting, the proposed dividend of DKK 73m has been distributed in full, including DKK 1m for Ambu's portfolio of treasury shares.

On 27 January 2021, Ambu announced it was seeking to strengthen its capital base by issuing new shares and through the sale of treasury shares. An accelerated book-building process was concluded on the following days, and a total of 4,711,832 new Class B shares and 250,000 treasury shares were sold at a price of DKK 262 per share. Total capital of DKK 1,300m was raised. Less transaction costs of DKK 19m, this is equivalent to net proceeds of DKK 1,281m in the form of a capital contribution of DKK 1,216m and DKK 65m from the sale of treasury shares.

At the end of the year, Ambu employees had exercised a total of 631,293 purchase options in Ambu A/S.

In accordance with Ambu's remuneration policy, the general employee share programme established back in 2018/19 has been vested, and Ambu's obligations in this respect have thus been fulfilled. Consequently, the holding of treasury shares was reduced by 45,874 Class B shares in Ambu A/S.

At the end of the year, Ambu's holding of treasury Class B shares had been reduced by 927,167 to 3,976,471 (4,903,638), corresponding to 1.543% (1.940%) of the total share capital.

In addition, at the end of the year Ambu employees had exercised a total of 175,000 warrants to subscribe for shares in Ambu A/S.

In certain jurisdictions, Ambu is entitled to a deduction for employees' gains on the exercise of options and warrants. During the year, equity was increased by DKK 34m (DKK 40m), corresponding to the value adjustment of any deductible value of employee gains.

Cash flow statement

DKKm	20/21	19/20	Change in value
Cash flow from operating activities	328	295	33
Cash flow from investing activities before acquisitions	-573	-428	-145
Free cash flow before acquisitions	**-245**	**-133**	**-112**
Acquisitions of enterprises and technology	-301	-2	-299
Cash flow from financing activities	512	114	398
Changes in cash	-34	-21	-13
Cash flows in % of revenue:			
Cash flow from operating activities	8%	8%	-
Investments	-14%	-12%	-
Free cash flow before acquisitions	-6%	-4%	-

Cash flow from operating activities (CFFO) amounted to DKK 328m, representing an increase of DKK 33m compared to the previous year, corresponding to 8% (8%) of revenue.

Cash flow from investing activities before acquisitions (CFFI) totalled DKK -573m (DKK -428m), corresponding to -14% (-12%) of revenue.

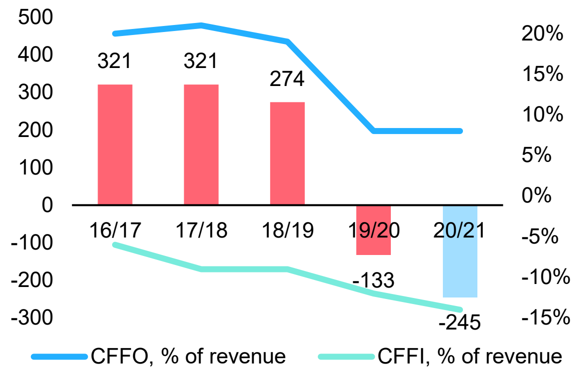
Net capital expenditure increased by DKK 145m from last year, driven by investments in development projects and the manufacturing site in Mexico that is currently under construction.

DKKm	20/21	19/20	Change
Development projects	-393	-284	-109
Other intangible investments	-12	-	-12
Tangible investments	-176	-144	-32
Sale of non-current assets	8	-	8
Cash flow from investment activities before acquisitions	**-573**	**-428**	**-145**

Free cash flow before acquisition of enterprises and technology totalled DKK -245m (DKK -133m), down DKK 112m from last year, corresponding to -6% of revenue (-4%).

Cash flow from acquisitions of enterprises and technology totalled DKK -301m (DKK -2m), driven by the deferred consideration from the Innovation Medical GmbH acquisition of DKK 298m, paid in October 2020. The final milestone of EUR 20m pertaining to the acquisition of Invendo Medical GmbH is expected to mature in 2021/22, subject to FDA clearance of the gastroscope.

Free cash flow before acquisitions – DKKm



Cash flow from financing activities (CFFF) amounted to DKK 512m (DKK 114m). Ambu has raised equity of DKK 1,225m most of which stems from January 2021 when Ambu raised capital through an issue of new shares and the sale of treasury shares, generating proceeds of DKK 1,216m and DKK 65m, respectively. Subsequently, debt to credit institutions of DKK 1,250m was repaid. In addition, dividend of DKK 73m (DKK 96m) has been distributed to the shareholders.

Changes in cash and cash equivalents then come to DKK -34m (DKK -21m).

FOLLOW-UP ON ANNOUNCED OUTLOOK

RELATIVE TO THE RESULTS REALISED IN 2020/21

During the 2020/21 financial year, Ambu adjusted the outlook for organic growth twice – in July, as we saw slower than expected recovery of elective procedures as well as shipment delays, and again in October, when it was clear that shipment delays would cause a backlog of orders to be delivered in 2021/22. At the start of the financial year, expected organic growth was 17-20%, and actual organic growth came to 16% at the end of the year.

The guidance for the EBIT margin was adjusted at the same intervals – July and October – and against the same background. The year ended with an EBIT margin of 8.5% compared to the expectation of 11-12% at the start of the financial year.

Local currencies

	Realised	**5 October 2021**	**17 August 2021**	**1 July 2021**	**12 May 2021**	**27 January 2021**	**11 November 2020**
Organic growth	16%	Approx. 16%	Approx. 17%	Approx. 17%	17-20%	17-20%	17-20%

Danish kroner

	Realised	**5 October 2021**	**17 August 2021**	**1 July 2021**	**12 May 2021**	**27 January 2021**	**11 November 2020**
EBIT margin	8.5%	8.5-9.0%	Approx. 10%	Approx. 10%	11-12%	11-12%	11-12%

Q4 2020/21

Highlights

In Q4, we saw 18% organic revenue growth, driven by sales in Visualization and PMD. The gradual return of elective procedures continued into Q4, with a stabilisation in June and July. In August, we saw a lower number of elective procedures, but a continued recovery since mid-September. However, sales of Anaesthesia and PMD products were impacted by shipment delays due to the congestion of the global container freight market.

Despite the logistical challenges, the final quarter of the year was also the strongest, with revenue of DKK 1,026m.

Business areas

DKKm	Q4 20/21	Q4 19/20	Organic growth	Fx	Reported growth
Visualization	540	396	37%	-1%	36%
Anaesthesia	256	273	-6%	0%	-6%
PMD	230	202	13%	1%	14%
Revenue	**1,026**	**871**	**18%**	**0%**	**18%**

In Q4, Visualization posted organic growth of 37% (204%) on the basis of 393,000 endoscope units sold – the highest unit sales of the year. Anaesthesia revenue declined organically by -6% (18%), while PMD (Patient Monitoring & Diagnostics) delivered 13% (-10%) growth.

Markets

DKKm	Q4 20/21	Q4 19/20	Organic growth	Fx	Reported growth
North America	493	420	18%	-1%	17%
Europe	374	333	11%	1%	12%
Rest of World	159	118	36%	-1%	35%
Revenue	**1,026**	**871**	**18%**	**0%**	**18%**

North America achieved organic growth of 18% (130%) while Europe achieved 11% (15%) organic growth, and Rest of World reached 36% (-1%).

Income statement

DKKm	Q4 20/21	Q4 19/20	Change in value	Change %
Revenue	1,026	871	155	18%
Production costs	-416	-336	-80	24%
Gross profit	**610**	**535**	**75**	**14%**
Gross margin, %	*59.5*	*61.4*	-	-
Selling and distribution costs	-415	-337	-78	23%
Development costs	-73	-50	-23	46%
Management and administration	-118	-119	1	-1%
Total capacity costs	-606	-506	-100	20%
EBIT	**4**	**29**	**-25**	**-86%**
EBIT margin, %	*0.4*	*3.3*	-	-

Revenue totalled DKK 1,026m (DKK 871m), with organic and reported growth of 18% (48% and 44%, respectively).

Gross profit was DKK 610m (DKK 535m), corresponding to a margin of 59.5% (61.4%). The gross margin is in line with prior quarters after adjustment for ordinary fluctuations in the course of business, but with negative impacts from raw material inflation.

Total capacity costs were DKK 606m (DKK 506m), up 20% from Q4 2019/20.

The increase in selling and distribution costs is attributable to higher freight rates and volumes, increased use of airfreight and higher staff costs.

Development costs increased by DKK 23m to DKK 73m due to higher activity levels in the clinical space.

EBIT was DKK 4m (DKK 29m) representing an EBIT margin of 0.4% (3.3%).

QUARTERLY RESULTS

DKKm	Q4 2020/21	Q3 2020/21	Q2 2020/21	Q1 2020/21	Q4 2019/20	Q3 2019/20	Q2 2019/20	Q1 2019/20
Composition of revenue, products:								
Visualization	540	523	547	558	396	539	486	290
Anaesthesia	256	240	248	253	273	258	273	256
Patient Monitoring & Diagnostics	230	210	206	202	202	150	230	214
Revenue	**1,026**	**973**	**1,001**	**1,013**	**871**	**947**	**989**	**760**
Key figures, revenue:								
Endoscopes sold, ’000 units	393	386	379	370	255	337	313	180
Growth in number of endoscopes sold, %	54	15	21	106	174	74	72	21
Organic growth, products:								
Visualization, %	37	0	17	101	204	81	69	24
Anaesthesia, %	-6	-1	-4	5	18	-1	3	8
Patient Monitoring & Diagnostics, %	13	44	-7	-3	-10	-32	-6	10
Organic growth, %	**18**	**7**	**6**	**39**	**48**	**21**	**24**	**14**
Exchange rate effects, %	0	-4	-5	-6	-4	2	2	2
Reported revenue growth, %	**18**	**3**	**1**	**33**	**44**	**23**	**26**	**16**
Organic growth, markets:								
North America, %	18	32	6	13	130	-10	17	16
Europe, %	11	-10	2	79	15	59	40	11
Rest of World, %	36	7	18	9	-1	31	2	12
Organic growth, %	**18**	**7**	**6**	**39**	**48**	**21**	**24**	**14**
Revenue	1,026	973	1,001	1,013	871	947	989	760
Production costs	-416	-365	-378	-351	-336	-334	-382	-303
Gross profit	**610**	**608**	**623**	**662**	**535**	**613**	**607**	**457**
Gross margin, %	*59.5*	*62.5*	*62.2*	*65.4*	*61.4*	*64.7*	*61.4*	*60.1*
Selling and distribution costs	-415	-344	-361	-348	-337	-320	-324	-247
Development costs	-73	-53	-52	-47	-50	-41	-36	-30
Management and administration	-118	-123	-110	-119	-119	-96	-97	-87
Total capacity costs	*-606*	*-520*	*-523*	*-514*	*-506*	*-457*	*-457*	*-364*
Operating profit (EBIT)	**4**	**88**	**100**	**148**	**29**	**156**	**150**	**93**
EBIT margin, %	*0.4*	*9.0*	*10.0*	*14.6*	*3.3*	*16.5*	*15.2*	*12.2*
Financial income	3	1	4	0	0	-3	2	4
Financial expenses	-9	-12	11	-30	-24	-30	-14	-41
Profit before tax	**-2**	**77**	**115**	**118**	**5**	**123**	**138**	**56**
Tax on profit for the year	1	-15	-20	-27	-2	-31	-34	-14
Net profit for the year	**-1**	**62**	**95**	**91**	**3**	**92**	**104**	**42**

QUARTERLY RESULTS (CONTINUED)

DKKm	Q4 2020/21	Q3 2020/21	Q2 2020/21	Q1 2020/21	Q4 2019/20	Q3 2019/20	Q2 2019/20	Q1 2019/20
Balance sheet:								
Assets	5,740	5,567	5,318	5,043	4,926	4,876	4,788	4,680
Net working capital	789	794	728	636	581	569	713	593
Equity	3,952	3,904	3,861	2,394	2,372	2,410	2,300	2,127
Net interest-bearing debt	759	638	466	1,701	1,346	1,253	1,446	1,358
Invested capital	4,711	4,542	4,327	4,095	3,718	3,663	3,746	3,485
Cash flows, in DKKm:								
Cash flow from operating activities	62	68	92	106	81	314	10	-110
Cash flow from investing activities before acquisitions of enterprises and technology	-169	-181	-119	-104	-122	-127	-99	-80
Free cash flow before acquisitions of enterprises and technology	-107	-113	-27	2	-41	187	-89	-190
Acquisitions of enterprises and technology	-1	0	-1	-299	0	-2	0	0
Cash flows, in % of revenue:								
Cash flow from operating activities	6	7	9	10	9	33	1	-14
Cash flow from investing activities before acquisitions of enterprises and technology	-16	-19	-12	-10	-14	-13	-10	-11
Free cash flow before acquisitions of enterprises and technology	-10	-12	-3	0	-5	20	-9	-25
Key figures and ratios:								
Capacity costs	606	520	523	514	506	457	457	364
Rate of cost, %	59	53	52	51	58	48	46	48
EBITDA	65	143	150	198	85	198	200	126
EBITDA margin, %	6.3	14.7	15.0	19.5	9.8	20.9	20.2	16.6
Depreciation	-31	-31	-29	-27	-26	-22	-21	-19
Amortization	-26	-24	-22	-22	-31	-20	-18	-14
Impairment	-4	0	1	-1	1	0	-11	0
EBIT	4	88	100	148	29	156	150	93
EBIT margin before special items, %	0.4	9.0	10.0	14.6	3.3	16.5	15.2	12.2
NIBD/EBITDA before special items	1.4	1.1	0.7	2.5	2.2	2.2	2.6	2.3
Net working capital, % of revenue	20	21	19	17	16	17	23	20
Share-related ratios:								
Market price per share (DKK)	190	241	298	263	180	208	165	112
Earnings per share (EPS) (DKK)	0.00	0.24	0.38	0.37	0.01	0.37	0.42	0.17
Diluted earnings per share (EPS-D) (DKK)	0.00	0.24	0.38	0.36	0.01	0.37	0.42	0.17

CORPORATE GOVERNANCE AND SHAREHOLDER INFORMATION

RISK MANAGEMENT

Ambu's business activities involve a number of inherent risks, and the company is exposed to risks on an ongoing basis which may have a negative impact on daily operations, financial standing, results and future growth.

Ambu's risk management is focused on early identification of risks and rigorous assessment, but also increasingly on continuous mitigation, management, and monitoring of risks, thereby ensuring that only calculated risks are taken.

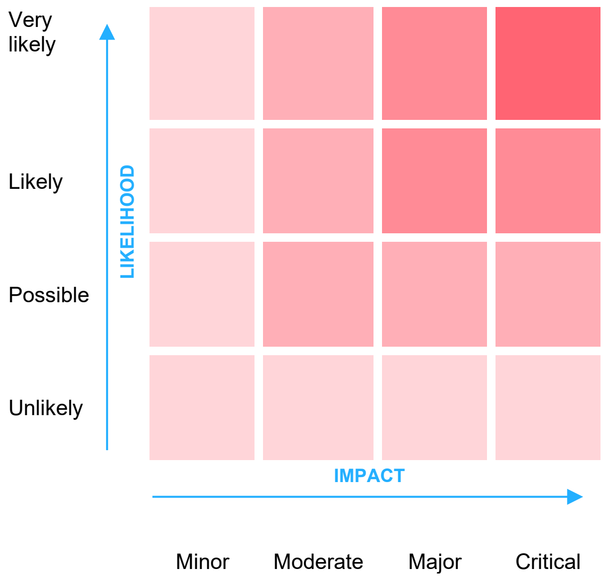
Risk reporting process and governance
The most significant risks to Ambu in the short to medium term are identified and assessed, and potential updates to the mitigation plans are reported to Group Risk & Compliance on a quarterly basis. The long-term risks are integrated in the overall development of Ambu's strategy and business plans.

Based on the reported risks, Group Risk & Compliance conducts a series of in-depth interviews with risk officers in the organisation, after which the most significant risks are accessed by risk boards, before being reported to the Executive Management and the Board of Directors on a quarterly basis.

The management of each function is responsible for identifying, assessing and managing the risks associated with its part of the organisation. The Executive Management is responsible for determining Ambu's overall risk profile in alignment with the company's strategy and values. The Executive Management is also responsible for delegating responsibility for the risks that are shared across the organisation, as well as for approving the mitigating activities that address the most significant risks.

The Board of Directors monitors and reviews the reported risks, and their planned mitigation, as well as any recommendations from the Executive Management, on a quarterly basis, based on the mapping of risks in the 'risk heat map'.

Risk heat map



Key risks

Some risks are considered to have a significant impact on Ambu's future operations, business and strategy. In the sections below, these risks are grouped into six overall categories, and examples of these risks as well as how they are mitigated are provided.

Innovation & development risks
Ambu's opportunities to achieve its strategic targets depend on its ability to develop unique, high-quality products. A commercial understanding of the sector's long-term needs, as well as user insights regarding targeted procedures in new segments and their integration into product development, are crucial to remaining a market leader. In addition, there is an inherent risk of IP disputes and litigation.

Risk examples
- Insufficient capturing of user insights.
- Time needed to achieve the required design.
- Infringement of intellectual property rights that may reduce Ambu's competitive advantages and negatively impact sales.

Primary risk mitigation activities
- Products are launched in multiple segments.
- The screening process for capturing user insights is very detailed and integrated into product development, allowing for rounds of modifications before the design is locked.
- IP clearance processes and IP awareness training.

Product supply, quality and safety risks
As a producer of medical devices, Ambu must comply with legislation imposed by local health care authorities, including the new EU Medical Device Regulation (MDR) and the US Food and Drug administration (FDA). Failure to comply may negatively impact Ambu's ability to sell its products. Supply chain disruptions due to COVID-19, and other major incidents occurring at the same time, can and may cause infrastructure congestion and delays, which in turn can lead to higher freight rates.

Risk examples
- Major disruption at a manufacturing facility due to a natural disaster or other emergency, such as a fire or a pandemic, may disrupt Ambu's ability to manufacture and distribute products.
- Lockdowns, breakdowns, political unrest, fires, natural disasters etc. at key suppliers' sites may result in disruption of Ambu's supply chain.
- Loss of licences to sell or manufacture due to non-compliance with legislation.

Primary risk mitigation activities

- Global production with multiple facilities and re-building safety stock.
- Dual sourcing, identification of high-risk suppliers and continuous development of contingency plans.
- Continuous development and improvement of control processes and quality procedures, and ongoing monitoring of legislation and market standards.

Commercial risks

In Ambu's most important markets, there is a constant economic and political focus on reducing healthcare costs, leading to a general demand for hospitals to become more efficient. Ambu's Anaesthesia and PMD businesses have historically experienced modest price pressure, while prices within the Visualization franchise have been more stable.

Risk examples

- Delays in product launch and penetration into a market.
- Pace of market creation and product acceptance in single-use endoscopy.
- Economic and political development leading to budgetary constraints and healthcare reforms.

Primary risk mitigation activities

- Validation of value proposition in single-use, for instance workflow efficiency and sterility.
- Continuous improvement of product launch capabilities.
- Modular approach in Innovation to support fast innovation cycle and low-cost production with manufacturing in low-cost jurisdictions to enable competitive pricing.

IT security risks

Globally and across most industries, a significant increase in cybercriminal activity, such as phishing campaigns and malicious websites, is taking place. Cyber threats like cybercrime and cyberattacks are real and could have a major business impact, including by affecting Ambu's operations, delivery performance and competitive advantage.

Risk examples

- Breaches of IT security and/or a major IT breakdown, caused by e.g. malware attacks, could have a severe impact on Ambu's ability to maintain daily operations, resulting in disruption of sales and shipments to customers.
- The disclosure of confidential information could compromise the privacy of customers or other individuals and business critical information could be lost, stolen or otherwise released into the hands of people for whom it was never intended.
- Theft of intellectual property, for instance key plans and descriptions of new products, may result in a severe impact on competitive advantage.

Primary risk mitigation activities

- Ambu is continuously improving its measures to monitor and respond to potential data breaches and cyberattacks.
- Our cybersecurity efforts are aligned with the National Institute of Standards and Technology Cyber Security Framework (NIST CSF) and build on technical, as well as human behavioural, measures.
- On a regular basis, we conduct both internal and external security assessments, including vulnerability assessments, penetration testing and threat hunting.

Financial risks

The development in Ambu's results and equity is subject to several financial risks, including foreign exchange risks, interest rate risks, liquidity risks and credit risks as well as the risk of changing international trading conditions.

Risk examples

- Changes to tax legislation and inherent tax risk associated with being a multinational company.
- Implementation of customs barriers and limitations on free trade.
- Fluctuations in interest rates and inflation.

Primary risk mitigation activities

- Centralisation of financial risks in the group's finance function, which also serves as a service centre for all subsidiaries.
- As a general rule, Ambu relies on the neutral hedging of currency risks that are embedded in the ordinary cash flows.
- The management of financial risks is described in further detail in note 4.1 to the consolidated financial statement.

Legal & compliance risks

Ambu operates in a highly regulated industry that is subject to great variation in laws and regulations across geographies and business areas, leading to a complex and often unpredictable legal environment. Enforcement of various anti-corruption, data-privacy and healthcare-related laws and regulations, as well as increased public awareness of business ethics and protection of personal data, contribute to an increased risk to Ambu.

Risk examples

- Lawsuits filed by competitors.
- Violations of healthcare-related laws and non-compliance with Ambu's codes of conduct.
- Investigations by authorities and/or criminal and civil sanctions and other penalties.

Primary risk mitigation activities

- Ongoing implementation and monitoring of Ambu's compliance programmes, including training and auditing activities.
- Legal reviews of key activities.
- Independent and confidential ethics hotline for reporting of unethical situations, violations and misconduct.

CORPORATE GOVERNANCE

Corporate governance refers to the principles governing the management of the company, based on the shareholders' views on the ownership. Ambu seeks to establish close and trusting relations with relevant stakeholders, including shareholders, employees, customers, suppliers and society as a whole. We also seek to ensure transparency, and we want to openly share relevant information with our stakeholders.

Ambu's Board of Directors complies with all of Nasdaq Copenhagen's recommendations concerning corporate governance and reports on compliance on our website. This reporting constitutes the statutory reporting on corporate governance pursuant to section 107 b of the Danish Financial Statements Act (*Årsregnskabsloven*).

Shareholders

The shareholders own Ambu and exercise their right to make decisions at the annual general meeting, for example by 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 Management questions and to propose 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 this. 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 negotiable instruments, and according to Ambu's Articles of Association, the transfer of more than 5% of the total number of Class A shares at a price higher than the price quoted for the company's Class B shares may 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 of the company's stakeholders, as it lays down 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 Management. 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, defining strategies and setting objectives as well as approving the overall budgets and plans. The Board of Directors also undertakes 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.

The Board of Directors has established an annual process whereby self-evaluation of the Board of Directors' work and performance is assessed. At least every three years the evaluation must be conducted by an experienced external facilitator. The self-evaluation in 2020/21 led to focus areas which will be included in the work of the Board of Directors in 2021/22.

Composition of the Board of Directors

The Board of Directors currently has five members who are elected by the shareholders at the annual general meeting and three members elected by the employees pursuant to the Danish rules concerning employee representation.

The shareholder-elected members are elected for one year at a time, while the employee-elected members are elected for four years at a time under applicable legislation.

The Chairman and the Vice-Chairman of the Board of Directors are elected directly by the shareholders at the general meeting.

For the Board of Directors to undertake its responsibilities and act as a good sounding board for the Executive Management, 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 from innovation and also experience from the acquisition and divestment of enterprises, and insights into risk management and financial affairs. The members of Ambu's Board of Directors are deemed to possess these competences.

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 shareholders at the annual general meeting are considered to be independent members, as defined by the Committee on Corporate Governance.

Duties of the Board of Directors

The Board of Directors held nine (2019/20: eleven) meetings during the financial year.

Moreover, the Audit Committee held five meetings (2020/21: five) during the year. The Audit Committee consists of three members of the Board of Directors. In addition, the Chairman, the CEO, the CFO and the auditor appointed at the annual general meeting attend the Audit Committee 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 the 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 the 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 which consists of three members of the Board of Directors. The committee held three meetings (2020/21: three) in the course of the financial year. Ambu's CEO and CFO attend 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 Management and to recommend future incentive schemes. The Charter of the Remuneration Committee can be found at www.ambu.com/remcom.

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. The Nomination Committee held one meeting (2020/21) during the year. Ambu's CEO occasionally attend the meetings. The Nomination Committee is charged with evaluating the composition of the Executive Management Team and with evaluating and possibly renewing the Board of Directors to ensure that the members of the Board live up to the requirements and possess the skills needed. The Charter of the Nomination Committee can be found at www.ambu.com/nomcom.

Executive Management

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

The Executive Management consists of CEO Juan Jose Gonzalez and CFO Michael Højgaard.

Corporate governance

The Board of Directors has considered the recommendations from the Committee on Corporate Governance (www.corporategovernance.dk) from May 2013, as most recently amended on 23 November 2017, and has systematically reviewed the recommendations in a document which can be found at www.ambu.com/corpgov.

The Danish Corporate Governance Recommendations of 2 December 2020 apply to Ambu for the financial year 2021/22.

Ambu complies with all of the recommendations of the Committee on Corporate Governance.

Data ethics

A data ethics policy was developed in 2021. It is Ambu's policy to maintain the highest ethical standards and comply with all applicable data and privacy laws and regulations. Our work with data ethics is governed by the data ethics policy as well as internal policies and standard operating procedures. Please refer to the Sustainability Report or go to www.ambu.com/dataethics for more information.

Gender diversity and Board attendance

Report on the gender composition of the Board of Directors (members elected at the annual general meeting), pursuant to section 99 b, and on diversity pursuant to section 107d of the Danish Financial Statements Act.

Ambu wants the Board of Directors and Executive Management to be representative across genders, nationalities, ages, education, qualifications, competencies and thereby perspectives. The members should, as a group, have sufficient knowledge, insight and professional experience to understand Ambu's activities and the risks related hereto.

Since the annual general meeting in December 2019, the Board of Directors has recruited one female member. Our ambition is to have two female members corresponding to equal gender representation within a board of directors with 6 members.

In August 2021, the Board of Directors announced a proposal that Susanne Larsson, CFO at Mölnlycke, and Michael del Prado, former Company Group Chairman of Johnson & Johnson Medical Devices, be elected as new members of the Board of Directors at the annual general meeting on 14 December 2021. If elected, the new members will further strengthen the diversity of Ambu's Board in terms of gender and nationality.

Diversity within Board of Directors and Executive Management	Minimum target	2020/21
Number of genders	2	2
Number of nationalities	2	2
Number of age intervals (40-49, 50-59, 60-69)	2	3

Gender diversity is described in further detail in the Social Capital chapter of our 2020/21 Sustainability Report.

For a complete report on Ambu's corporate governance, including the Inclusion and Diversity Policy and the Board of Directors' views on all the recommendations from the Committee on Corporate Governance, go to www.ambu.com/corpgov.

Board governance	Target 2022/23	2020/21	2019/20	2018/19	2017/18	2016/17
Gender diversity (female members of the Board of Directors)	33.3% -66.7%	20%	17%	0%	0%	0%
CEO pay ratio (times)		12	34	24	16	15
Board meeting attendance rate		100%	95%	100%	97%	–

BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

Board of Directors

Jørgen Jensen, born 1968
Chairman of the Board of Directors, member of the Board since 2020.
Chairman of the Remuneration Committee and the Nomination Committee.
Position: Professional board member since 2019.
Honorary offices: 3Shape (C), Velux (C), Micro Matic (C), Weibel (C), VKR Holding (VC), Healthcare DENMARK (C).
Special competences: General management, as well as sales, R&D, Production, Supply Chain and M&A experience from global companies.
No of shares: 16,236 (1,861)

Christian Sagild, born 1959
Vice-Chairman of the Board of Directors and member of the Board since 2012.
Chairman of the Audit Committee and member of the Nomination Committee.
Position: Professional board member.
Honorary offices: Royal Unibrew (MB), Nordic Solar (C), Penneo (C).
Special competences: General management of a listed company, special insights into financial matters and risk management.
No. of shares: 255,000 (255,000)

Britt Meelby Jensen, born 1973
Member of the Board since 2019.
Member of the Remuneration Committee and the Nomination Committee.
Position: CEO at Atos Medical AB.
Honorary offices: Hempel Foundation & Hempel Invest A/S (MB), Novo Holdings (Member of Novo Advisory Group).
Special competences: General management in healthcare (listed and P/E owned companies) and commercial sectors.
No. of shares: 4,000 (4,000)

Mikael Worning, born 1962
Member of the Board since 2010.
Member of the Audit Committee.
Position: Professional board member.
Honorary offices: CellaVision (C), The Fertility Partnership (C), 3Shape (MB).
Special competences: General management experience with focus on international sales and marketing within MedTech.
No. of shares: 66,900 (66,900)

Henrik Ehlers Wulff, born 1970
Member of the Board since 2015.
Member of the Audit Committee and the Remuneration Committee.
Position: Executive Vice President of Novo Nordisk A/S.
Honorary offices: Grundfos Holding (MB).
Special competences: General management with experience in the field of global manufacturing, supply chain management, IT and quality management, particularly in the area of GMP.
No. of shares: 10,645 (10,645)

Thomas Lykke Henriksen, born 1973
Member of the Board since 2017.
Position: Head of HR Systems.
Elected by the employees.
No. of shares: 10,008 (9,843)

Jakob Koch, born 1979
Member of the Board since 2017.
Position: Director, IP.
Elected by the employees.
No. of shares: 3,106 (2,893)

Jakob Bønnelykke Kristensen, born 1972
Member of the Board since 2013.
Position: Senior Director, Anaesthesia & Patient Monitoring, Global Innovation.
Elected by the employees.
No. of shares: 12,098 (6,971)

Executive Management

Juan Jose Gonzalez, born 1972
CEO since 2019.
Honorary offices: Subsidiaries in the Ambu group (C/MB), Straumann group (MB).
No. of shares: 339,465 (162,240)

Michael Højgaard, born 1964
CFO since 2013.
Honorary offices: Subsidiaries in the Ambu group (C/MB).
No. of shares: 16,826 (18,544)

Honorary offices and shareholdings as at 9 November 2021. C = *Chairman of the Board of Directors, VC = Vice-Chairman of the Board of Directors, MB = Member of the Board of Directors*

Board member Mikael Worning will not seek re-election at the annual general meeting on 14 December 2021.

REMUNERATION

Remuneration policy
Ambu's remuneration policy is complemented by the overall guidelines for an incentive programme for the Executive Management, which was approved at the annual general meeting in 2019.

Under the remuneration policy, it is possible to offer a base salary, a cash bonus element of up to 100% of the base salary, and a share-based element which can constitute up to 150% of the base salary.

The remuneration policy includes pension contributions as well as a company car and other usual non-cash staff benefits.

Below follows a description of the most important elements and conditions set out in the remuneration policy. A more detailed description can be found in the Remuneration Report, which is available at www.ambu.com/reports.

Board of Directors
Members of the Board of Directors do not receive variable remuneration and are not part of share-based incentive schemes but receive a fixed annual base fee of DKK 350,000, which is approved by the shareholders at the annual general meeting.

The Chairman receives three times the base fee, while the Vice-Chairman receives two times the base fee. The Chairman of the committees receives a fee of DKK 175,000 while members of the committees receive a fee of DKK 117,000. The total remuneration paid to the Board of Directors, including the Board committees, constituted DKK 4.6m in 2020/21. (2019/20: DKK 4.2m).

Executive Management
The remuneration of the Executive Management 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 Management. The remuneration consists of a fixed base salary, a cash bonus and participation in share-based incentive schemes in the form of share options or performance share units (PSUs). The cash bonus and share-based payment depend on the financial results achieved by Ambu. In addition, members of the Executive Management receive pension contributions and customary non-cash benefits.

The remuneration earned by the Executive Management in 2020/21 totalled DKK 15.0m (DKK 36.7m) measured as the value of compensation earned in the reporting period. "LTI" is measured as all PSUs achieved during the year's performance, times the grant value. Accounting adjustments for share-based payment settled in cash or in vesting periods are included in "Adj. of LTI to IFRS", which then reconciles to the "Total expense in the income statement".

2020/21 DKKm	Juan Jose Gonzalez	Michael Højgaard	Total
Base pay	7.3	3.8	11.1
Pension	1.0	0.6	1.6
Tax comp.	0.8	-	0.8
STI*	0.8	0.4	1.2
LTI**	0.1	0.1	0.2
Total remuneration earned	**10.1**	**4.9**	**15.0**
Adj. of LTI to IFRS	8.4	0.7	9.1
Total expense in the income statement	**18.5**	**5.6**	**24.1**

2019/20 DKKm	Juan Jose Gonzalez	Michael Højgaard	Total
Base pay	7.3	3.8	11.1
Pension	1.0	0.6	1.6
Tax comp.	0.8	-	0.8
STI*	8.6	1.5	10.1
LTI**	10.9	2.2	13.1
Total remuneration earned	**28.6**	**8.1**	**36.7**
Adj. of LTI to IFRS	-4.6	-0.2	-4.8
Total expense in the income statement	**24.0**	**7.9**	**31.9**

*Prior years STI for CEO of DKK 8.6m includes relocation package and sign-on bonus
**The value of LTI is calculated as the unit value at grant date times the number of units achieved

The variable remuneration reported for CEO Juan Jose Gonzalez is based on PSUs and a cash bonus. For practical purposes it has been agreed to settle the PSUs in cash based on the performance of a synthetic Ambu Class B share. IFRS requires share-based payment settled in cash to be fair-value adjusted as an expense/income in OPEX.

The notice of termination to be given by Ambu to members of the Executive Management may not exceed 18 months, and the notice of termination to be given by the members of the Executive Management to Ambu may not normally exceed nine months.

Employee shares
Since 2016, all employees have had the opportunity to buy Ambu B-shares for up to 2% of their fixed annual salary at a discount of 50%, provided that the shares are held for two years. In the last allocation in May 2021, approx. 1,800 employees participated, and it has been decided that the programme will continue in the 2021/22 financial year.

Further detailed information on remuneration is presented in the Remuneration Report and in note 5.3.

SHAREHOLDERS AND INVESTOR RELATIONS

Share capital
Ambu's share capital is divided into two classes of shares, each with a nominal share value of DKK 0.50. Class A shares carry 10 votes per share, while Class B shares carry one vote per share. There is no difference between the financial rights pertaining to the individual share classes. All shares are paid-up in full. Ambu's Class B share is listed on Nasdaq Copenhagen under ISIN code DK0060946788 and the short name of 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, Dr.-Ing. Holger Hesse.

The share capital consists of 34,320,000 Class A shares and 223,383,932 Class B shares. The total number of shares is 257,703,932.

At Ambu's annual general meeting on 13 December 2017, it was decided to carry out a 1:5 share split with effect from January 2018. After the split, Ambu's shares have a nominal value of DKK 0.50 each. All relevant ratios were restated in the 2017/18 Annual Report to reflect the share split.

Raising of capital, January 2021
On 27 January 2021, Ambu announced it was seeking to strengthen its capital base by issuing new shares and through the sale of treasury shares. An accelerated book-building process was concluded on the following days, and a total of 4,711,832 new Class B shares and 250,000 treasury shares were sold at a price of DKK 262 per share. Total capital of DKK 1,300m was raised. Less transaction costs of DKK 19m, this is equivalent to net proceeds of DKK 1,281m in the form of a capital contribution of 1,216m and DKK 65m from the sale of treasury shares.

Capital increase
Besides the raising of capital in January 2021, four capital increases were carried out in the course of 2020/21 in connection with employees' exercising of warrants allocated in 2015 and 2016. A total of 175,000 (1,007,500) shares were issued in this respect, at a weighted price of DKK 53.32 (DKK 36.52) per share with a nominal share value of DKK 0.50.

As a consequence of the above five capital increases, Ambu's share capital has been increased by a total nominal amount of DKK 2,443,416 through the issue of 4,886,832 Class B shares. There is no change in the number of Class A shares from last year, so that the number is 34,320,000 shares of DKK 0.50 each. The rights attached to the shares and their negotiability are unchanged.

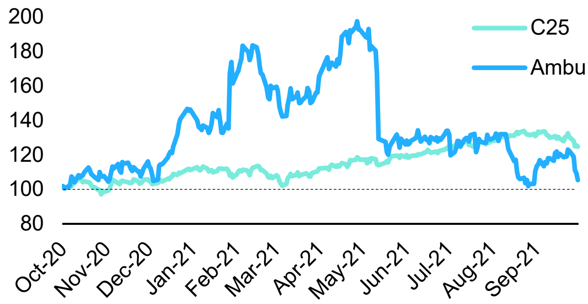
Treasury shares
At the end of the fiscal year, the portfolio of treasury shares comprised 3,976,471 shares (4,903,638), corresponding to 1.5% (1.9%) of the share capital.

The reduction in treasury shares stems from the raising of capital in January 2021, the exercise of 631,293 share options and the disposal of 45,874 shares in connection with matching of the employee share programme from 2018.

Historically, Ambu has been authorised to hold up to 10% of the company's share capital as treasury shares to cover the share option schemes.

Return
Ambu's Class B share opened the financial year at a price of DKK 180 and ended the year at DKK 190, i.e., a change of 5%. By the end of September 2021, Ambu's market capitalisation equals DKK 48.2bn. In comparison, Nasdaq Copenhagen's C25 index increased by 23% in the same period. Over the past five years, Ambu stock has generated an average annual (compounded) return to shareholders of 22%.

Development in share price 2020/21 (index 100)



Ambu in C25
Ambu was listed in 1992 and was a Small Cap stock until January 2011, when the company was moved into the Mid Cap category. In January 2017, Ambu entered the Large Cap category, and the C25 Index in June 2018.

Liquidity
In 2020/21, 213.2m Ambu shares were traded on Nasdaq Copenhagen, equivalent to an average of 853,128 shares per business day.

Shareholders
On 30 September 2021, the total number of shareholders in Ambu whose holdings are registered by name is 59,131 (45,881). They hold a combined 98% (88%) of the total share capital.

As at 30 September 2021, the following shareholders had filed ownership of more than 5% of the share capital and/or votes:

	Share of capital, %	Share of votes, %
Inga Kovstrup*, Fredericia	1.7	17.9
Dorrit Ragle*, Virum	0.1	17.7
Hannah Hesse, Frederiksberg	3.0	10.5
Simon Hesse, Virum	3.0	10.4
N.P. Louis Hansen ApS, Hellerup	14.3	6.5

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

Back in 1987, a shareholders' agreement was made by the holders of the Class A shares, as described in the prospectus in connection with the listing of Ambu A/S in 1992. In November 2015, a new shareholders' agreement was established 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 solely regulates the family's holdings of Class A shares, while the family's holdings of listed Class B shares are not regulated by the shareholders' agreement. Moreover, Ambu's Articles of Association contain provisions on the trading of Class A shares.

In addition to the Class A shares, the family holds approx. 13.2 million Class B shares, corresponding to 5.9% (6.1%) of the Class B share capital. The family thus controls a total of 18.4% (18.9%) of the combined Class A and Class B share capital and 62.9% (63.6%) of the votes.

As at 30 September 2021, international owners hold 43% (37%) of the share capital. International owners are institutional investors from e.g. the UK, Germany and the USA.

Investor relations

Each quarter, a conference call is held focusing on the results in the past quarter, and each quarter Ambu has attended a number of meetings and conferences with investors in Denmark and abroad. Ambu seeks active dialogue with investors, share analysts, journalists and the general public.

Besides the legally required reporting, Ambu communicates with the market via press releases, investor presentations, conference calls and one-on-one meetings, etc. The aim is to ensure a well-founded share price that reflects past performance, as well as the future value creation of Ambu.

The share is covered by 11 analysts (ABG Sundal Collier, Carnegie Bank, Danske Market Equities, Nordea Market Equities, Sydbank, J.P. Morgan Markets, DNB Markets, SEB Equities, Redburn Limited, Handelsbanken Equity Research and Bank of America Securities). The 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.

Ambu's Investor Relations policy prescribes a four-week 'quiet period'. This means that Ambu will limit their participation in any gatherings and their comments on topics related to Ambu's business during a period of four weeks up to the release of financial reports. During the year, Ambu issued 19 company announcements. See page 105. The following are in charge of Investor Relations and contact with analysts and investors:

- Executive Vice President, CFO Michael Højgaard (miho@ambu.com)
- Director, Investor Relations & Strategic Financial Planning, Nicolai Thomsen (nith@ambu.com)

Financial calendar 2021/22 and 2022/23

2021	
9 November	Annual Report 2020/21
14 December	Annual general meeting
2022	
11 January	Q1 quiet period starts
8 February	Interim report for Q1 2021/22
12 April	Q2 quiet period starts
10 May	Interim report for Q2 2021/22
28 July	Q3 quiet period starts
25 August	Interim report for Q3 2021/22
30 September	End of the financial year 2021/22
18 October	Q4 quiet period starts
15 November	Annual Report 2021/22
14 December	Annual general meeting

Proposal to the AGM

The Board of Directors recommends that Ambu continues to pursue a balanced dividend policy, distributing approx. 30% of the net profit for the year, but also that the dividend policy is regularly reviewed if necessary investments or potential acquisitions emerge which may significantly impact Ambu's financial position.

On this basis, the Board of Directors proposes to the annual general meeting that dividend of DKK 0.29 (DKK 0.29) be paid per share for 2020/21, corresponding to 30% (30%) of the net profit. The proposed dividend for the year is equivalent to a 3% increase compared to last year, and the Board of Directors considers this level to be reasonable in view of Ambu's financial resources and the expected results in the coming financial year. The Board of Directors proposes that the net profit for the year of DKK 247m be appropriated as follows (DKKm):

Dividend of DKK 0.29 per share	75
Retained earnings	172
Total	**247**

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

The agenda for the annual general meeting with annexes is expected to be announced on Monday 15 November 2021. The annual general meeting will be held on Tuesday 14 December 2021 at 13.00 at Tivoli Hotel & Congress Center, Arni Magnussons Gade 2, DK-1577 Copenhagen. Shareholders can sign up to attend the annual general meeting and download all relevant material in relation to the meeting at www.ambu.com/AGM.

Sustainability

Our sustainability report constitutes Ambu's compliance with the statutory disclosure on corporate social responsibility pursuant to section 99 a of the Danish Financial Statements Act. The report can be found on www.ambu.com/reports.

Underpinning our financial performance and strategic progress is a desire to act responsibly and grow sustainably.

In the past year, we have expanded our data to 100% of our Scope 1 and 2 carbon emissions, increased our share of renewable electricity from 0% to 4%, increased the number of female executives in our top management to 33%, reduced the already low frequency of occupational injuries and trained our employees in our Code of Conduct. In addition, we have made long-term commitments, most notably to align our carbon emission targets with the Paris agreement's 1.5ºC climate goal, and we have renegotiated terms with credit institutions and the cost of financing now includes sustainability targets that are linked to our ESG strategy.

The following pages are a summary. For a broader view read our 2020/21 Sustainability Report which is available online.

UN Sustainable Development Goals

Our targets and activities are directly linked to our contribution to the SDG's.

SDG 3 Good health and well-being and
SDG 8 Decent work and economic growth

In general, Ambu's products contribute to SDG 3 "Ensure healthy lives and promote well-being for all" due to the nature of our products as medical devices.

Ambu's contribution to SDG 8 "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all" is directly linked to our company growth ambitions and strategy to Grow sustainably for our people and our planet.

SDG 7 Affordable and clean energy, SDG 12 Responsible consumption and production and SDG 13 Climate action

Through our energy efficiency activities and our engagement with SBTi we will increase our demand for renewable electricity and thereby support SDG 7 "Ensure access to affordable, reliable, sustainable and modern energy for all" and SDG 13 "Take urgent action to combat climate change and its impacts."

We contribute to SDG 12 "Ensure sustainable consumption and production patterns" by monitoring and reducing energy and water consumption, as well as by minimising and upcycling waste and focusing on sustainable procurement.

SDG 5 Gender equality

Ambu has adopted the United Nations Women's Empowerment Principles (WEPs) as part of our commitment to promote gender equality and women's empowerment in the workplace. Together with our current activities, training and development of our people leaders in diversity and inclusion, to ensure equal opportunities for men and women and equality in Ambu, we contribution to SDG 5 "Achieve gender equality and empower all women and girls."

Sustainability & ESG governance

The Sustainability & ESG committee consists of Executive Vice Presidents and Vice Presidents and covers all business activities.

Sustainability & ESG activities, target and milestone setting, action plans, and data registration and collection are anchored in the respective business areas in which they originate with the Sustainability & ESG committee member holding overall responsibility. The ESG department facilitates and coordinates all corporate sustainability & ESG activities, to ensure compliance and

SUSTAINABILITY PERFORMANCE HIGHLIGHTS

2019/20 → **2020/21**

80% →
100%
Scope 1 + 2 covered

0% →
4%
Renewable electricity share

25% →
33%
Women in Ambu's Executive Leadership Team

1.44 →
1.07
Lost-Time Injury frequency and 0 fatalities

0% →
99.7%
Employees trained in our Code of Conduct

adherence to legislation, commitments and stakeholder expectations.

Sustainability highlights

2025 target CO2 reduction
In August 2021, we committed to setting carbon emission reduction targets in line with the Science Based Targets initiative (SBTi). Ambu expects continued business growth over the coming years and we must therefore decouple our carbon emissions from our growth and reduce both our absolute and relative emissions in the years to come.

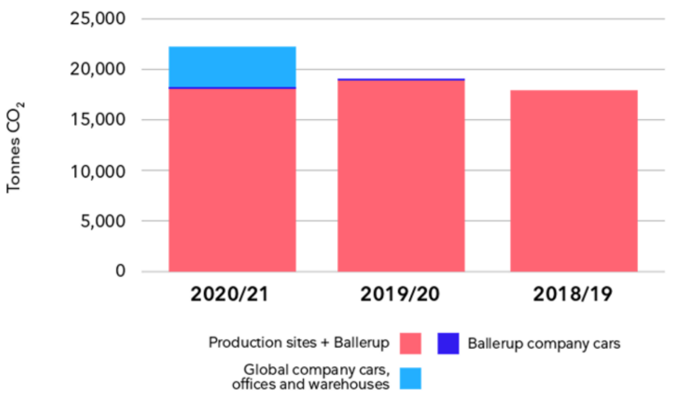
Our strategy is three-fold and includes short- and long-term initiatives: Minimise carbon emissions from production sites through energy efficiency measures, purchase Renewable Energy Certificates (RECs) with focus on additionality and establish Power Purchase Agreements (PPAs). We aim to be able to submit and have our targets validated and accepted by the SBTi in 2021/22.

During 2020/21, we expanded the data collection process in order to get a full picture of our Scope 1 and 2 emissions and have now included:

- Electricity used in all of Ambu's leased international offices and warehouses.
- Fuel consumption in all leased and owned company cars.
- Fugitive emissions from leakage of cooling agents at our production sites and headquarters.

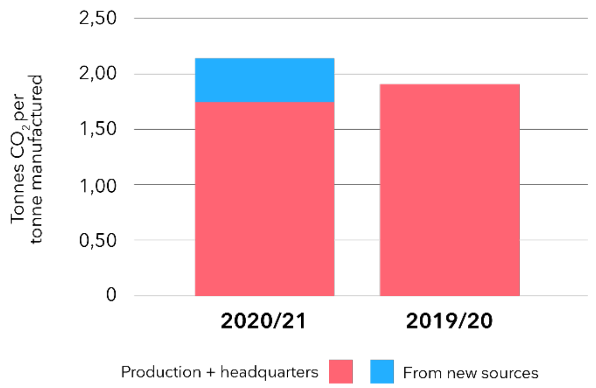
To enable comparison over the last three years, the new emission sources are summarised and visualised in light blue on top of how emissions were calculated for the previous years.

TOTAL SCOPE 1 + 2 CO_2 EMISSIONS



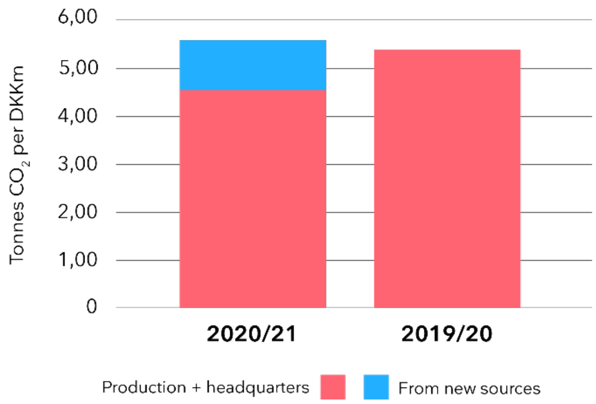
Disregarding the new emission sources, Ambu's Scope 1+2 emissions have decreased by 5% compared to 2019/20.

CO_2 EMISSIONS BY MANUFACTURED PRODUCT



Disregarding the new emission sources, the intensity metric of CO2 per tonne manufactured is 1.75, which is an 8% decrease compared to 2019/20. The decrease is attributable to an increase of 3.5% in our production yield and a decrease in carbon emissions from production sites and headquarters.

CO_2 EMISSIONS BY REVENUE



Disregarding the new emissions, the intensity metric of CO2/revenue is 4.55, which is a 16% decrease compared to 2019/20. The decrease is attributable to reduced carbon emissions from production sites and headquarters, together with a 13% increase in revenue.

Our sustainability targets

We are working towards a 50% reduction of our **carbon emissions** by 2025 compared to 2019 baseline

ON TRACK

100% **recyclable, reusable or compostable** packaging applied by 2025*

*If solutions and/or technology exist

ON TRACK

95% of new products released during and after 2025 to be **PVC-free**

ON TRACK

40% **female managers** in 2023 (managers meaning employees with HR responsibilities)

ON TRACK

Renewable energy
The solar panels at our production site in Penang, Malaysia, have generated 1,510 MWh renewable, corresponding to 10% of the electricity used on site.

2025 target: PVC-free products
During 2020/21, we launched two new products, of which one product is PVC-free.

2025 target: Packaging
During 2020/21, we collected packaging data from our three production sites: Weight, material and whether it is recyclable, reusable or compostable.

A total of 654 packaging variants were used in 2018/19. Of these, it has been possible to assess the recyclability of 638 variants, equivalent to 98%. Based on this assessment, we find that 36% of the packaging variants are recyclable. 502 packaging variants out of the 654 have been fully mapped, corresponding to 77%.

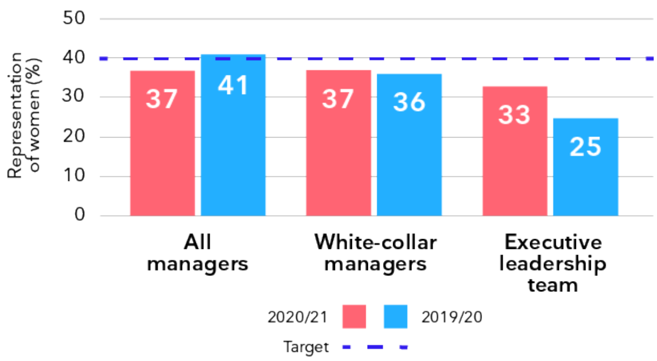
On considering the fully mapped packaging variants solely in terms of weight shipped, we can see that 78% of the packaging is recyclable.

The difference between recyclable packaging variants and recyclable packaging shipped is attributable to the distribution of non-recyclable light-weight packaging types, e.g. labels and sterile pouches, and recyclable heavier packaging such as cardboard boxes.

2023 target: 40% women in management
In 2020/21, the proportion of women among all managers decreased. This can be attributed to a decrease in the proportion of women managers in our EMEA & LA sales organisation, as well as in Penang. A minor increase of one percentage point was seen in the proportion of white-collar managers, while a major step was taken regarding the gender diversity of the Executive Leadership Team, which increased from 25% to 33% female members. The Executive Leadership Team currently comprises 12 executives with global responsibilities as well as the heads of the sales regions.

While some parts of the organisation have already achieved the target of 40% female representation, we continue to work to increase gender diversity across all of Ambu.

GENDER DIVERSITY



ESG data summary

	Target	2020/21	2019/20	2018/19	2017/18	2016/17
Product governance indicators	Targets 2022/23					
FDA warning letters (number)	0	0	–	–	–	–
Recalls (number)	0-5	0	–	–	–	–
Total number of biosafety and design validation studies		189	–	–	–	–
Total number of animals used in trials with biosafety purpose initiated		168	–	–	–	–
Completed clinical trials		2	–	–	–	–
Governance and compliance indicators	Targets 2023/24					
CEO pay ratio (times)		12	34	24	16	15
Board meeting attendance rate (%)		100	95	100	97	–
White-collar and indirect blue-collar employees trained in Code of Conduct (%)	100	99.7	–	–	–	–
Number of reports through Whistleblower hotline (number)		10	5	0	–	–
…of which within scope (number)		10	3	0	–	–

ESG data summary (continued)

	Target	2020/21***	2019/20[2]	2018/19[1]	2017/18	2016/17
Environmental indicators****	Targets 2024/25					
Scope 1 (metric tonnes CO2e)		4,329	957	944	844	835
Scope 2 – location based (metric tonnes CO2e)		18,027	18,249	17,141	13,768	14,899
Scope 2 – market based (metric tonnes CO2e)		18,505	–	–	–	–
Scope 1 + 2 (metric tonnes CO2e)	9,043	22,356	19,206	18,085	14,612	15,734
Scope 1 + 2 per tonne of manufactured products (metric tonnes CO2e /tonne)		2.14	1.90	1.89	1.53	1.66
Scope 1 + 2 by revenue (metric tonnes CO2e /DKKm)		5.57	5.38	6.41	5.61	6.68
Total energy consumption (GJ)		199,927	138,411	130,813	107,185	113,072
Renewable energy share (%)		2.80	0.13	0.05	–	–
Renewable electricity share (%)		4.20	0.15	0.06	–	–
Total water consumption (m3)		137,115	123,115	129,958	101,142	116,233
Total waste (metric tonnes)		2,429	2,276	1,661	1,226	1,426
Waste recycled (%)		40	41	57	70	65
Hazardous waste (%)		0.60	–	–	–	–
Social indicators	Targets 2023/24					
Number of full-time employees at year-end		4,584	4,187	3,108	2,795	2,607
Average number of employees		4,437	3,617	2,957	2,712	2,503
Gender – female/total (%)	45-55%	57	60	58	57	57
Gender – female white-collar managers/all white-collar managers (%)	40-45%	37	36	37	37	37
Gender – female managers/all managers (%)	40-45%	37	41	43	42	–
Gender – female executives/Executive Leadership Team (%)	40%	33	25	–	–	–
Gender – female members of the Board of Directors (%)	33.3-66.7%	20	17	0	0	–
Gender pay ratio, white-collar employees (times)	0.80-1.30	1.33	1.44	–	–	–
Gender pay ratio, indirect blue-collar employees (times)	0.90-1.10	1.02	0.97[6]	–	–	–
Gender pay ratio, blue-collar employees (times)	0.90-1.10	1.09	1.18[6	–	–	–
Employee turnover rate, white-collar employees (%)		17	10	13	15	–
Employee turnover rate, all employees (%)	9-12%	30	20[5]	13	–	–
Sickness absence rate (%)		1.76	1.76[5]	1.51	–	–
Fatalities (number)		0	0	0	0	0
Lost-time incident frequency (no. of accidents with lost time per million hours worked)	Max. 2.0	1.07	1.44	1.32	–	–

[1] Includes emissions from our three production sites and headquarters. [2] Includes emissions from our three production sites and headquarters (incl. company cars). [3] Includes emissions from our three production sites, offices and company cars, and fugitive emissions from refrigerants (from production sites and headquarter). [4] Ambu is dedicated to reporting all greenhouse gases (carbon dioxide, methane and nitrous oxide) and therefore always seeks to use conversion factors displayed as CO2e. Of nine conversion factors, two are not available as CO2e (electricity in China and district heating in HQ). [5] The employee turnover rate for all employees and the sickness absence rate for 2019/20 have been restated, as we detected errors in the data reported last year. Years prior to that have not been restated. [6] The gender pay ratio for indirect blue-collar and blue-collar employees had been switched in 2019/20. This has been corrected.

CONSOLIDATED FINANCIAL STATEMENTS 2020/21

Income statement and statement of comprehensive income

1 October – 30 September

DKKm

Income statement	**Note**	**2020/21**	**2019/20**
Revenue	2.2	4,013	3,567
Production costs	2.3, 2.4	-1,510	-1,355
Gross profit		**2,503**	**2,212**
Selling and distribution costs	2.3, 2.4	-1,468	-1,228
Development costs	2.3, 2.4	-225	-157
Management and administration	2.3, 2.4	-470	-399
Operating profit (EBIT)		**340**	**428**
Financial income	4.3	8	3
Financial expenses	4.3	-40	-109
Profit before tax		**308**	**322**
Tax on profit for the year	2.6	-61	-81
Net profit for the year		**247**	**241**
Earnings per share in DKK			
Earnings per share (EPS)	2.8	0.98	0.98
Diluted earnings per share (EPS-D)	2.8	0.98	0.97

Statement of comprehensive income	**2020/21**	**2019/20**
Net profit for the year	247	241
Other comprehensive income:		
Items which are moved to the income statement under certain conditions:		
Translation adjustment in subsidiaries	33	-81
Other comprehensive income after tax	**33**	**-81**
Comprehensive income for the year	**280**	**160**

Balance sheet
30 September

DKKm

Assets	Note	30.09.21	30.09.20
Goodwill	3.1	1,504	1,497
Acquired technologies, trademarks and customer relations	3.2	407	445
Acquired technologies in progress	3.2	324	324
Completed development projects	3.2	395	304
Development projects in progress	3.2	572	319
Rights	3.2	42	46
Intangible assets		**3,244**	**2,935**
Land and buildings	3.3, 3.4	403	342
Plant and machinery	3.3	164	133
Other fittings and equipment	3.3, 3.4	169	128
Property, plant and equipment in progress	3.3	110	61
Property, plant and equipment		**846**	**664**
Deferred tax asset	2.7	42	90
Other non-current assets		**42**	**90**
Total non-current assets		**4,132**	**3,689**
Inventories	3.5	748	515
Trade receivables	3.6, 4.2	699	521
Other receivables	4.2	20	32
Income tax receivable		13	11
Prepayments		64	60
Cash	4.2, 4.4	64	98
Total current assets		**1,608**	**1,237**
Total assets		**5,740**	**4,926**

Equity and liabilities	Note	30.09.21	30.09.20
Share capital	4.5	129	126
Other reserves		3,823	2,246
Equity		**3,952**	**2,372**
Deferred tax	2.7	18	81
Provisions	4.2, 5.1	30	32
Interest-bearing debt	4.2, 4.4	760	1,401
Non-current liabilities		**808**	**1,514**
Provisions	4.2, 5.1	13	9
Contingent consideration	4.2, 5.2	137	426
Interest-bearing debt	4.2, 4.4	63	43
Trade payables	4.2	364	259
Income tax		23	8
Other payables	4.2	378	288
Derivative financial instruments	4.2	2	7
Current liabilities		**980**	**1,040**
Total liabilities		**1,788**	**2,554**
Total equity and liabilities		**5,740**	**4,926**

Cash flow statement

1 October – 30 September

DKKm

	Note	2020/21	2019/20
Operating profit (EBIT)		340	428
Adjustment of items with no cash flow effect	3.7	227	200
Changes in net working capital	3.8	-197	-203
Interest income		3	0
Interest expenses and similar items		-18	-28
Income tax paid		-27	-102
Cash flow from operating activities		**328**	**295**
Investments in intangible assets		-405	-284
Investments in tangible assets		-176	-144
Sale of non-current assets		8	0
Cash flow from investing activities before acquisitions of enterprises and technology		-573	-428
Free cash flow before acquisitions of enterprises and technology		**-245**	**-133**
Acquisition of technology	5.1	-3	-2
Acquisition of enterprises	5.2	-298	0
Cash flow from acquisitions of enterprises and technology		-301	-2
Cash flow from investing activities		**-874**	**-430**
Free cash flow after acquisitions of enterprises and technology		**-546**	**-135**
Raising of long-term debt	4.6	575	325
Repayment of debt to credit institutions	4.6	-1,250	-150
Repayment of debt to other creditors	4.6	-24	0
Repayment in respect of lease liability	4.6	-44	-32
Exercise of options		37	19
Sale of treasury shares		65	9
Dividend paid		-73	-96
Dividend, treasury shares		1	2
Capital increase, Class B share capital		1,225	37
Cash flow from financing activities		**512**	**114**
Changes in cash and cash equivalents		**-34**	**-21**
Cash and cash equivalents, beginning of year		98	120
Translation adjustment of cash and cash equivalents		0	-1
Cash and cash equivalents, end of year		**64**	**98**
Cash and cash equivalents, end of year, are composed as follows:			
Cash		64	98
Bank debt		0	0
Cash and cash equivalents, end of year		**64**	**98**

Statement of changes in equity

1 October – 30 September

DKKm

	Share capital	Reserve for hedging transactions	Reserve for foreign currency translation adjustment	Retained earnings	Proposed dividend	Total
Equity 1 October 2020	**126**	**0**	**73**	**2,100**	**73**	**2,372**
Net profit for the year				172	75	247
Other comprehensive income for the year			33			33
Total comprehensive income	**0**	**0**	**33**	**172**	**75**	**280**
Transactions with the owners:						
Share-based payment				11		11
Tax deduction relating to share options				34		34
Exercise of options				37		37
Sale of treasury shares				65		65
Distributed dividend					-72	-72
Dividend, treasury shares				1	-1	0
Share capital increase	3			1,222		1,225
Equity 30 September 2021	**129**	**0**	**106**	**3,642**	**75**	**3,952**

Equity 1 October 2019	**126**	**0**	**154**	**1,806**	**96**	**2,182**
Net profit for the year				168	73	241
Other comprehensive income for the year			-81			-81
Total comprehensive income	**0**	**0**	**-81**	**168**	**73**	**160**
Transactions with the owners:						
Share-based payment				19		19
Tax deduction relating to share options				40		40
Exercise of options				19		19
Sale of treasury shares, employee share programme				9		9
Distributed dividend					-94	-94
Dividend, treasury shares				2	-2	0
Share capital increase, warrants				37		37
Equity 30 September 2020	**126**	**0**	**73**	**2,100**	**73**	**2,372**

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 3,823m (2020: DKK 2,246m).

Notes on the consolidated financial statements

Sections 1-5

Section 1: Basis of preparation of consolidated financial statements

Section 2: Operating profit and tax

Section 3: Invested capital and net working capital

Section 4: Financial risk management and capital structure

Section 5: Provisions, other liabilities etc.

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 the 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.

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 Segment information	3.1 Goodwill	4.3 Net financials
2.2 Revenue	3.2 Other intangible assets	4.5 Share capital and treasury shares
2.3 Staff costs	3.3 Property, plant and equipment	5.1 Provisions
2.6 Income taxes	3.4 Leases	5.2 Contingent consideration
2.7 Deferred tax	3.5 Inventories	5.3 Share-based payment
2.8 Earnings per share	3.6 Trade receivables	5.9 Adoption of the annual report etc.
	4.2 Financial instruments	5.10 Key figure and ratio definitions

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), IFRS as adopted by the EU and additional requirements in the Danish Financial Statements Act. The group's ultimate parent company, 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. The accounting policies have been applied consistently with prior year.

Basis of measurement

The consolidated financial statements are presented in Danish kroner (DKK), which is also Ambu A/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 contingent consideration for business combinations, 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 requirements in the Danish Financial Statements Act.

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 realised 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:

2.2 Revenue	3.2 Other intangible assets

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 recognized in the income statement under net financials.

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 recognized in the income statement under net financials.

The financial statements of subsidiaries with a functional currency different than DKK 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 recognized in other comprehensive income and presented as a separate reserve for foreign currency translation adjustments under equity.

New accounting regulation

The group has adopted all relevant new and updated accounting standards issued by the IASB effective as at 1 October 2020.

Standards not yet adopted

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

Presentation of income statement

Income and expenses are recognized 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. Production costs include direct and indirect costs for raw materials and consumables, freight costs incurred in connection with the purchase of commodities etc., production wages and salaries for support functions and factory management, as well as depreciation and impairment of plant and depreciation of leases.

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.

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 capitalization of an internally generated development project. In addition, the amortization and impairment of capitalized development costs as well as amortization of rights and acquired technologies are recognized.

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 amortization and impairment, and depreciation of leases.

Presentation of balance sheet

Prepayments

Prepayments recognized 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.

1.1 Basis of preparation (continued)

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 recognized, provided that such assets can be recognized separately or originate from a contractual right and the fair value can be measured reliably. Deferred tax on the revaluations made is recognized. The date of acquisition is the date when Ambu obtains actual control of 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 recognized as goodwill under intangible assets. The cost of the enterprise is made up of the fair value of the agreed consideration, including any contingent consideration. Goodwill is not amortized, but is subject to an annual impairment test. The first impairment test is carried out at 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 business combinations 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 flow from operating activities comprises operating profit (EBIT) adjusted for non-cash operating items, changes in net working capital, net financials received and paid and income tax paid. Cash flow from investing activities comprises 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.

Leases concluded are considered to be non-cash transactions. Cash flows relating to assets held under leases are recognized as payment of interest and repayment of debt. Cash flow 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 on the transaction date.

Cash and cash equivalents comprise cash less short-term bank debt, alternating between positive and negative balances.

SECTION 2:

OPERATING PROFIT AND TAX

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

In 2020/21, Ambu reported EBIT of DKK 340m (DKK 428m), corresponding to a margin of 8.5%, down 3.5 percentage points from last year's EBIT margin of 12.0%.

This year's EBIT decrease of 21% to DKK 340m can be ascribed to various drivers. Gross profit increased by DKK 291m, driven by reported revenue growth of 13%. Total capacity costs increased by DKK 379m from last year to DKK 2,163m, corresponding to 54% of revenue (50%), primarily driven by an increase in staff costs of DKK 291m. On the other hand, the year-on-year effect of bad debt reserves related to COVID-19 was a reduction in costs of DKK 46m.

Changes from last year as shown in notes

DKKm	**19/20**	Revenue growth	Cost of sales	Staff costs*	DA**	Effect of bad debt		**20/21**	**Change in value**	**Change %**
		Note 2.2	Note 3.5	Note 2.3	Note 2.4	Note 3.6	Residual			
Revenue	3,567	446		-	-	-	-	4,013	446	13%
Production costs	-1,355	-	-133	-	-4	-	-18	-1,510	-155	11%
Gross profit	**2,212**	**446**	**-133**	**-**	**-4**	**-**	**-18**	**2,503**	**291**	**13%**
Gross margin, %	*62.0*	-	-	-	-	-	-	*62.4*	-	-
Selling and distribution costs	-1,228	-	-	-210	-11	46	-60	-1,463	-235	19%
Development costs	-157	-	-	-24	-18	-	-31	-230	-73	46%
Management and administration	-399	-	-	-57	-2	-	-12	-470	-71	18%
Total capacity costs	-1,784	-	-	-291	-31	46	-103	-2,163	-379	21%
EBIT	**428**	**446**	**-133**	**-291**	**-35**	**46**	**-121**	**340**	**-88**	**-21%**
EBIT margin, %	*12.0*							*8.5*	-	-

*Part of the staff costs increase of DKK 21m shown in note 2.3 Staff costs, is included in the "Cost of sales" column under Production costs.
**DA is an abbreviation for "Depreciation, amortisation and impairment losses on non-current assets."

The effective tax rate was 20% (25%), and profit for the year was DKK 247m (DKK 241m). The average number of Class A and Class B shares in circulation was 252m (247m), and the Diluted Earnings per share was DKK 0.98 (DKK 0.97).

DKKm

2.1 Segment information

Segment reporting
Ambu is a supplier of medtech products for the global market. Except for the sales of the various products, no structural or organizational aspects allow for a division of earnings from individual products, as sales channels, customer types and sales organizations are identical for all important markets. Furthermore, production processes and internal controls and reporting are identical, which means that, with the exception of revenue, everything else is unsegmented. Ambu has thus identified one segment.

The Group operates in three geographical regions: North America, Europe and Rest of World. The geographical distribution of revenue is based on the country in which the goods are delivered. See note 2.2 for a breakdown of revenue on geography and countries that individually represent more than 10% of the Group's revenue. The majority of the Group's intangible and tangible assets are located in Denmark as the parent company owns the Group's intellectual property rights. Denmark accounts for DKK 1,902m (DKK 1,565m) of the figures in Europe presented below. Employed assets in North America and Rest of World primarily relates to the Group's production facilities. The management monitors goodwill as a whole, and goodwill is thus not allocated to geographical areas.

	North America	Europe	Rest of World	Total
Intangible and tangible assets less goodwill by geographical region:				
2020/21	161	2,042	383	**2,586**
2019/20	171	1,621	310	**2,102**

2.2 Revenue

	2020/21	2019/20	Change
Visualization	2,168	1,711	457
Anaesthesia	997	1,060	-63
Patient Monitoring & Diagnostics	848	796	52
Total revenue by activities	**4,013**	**3,567**	**446**
North America[1]	1,739	1,594	145
Europe[2]	1,787	1,551	236
Rest of World	487	422	65
Total revenue by markets	**4,013**	**3,567**	**446**

[1]North America includes revenue in the USA of DKK 1,698m (2019/20: DKK 1,560m).
[2]Europe includes revenue of DKK 409m (2019/20: DKK 390m) from Germany, which accounts for more than 10% of the Group's total revenue. The Group's domicile country, Denmark, is included in Europe at DKK 44m (2019/20: DKK 49m).

Delivery and payment terms
The Group's primary performance obligation is the sale and delivery of medico products to customers. The performance obligation is fulfilled when the risk of the goods is passed to the buyer, which most often occurs at delivery at the customer's address. Due to the Group's focus on disposable devices, the Group is not subject to any material guarantee obligations and customers are not entitled to return unused goods.

The Group's customers have payment terms that reflect the market in which the sale takes place, which varies from 15 to 360 days. For the majority of sales payment terms are 15-60 days. Historically, the Group has not experienced any major losses on trade receivables but a provision was allocated during the COVID-19 pandemic. See note 3.6 on trade receivables and note 4.1 on credit risks.

§ Accounting policies
Revenue from the sale of goods is recognized in the income statement when all performance obligations have been fulfilled. 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, a number of price adjustments are also estimated. These are recognized as a reduction to revenue.

! Material accounting estimates
Price adjustments
Price adjustments are offset against trade receivables and primarily concern sales in the USA. Price adjustments in the US market are subject to estimation uncertainty as the actual price adjustment is not determined until the dealer's sale to the end-customer (hospitals, clinics etc.). Price adjustments are the difference between the price agreed with the end-customer and the dealer's list price. Price adjustments in the amount of DKK 61m (2020: DKK 43m) were recognized.

DKKm

2.3 Staff costs

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

	2020/21	2019/20	Change
Production costs	315	294	21
Selling and distribution costs	918	708	210
Development costs	56	32	24
Management and administration	252	195	57
Total staff expenses	**1,541**	**1,229**	**312**
Staff costs included in intangible assets	179	107	72
Staff costs included in property, plant and equipment	10	14	-4
Total staff costs	**1,730**	**1,350**	**380**

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

	2020/21	2019/20	Change
Remuneration, Executive Management	15	24	-9
Share-based payment	9	8	1
Staff costs, Executive Management	**24**	**32**	**-8**
Wages and salaries	1,506	1,166	340
Pension contributions	59	41	18
Social security costs	126	90	36
Share-based payment	10	17	-7
Remuneration, Board of Directors	5	4	1
Total staff costs	**1,730**	**1,350**	**380**
Average number of employees	4,437	3,617	820
Number of full-time employees at the end of the year	4,584	4,187	397

Remuneration to the Executive Management and the Board of Directors totalled DKK 29m (2019/20: DKK 36m).

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

DKKm

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

	2020/21	2019/20	Change
Amortization of intangible assets identified in connection with business combinations	38	22	16
Amortization of intangible development projects and rights	56	61	-5
Depreciation of property, plant and equipment	118	88	30
Impairment losses on non-current assets	4	10	-6
Total depreciation, amortization and impairment losses	**216**	**181**	**35**

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

	2020/21	2019/20	Change
Production costs	43	39	4
Selling and distribution costs	32	21	11
Development costs	109	91	18
Management and administration	32	30	2
Total depreciation, amortization and impairment losses	**216**	**181**	**35**

§ Accounting policies
For a description of accounting policies, reference is made to notes 3.1, 3.2 and 3.3.

DKKm

2.5 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 in relation to risk exposure are USD, MYR, CNY and GBP (collectively referred to as 'main currencies'). Furthermore, EUR is a currency with large exposure, but the risk is deemed limited due to DKK being pegged to EUR.

Sensitivity analysis
The following table shows the impact on the group's net profit in the event of a 10% fluctuation in the main currencies relative to the recognized financial instruments. The fluctuation 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 trade receivables, cash, payables, trade payables and intercompany balances.

	Decrease of 10% in main currencies		Increase of 10% in main currencies	
	2020/21	**2019/20**	**2020/21**	**2019/20**
Income statement	-40	-46	-40	46
Other comprehensive income	0	0	0	0
	-40	**-46**	**-40**	**46**

Hedging of expected future transactions
Interest rate swaps have been entered into to hedge the group's partial debt to credit institutions, converting floating-rate debt into fixed-rate debt. The below DKK 500m interest rate swap is currently not considered an effective cash flow hedge from an IFRS 9 perspective and consequently fair value adjustments are taken to financials. Refer to note 4.1 and note 4.2.

	Contract value		Fair value	
	30.09.21	**30.09.20**	**30.09.21**	**30.09.20**
Interest rate swaps:				
Interest rate swap, DKK 500m, floating to fixed rate, maturity 1 March 2022	500	500	-2	-7
Total financial liabilities	**500**	**500**	**-2**	**-7**

DKKm

2.6 Income taxes

Ambu develops, manufactures and sells devices to hospitals and rescue services all over the world through its own companies or in collaboration with third parties. This naturally leads to cross-border transactions. In order to counter the inherent tax risk associated with being a multinational company, Ambu follows the OECD's transfer pricing principles and general guidelines. Even though Ambu operates in OECD member countries, a tax risk still exists given the fact that applicable principles and guidelines are, to some extent, subject to interpretation by the member countries and that applicable case law is not always clear and changes over time.

Tax governance
Our work with income taxes is governed by the Tax Policy, approved by the Board of Directors. Ambu's policy is to have a low tax risk appetite and to refrain from having business in tax havens or low tax jurisdictions for the purpose of conducting tax optimisation. In 2021, Ambu AG was incorporated in Switzerland for the commercial reason of starting to sell directly in the market.

Tax risks
To counter any future tax disputes and disagreements with the authorities, the management makes estimates and assessments of the group's tax exposure and, on the basis thereof, makes a provision for uncertain tax positions. Even though the management considers this provision to be sufficient, future liabilities may deviate from this.

	2020/21	**2019/20**
Tax for the year comprises:		
Current tax on profit for the year	86	55
Deferred tax on profit for the year	-21	25
Adjustment, previous years	-4	1
Tax on profit for the year	**61**	**81**
Current tax on other comprehensive income and entries on equity for the year	-36	-22
Deferred tax on other comprehensive income and entries on equity for the year	2	-18
Tax on other comprehensive income and entries on equity for the year	**-34**	**-40**
Total income taxes for the year	**27**	**41**

Income tax paid
Paid income tax for the year was DKK 27m, corresponding to 9% of realized profit before tax. The reason for the low effective tax payment predominantly stems from capital expenditures and deductions from the employees' gains from exercised warrants and share options. The previous year's tax payment was DKK 102m due to an intercompany transfer of intellectual property rights from a subsidiary to Ambu A/S.

	2020/21	**2019/20**
Tax on profit for the year comprises (%):		
Applicable tax rate on profit for the year in Parent company	22.0	22.0
Effect of tax rate in foreign subsidiaries	3.1	2.3
Income not subject to tax	-1.7	-0.6
Non-deductible costs	2.6	2.1
Value adjustment of contingent consideration	0.0	3.1
Tax adjustment in respect of previous years	4.3	0.3
Additional tax deduction on R&D costs	-6.4	-3.2
Additional tax deduction on R&D costs, prior years	-3.9	0.0
Utilization of tax assets not previously recognized	-0.2	-0.8
Average effective tax rate (tax expense divided by profit before tax)	**19.8**	**25.2**

§ Accounting policies
The tax for the year, which consists of current tax and changes in deferred tax, is recognized in the income statement with the portion attributable to the profit for the year, and in equity with the portion attributable to amounts recognized directly in other comprehensive income. The tax effect of share-based payment is included in tax on profit for the year with the portion attributable to the group's deductible share of the cost from the Black-Scholes or other applied valuation model, and the remaining tax effect being included in equity. Tax is provided on the basis of the tax rules and tax rates applicable in the individual countries.

DKKm

2.7 Deferred tax

	30.09.21	30.09.20
Deferred tax at 1 October	-9	-21
Currency translation adjustment	0	4
Deferred tax on share-based payment recognized in equity	3	-18
Deferred tax for the year recognized in the income statement	-21	25
Change in respect of previous years	3	1
Deferred tax at 30 September	**-24**	**-9**
Deferred tax relates to:		
Intangible assets	384	297
Property, plant and equipment	2	16
Current assets	-48	-55
Deferred tax on share-based payment recognized in equity	6	4
Provisions	-11	-5
Contingent consideration	-8	0
Payables	34	-21
Tax loss carry-forwards	-383	-245
	-24	**-9**
Classified in the balance sheet as follows:		
Deferred tax asset	-42	-90
Deferred tax	18	81
	-24	**-9**
Deferred tax falling due within 12 months	-25	-81

Tax losses in the group
In recognising tax loss carry-forwards in Denmark, the management has assessed whether convincing evidence was present as the Group has a history of recent losses in Denmark, which is due to high investment levels and tax deductibility of employees' share-based payments.

As shown in the table below, tax loss carry-forwards of DKK 383m were recognized in 2020/21 (2020: DKK 245m) of which DKK 378m is tax loss carry-forwards in Denmark. The tax loss carry-forwards are recognized on the basis of budgets, strategy plans for the individual activities approved by the management incl. tax planning opportunities that will advance the taxable profit. Estimates and assessments of future taxable income are thus consistent with the basis for the impairment tests and the measurement of contingent consideration carried out.

	30.09.21	30.09.20
Recognized tax loss carry-forwards, by jurisdiction:		
Denmark	378	206
USA	5	39
	383	**245**

Unrecognized temporary differences
In Germany, unrecognized temporary deductible differences amounted to DKK 23m (2020: DKK 23m).

DKKm

2.7 Deferred tax (continued)

§ Accounting policies
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 recognized on temporary differences resulting from the initial recognition of goodwill. Deferred tax assets, including the tax base of tax loss carry-forwards, are recognized 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.

The value of deductible temporary differences is recognized to the extent that the management, on the basis of budgets, business plans etc., is able to render probable that the value can be offset against temporary deferred tax liabilities or against future taxable income. Tax losses are recognized to the extent that the management can render probable that these can be offset against future taxable income.

Deferred tax is calculated on share-based payments to the extent that the individual scheme is 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 higher. Deferred tax assets from share-based payment schemes are recognized proportionately over the vesting period. The tax asset is recognized in the income statement at a value corresponding to the tax deduction for the scheme-related costs recognized in the income statement. Any additional values are recognized directly in equity.

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 recognized in the income statement.

2.8 Earnings per share

	2020/21	**2019/20**
Net profit for the year	247	241
Average number of Class A and Class B shares in circulation ('000)	251,772	246,557
Dilutive effect of outstanding share options, warrants and employee share programmes ('000)	1,443	1,407
Average number of outstanding Class A and Class B shares including the dilutive effect of share-based payment settled in shares ('000)	**253,215**	**247,964**
Earnings per DKK 0.50 share (EPS) in DKK	0.98	0.98
Diluted earnings per DKK 0.50 share (EPS-D) in DKK	0.98	0.97

§ 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 dilutive effect of outstanding share-based payment settled in shares that are 'in the money'. The dilutive effect of share-based payment 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-based payment offset against the share of the granted fair value of the share-based payment not yet recognized.

SECTION 3:

INVESTED CAPITAL AND NET WORKING CAPITAL

This section provides explanatory notes concerning Ambu's invested capital and net working capital at the end of the financial year.

Invested capital
At the end of September 2021, the invested capital totalled DKK 4,711m (2020: DKK 3,718m), corresponding to an increase of DKK 993m. The increase is driven by investments in intangible assets, property, plant and equipment, and net working capital, and paid milestone in connection with the FDA clearance of the duodenoscope.

DKKm	**30.09.19**	Change in value	**30.09.20**	Change in value	**30.09.21**	Compound annual growth rate
Intangible assets	2,789	146	2,935	309	3,244	5%
Property, plant and equipment	521	143	664	182	846	18%
Other non-current assets	87	3	90	-48	42	-22%
Current assets	1,161	76	1,237	371	1,608	11%
Non-current liabilities	-1,369	-145	-1,514	706	-808	-16%
Current liabilities	-1,007	-33	-1,040	60	-980	-1%
Add back Net-interest bearing debt (NIBD)	1,035	311	1,346	-587	759	-10%
Invested capital	**3,217**	501	**3,718**	993	**4,711**	14%
Average invested capital	**3,172**		**3,468**		**4,215**	

Net working capital
At the end of September 2021, net working capital was DKK 789m (DKK 581m), corresponding to 20% (16%) of revenue. The increase in % of revenue (NWC%) is driven by inventories and trade receivables.

The physical location of our factories in Asia entails transport times of up to eight weeks from the factories to the regional warehouses in Europe and the USA. We are currently experiencing additional lead times throughout our global supply chain, due to container congestion, which is driving the DKK 233m inventory increase from last year to DKK 748m by the end of the year.

Trade receivables are 17% of revenue or DKK 699m (2020: DKK 521m), up DKK 178m from last year. The underlying performance for collection of debt is good, and the increase can be attributed to the timing of sales within the quarter.

DKKm	**30.09.19**	In % of revenue	Change in value	**30.09.20**	In % of revenue	Change in value	**30.09.21**	In % of revenue	Compound annual growth rate
Inventories	506	18%	9	515	14%	233	748	19%	14%
Trade receivables	474	17%	47	521	15%	178	699	17%	14%
Other receivables	16	1%	16	32	1%	-12	20	0%	8%
Prepayments	40	1%	20	60	2%	4	64	2%	17%
Trade payables	-266	-9%	7	-259	-7%	-105	-364	-9%	11%
Other payables	-383	-14%	95	-288	-8%	-90	-378	-9%	0%
Net working capital	**387**	14%	194	**581**	16%	208	**789**	**20%**	**27%**

DKKm

3.1 Goodwill

	30.09.21	30.09.19
Cost at 1 October	1,497	1,547
Currency translation adjustment	7	-50
Cost at 30 September	**1,504**	**1,497**

The carrying amount of goodwill at DKK 1,504m (DKK 1,497m) stems primarily from the business combinations of Invendo Medical GmbH in 2017 and King Systems Corp. in 2013.

Impairment testing
The Ambu group is managed as one single unit, for which reason the management monitors goodwill as a whole at group level. Consequently, the impairment test is based on the group's total cash flows. The market value of Ambu A/S's shares based on the quoted price of DKK 190 per share on Nasdaq Copenhagen at 30 September 2021 is far higher than the carrying amount of equity. Based on this market value approximation, Ambu's equity value is DKK 48bn which leaves DKK 44bn in headroom to the carrying amount of 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.

§ Accounting policies
On recognition, goodwill represents the excess cost of an acquisition over the fair value of the identifiable net assets of the acquired company. Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortized.

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 level lower than the segment level and the level on which goodwill is monitored as part of the internal financial management. The management has identified one operating segment being the whole group to which goodwill is allocated.

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 (being the whole group) and is impaired to the recoverable amount in the income statement if the carrying amount is higher. Impairment of goodwill is recognized 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 recognition in connection with a business combination.

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 amortization, had the asset not been impaired.

DKKm

3.2 Other intangible assets

2020/21	Acquired technologies, trademarks and cust. relations	Acquired technologies in progress	Completed development projects	Development projects in progress	Rights	Total
Cost at 1 October	591	324	622	319	129	1,985
Currency translation adjustment	1	0	0	0	0	1
Additions during the year	0	0	0	393	12	405
Disposals during the year	0	0	0	0	-17	-17
Transferred during the year	0	0	140	-140	0	0
Cost at 30 September	**592**	**324**	**762**	**572**	**124**	**2,374**
Amortization and impairment losses at 1 October	-146	0	-318	0	-83	-547
Currency translation adjustment	-1	0	0	0	0	-1
Disposals during the year	0	0	0	0	12	12
Impairment losses for the year	0	0	-4	0	0	-4
Amortization for the year	-38	0	-45	0	-11	-94
Amortization and impairment losses at 30 September	**-185**	**0**	**-367**	**0**	**-82**	**-634**
Carrying amount at 30 September	**407**	**324**	**395**	**572**	**42**	**1,740**

2019/20	Acquired technologies, trademarks and cust. relations	Acquired technologies in progress	Completed development projects	Development projects in progress	Rights	Total
Cost at 1 October	266	661	440	229	129	1,725
Currency translation adjustment	-12	0	0	0	0	-12
Additions during the year	0	0	0	285	0	285
Disposals during the year	0	0	-13	0	0	-13
Transferred during the year	337	-337	195	-195	0	0
Cost at 30 September	**591**	**324**	**622**	**319**	**129**	**1,985**
Amortization and impairment losses at 1 October	-132	0	-279	0	-72	-483
Translation adjustment	8	0	0	0	0	8
Disposals during the year	0	0	13	0	0	13
Impairment losses for the year	0	0	0	0	-2	-2
Amortization for the year	-22	0	-52	0	-9	-83
Amortization and impairment losses at 30 September	**-146**	**0**	**-318**	**0**	**-83**	**-547**
Carrying amount at 30 September	**445**	**324**	**304**	**319**	**46**	**1,438**

3.2 Other intangible assets (continued)

Impairment testing
Development projects in progress, either acquired or internally generated, are tested for impairment on an annual basis. For completed development projects, it is continuously assessed whether there is any indication of impairment. If the management finds that there is an indication of impairment, an impairment test is carried out, comparing 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

Acquired technologies, trademarks and customer relationships
Technologies, trademarks and customer relationships and technologies in progress acquired in connection with business combinations, are recognized at fair value on the time of acquisition in connection with a business combination. Subsequently, the assets are measured less accumulated amorization and impairment losses.

Acquired technologies, trademarks and customer relations primarily comprise identified technologies. The individual assets are systematically amortized according to the straight-line method over the expected useful lifetime of the assets from the time the management finds that the technology is fit for use. The expected useful lifetime is 5-15 years.

Development projects and rights
Development projects that are clearly defined and identifiable and where the technical utilization degree, sufficient resources and a potential future market or scope for use in the group can be proven, and where the group intends to produce, market or use the project, are recognized 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 recognized in the income statement as incurred.

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

Upon completion of the development activity, development projects are amortized 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 amortization is reduced by impairment losses, if any. 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.

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

Development projects and rights are amortized according to the straight-line method over the expected useful lives of the assets. The expected useful lifetime of completed development projects are 5-10 years and 5-20 years for rights.

! Material accounting estimates

Impairment of acquired intangible assets in connection with business combinations as well as subsequent impairment testing thereof
The management performs an annual assessment of whether internal or external indications of impairment of the identified intangible assets exist. If there is any indication of impairment, an impairment test is carried out.

In an impairment test, significant estimates and assessments are made of future events which may have a significant impact on the group’s operating profit (EBIT) and financial position if the planned events deviate from the management’s best estimate.

DKKm

3.3 Property, plant and equipment

2020/21	Land and buildings	Plant and machinery	Other fixtures and equipment	Property, plant and equipment in progress	Total
Cost at 1 October	438	410	255	61	1,164
Currency translation adjustment	5	12	1	0	18
Additions during the year	82	2	60	155	299
Disposals during the year	-5	-7	-24	0	-36
Transferred during the year	9	57	40	-106	0
Cost at 30 September	**529**	**474**	**332**	**110**	**1,445**
Depreciation and impairment losses at 1 October	-96	-277	-127	0	-500
Currency translation adjustment	-2	-7	-1	0	-10
Disposals during the year	5	6	19	0	30
Impairment losses for the year	0	0	-1	0	-1
Depreciation for the year	-33	-32	-53	0	-118
Depreciation and impairment losses at 30 September	**-126**	**-310**	**-163**	**0**	**-599**
Carrying amount at 30 September	**403**	**164**	**169**	**110**	**846**

2019/20	Land and buildings	Plant and machinery	Other fixtures and equipment	Property, plant and equipment in progress	Total
Cost at 1 October	368	385	165	59	977
Recognition of right-of-use assets	38	0	19	0	57
Currency translation adjustment	-16	-18	-9	-5	-48
Additions during the year	32	21	48	112	213
Disposals during the year	-3	-9	-19	0	-31
Transferred during the year	19	31	51	-105	-4
Cost at 30 September	**438**	**410**	**255**	**61**	**1,164**
Depreciation and impairment losses at 1 October	-78	-271	-107	0	-456
Currency translation adjustment	6	13	4	0	23
Disposals during the year	2	8	16	0	26
Impairment losses for the year	-1	0	-4	0	-5
Depreciation for the year	-25	-27	-36	0	-88
Depreciation and impairment losses at 30 September	**-96**	**-277**	**-127**	**0**	**-500**
Carrying amount at 30 September	**342**	**133**	**128**	**61**	**664**

The implementation of IFRS 16 as of 1 October 2019 resulted in an increase in Property, plant and equipment of DKK 57m.

For contractual obligations concerning the purchase of property, plant and equipment refer to note 5.6

DKKm

3.3 Property, plant and equipment (continued)

§ Accounting policies
Land and buildings, 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 a total asset is divided into separate elements which are depreciated individually when the useful lives of the individual elements differ. Software and IT projects are classified as Other fixtures and equipment.

The basis of depreciation is calculated in consideration of the residual value of the asset and is reduced by impairment losses, if any. The residual value is fixed at the date of acquisition and is subject to annual review. When the residual value exceeds the carrying amount of the asset, depreciation will no longer take place. In connection with changes in the depreciation period or the residual value, the effect of depreciation is recognized in future as a change in the accounting estimate.

The carrying amount of property, plant and equipment is assessed on an annual basis to establish whether there is any indication of impairment. When such indication exists, an impairment test is performed. An impairment loss is recognized when the carrying amount of an asset exceeds the recoverable amount of the asset.

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

Buildings	10-40 years
Building installations	10 years
Plant and machinery	2-10 years
Other fixtures and equipment	3-5 years

Land is not depreciated.

Depreciation is recognized in the income statement under production costs, selling and distribution costs, development costs or management and administrative expenses, as appropriate. See note 2.4.

3.4 Leases

	30.09.21	**30.09.20**
Land and buildings	222	163
Other plant, fixtures and fittings, tools and equipment	58	43
Carrying amount of lease assets	**280**	**206**
Additions on lease assets during the year	123	68

	30.09.21	**30.09.20**
Lease liabilities		
Less than 1 year	53	41
Between 1 and 5 years	112	80
More than 5 years	164	110
Undiscounted lease liabilities	**329**	**231**

DKKm

3.4 Leases (continued)

	2020/21	2019/20
Amounts recognized in the income statement		
Expenses related to low value and short-term leases	2	0
Interest on lease liabilities	8	6
Depreciation of lease assets per asset class		
Land and buildings	23	17
Other plant, fixtures and fittings, tools and equipment	26	15
Depreciation of lease assets	**49**	**32**
Amounts recognized in the cash flow statement		
Total cash outflow for leases	54	37

§ Accounting policies
Lease assets are 'right-of-use assets', which is a contract or part of a contract that conveys the lessee's right to use an asset for a period of time. At the commencement date, the Group recognises a lease liability and a corresponding right-of-use asset at the same amount. A right-of-use asset is initially measured at cost, which equals the initial lease liability and initial direct costs less any lease incentives received. The Group has applied the practical expedient option allowed under IFRS by using a portfolio approach for the recognition of lease contracts related to assets of the same nature and with similar lease terms.

The right-of-use asset is depreciated over the earlier of the lease term or the useful life of the asset. The impairment testing of right-of-use assets follows the same principles as those applied for property, plant and equipment, cf. note 3.3. The cost price is adjusted for remeasurement of the lease liability. The Group has elected not to recognise right-of-use assets and liabilities for leases with a term of 12 months or less and leases of low-value assets. Lease payments related to such leases are recognised in the income statement as an expense on a straight-line basis over the lease term.

3.5 Inventories

	30.09.21	30.09.20	Change
Raw materials and consumables	274	194	80
Finished goods	474	321	153
	748	**515**	**233**
Cost of sales for the year	1,207	1,074	133
Write-down of inventories included in production costs for the year	13	6	7

§ 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 raw materials and consumables comprises the acquisition price plus delivery costs.

The cost of manufactured goods comprises the cost of raw materials, 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.

DKKm

3.6 Trade receivables

	30.09.21	30.09.20	Change
Ageing of trade receivables:			
Not due	542	378	164
1-90 days	124	113	11
91-180 days	16	16	0
> 180 days	17	14	3
Trade receivables	**699**	**521**	**178**
At end of year, trade receivables were written down by:			
Not due	-1	-25	24
1-90 days	-5	-6	1
91-180 days	-4	-2	-2
> 180 days	-11	-5	-6
Provision for bad debts	**-21**	**-38**	**17**

Credit risks
Ambu monitors trade receivables on a daily basis by means of due date reports, changes in payment pattern trends, and ordinary follow-up routines to identify any indications that the initial expectations for credit losses on the individual receivables should be adjusted. In addition to a specific assessment for expected credit losses on trade receivables, the Management estimates general macro risks on the portfolio of trade receivables. The Group does not use factoring in connection with the collection of debts. See note 4.1 for a more detailed description of credit risks.

Last year, the Management deemed a higher risk of private customers going into default due to cutting back on more lucrative procedures in their treatment of COVID-19 patients. Against this background, an additional accrual of DKK 31m was provided for at 30 September 2020. Since then no significant bad debt has been realised and Management now assesses the risk to have diminished. Consequently, the COVID-19 accrual was partly released in Q2 2020/21 by DKK 15m making the year-over-year effect in OPEX a reduced cost of DKK 46m.

§ Accounting policies
Trade receivables are measured at amortized cost less write-down for lifetime expected credit losses. To measure the expected credit losses, trade receivables are grouped according to shared credit risk characteristics and days overdue. Furthermore, an allowance for lifetime credit losses for trade receivables is recognized on initial recognition.

3.7 Adjustment of items with no cash flow effect

	2020/21	2019/20
Depreciation, amortization and impairment losses	216	181
Share-based payment, settled in shares	11	19
	227	**200**

3.8 Changes in net working capital

	2020/21	2019/20
Changes in inventories	-222	-51
Changes in receivables	-163	-97
Changes in trade payables etc.	188	-55
	-197	**-203**

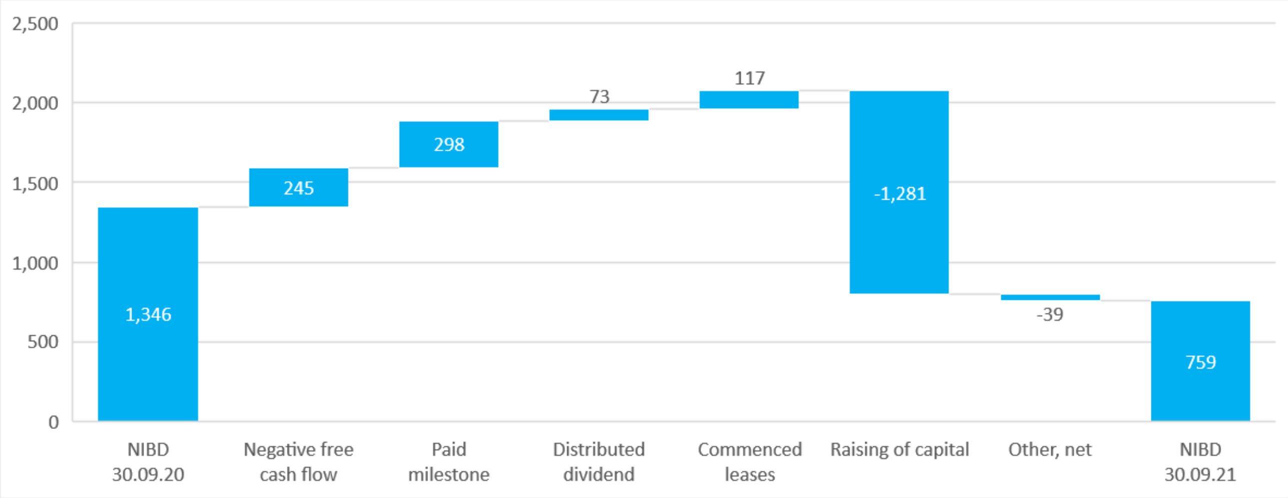
SECTION 4:

FINANCIAL RISK MANAGEMENT AND CAPITAL STRUCTURE

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

Ambu realised a debt multiple of 1.4 (2.2), comprising EBITDA of DKK 556m (DKK 609m) and net interest-bearing debt (NIBD) of DKK 759m, down DKK 587m from last year's DKK 1,346m. The net reduction in NIBD can be ascribed to the negative free cash flow of DKK 245m, paid milestone of DKK 298m, paid dividend of DKK 73m, and commenced lease agreements of DKK 117m, less the capital contribution and sale of treasury shares in January 2021, which raised net proceeds of DKK 1,281m.

Net-interest bearing debt (NIBD) at 30 September 2020 bridged to NIBD end of the year, in DKKm



Net financials were DKK -32m down from last year's DKK -106m, primarily due to fair value adjustment of contingent consideration at DKK -10m (DKK -48m) and net foreign exchange rate fluctuations.

4.1 Financial risk management

Ambu is exposed to fluctuations in foreign exchange and interest rates. Furthermore, Ambu is exposed to liquidity and financing risks. These risks are managed and monitored centrally in the Parent Company in accordance with the Treasury Policy approved by the Board of Directors. Ambu does not undertake any active speculation in financial risks.

Market risk
As described above, the group is exposed to changes in foreign exchange and interest rate risks. Additionally, the group is exposed to changing raw materials prices and freight rates. Ambu's Global Procurement and Global Supply Chain function, respectively, monitor these risk and work to mitigate them to the greatest extent possible. The Management assesses these risks to be manageable as they represent a small value of the group's total cost, despite substantial increases seen in comparison to last year.

Currency risk
The effect of fluctuations in foreign exchange rates on the group's financial targets has been monitored throughout FY2020/21. During FY2020/21 a comprehensive analysis was conducted to compare the pros and cons of establishing a systematic foreign exchange hedging programme with the objective to mitigate the effect on future cash flows from fluctuating foreign exchange rates. The analysis concluded that the Company until further notice will rely on the natural hedging that the current mix of foreign exchange entails. See note 2.6 for further information about foreign currency exposure and the 'Outlook for 2021/22' section in the Management's commentary section.

Interest rate risk
Ambu's policy is to hedge the interest rate risk to a level that will leave enough room for appropriate reductions of debt from cash flows based on short to mid-term cash flow projections. Hedging is done through interest rate swaps converting floating-rate loans into fixed-rate loans. The group's credit facilities carry floating interest rate. The development in interest rates is linked to CIBOR rates for the relevant periods.

The Company has entered into a DKK 500m interest rate swap involving receipt of CIBOR 3 months and payment of a fixed interest rate. This instrument does not contain a 'floor' on CIBOR 3 months, as is the case for the secured debt. Despite the lack of a 'floor' in the hedging instrument, the management initially deemed that an economic relationship existed as an interest rate increase was deemed to be more likely than a further decline in interest rates. Since 2018/19, the hedge instrument has been ineffective as CIBOR 3 months carries negative interests.

A likely decline in interest rates of 0.25 percentage points will result in an expense of DKK 1m (DKK 2m) in the income statement, whereas a likely increase in interest rates of 0.50 percentage points will result in an expense of DKK 1m (income of DKK 1m), of which all will be recognized in the income statement.

Liquidity and financing risk
Financing and sufficient liquidity are fundamental to Ambu's continued operation and growth. Liquidity is managed centrally from the Parent Company. 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.

Cash-pool solutions are applied to a small extent and intercompany loans have been granted by Ambu A/S to a few subsidiaries. The liquidity risk is countered by a consistent focus on budgeted and realised cash flow.

To cover the group's liquidity needs, an agreement on credit facilities for a total of DKK 1,500m has been entered into. The facilities carry floating interest, the minimum interest rate being 0.575-1.175%, depending on the group's gearing and ESG performance. To hedge the interest rate risk, DKK 500m of the debt has been hedged through an interest rate swap up until 1 March 2022 at a fixed interest rate of between 1.28% and 1.78%, depending on gearing. The credit facility is revolving and expires on 28 June 2024, but can be prolonged up to two years. The group's credit facilities are subject to standard financial covenants.

The cash resources consist of cash at bank and unutilised credit facilities in banks of DKK 1.0bn (2020: DKK 1.2bn).

Credit risk
Ambu is mainly exposed to credit risks in respect of trade and other receivables. The maximum credit risk corresponds to the carrying amount. For many years the overall credit risk has been deemed to be low, due to the small losses realised on debtors.

Last year, the Management deemed that there was a higher risk of private customers going into default due to cutting back on more lucrative procedures in their treatment of COVID-19 patients. At September 30 2020 this led to a write-down of DKK 35m related to the uncertainties regarding COVID-19. Since then no significant bad debt has been realised and the Management now assesses the risk to have diminished. Consequently, the overall provision for bad debt has been reduced to DKK 21m from DKK 38m for the prior year.

Individually outstanding trade receivables are also monitored on a regular basis, 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. Reference is made to note 3.6.

Counterparty risk
Counterparty risk for cash and financial instruments are mitigated as the company's primary banks are SIFI banks.

DKKm

4.2 Financial instruments

2020/21	Contractual cash flows 0-1 year	1-5 years	> 5 years	Total	Carrying amount
Trade receivables	699	0	0	699	699
Other receivables	19	1	0	20	20
Cash	64	0	0	64	64
Financial assets measured at amortized cost	**782**	**1**	**0**	**783**	**783**
Provisions	18	36	9	63	43
Credit institutions	3	560	0	563	550
Trade payables	364	0	0	364	364
Other payables	370	6	2	378	378
Financial liabilities measured at amortized cost	**755**	**602**	**11**	**1,368**	**1,335**
Contingent consideration (level 3)[1]	149	0	0	149	137
Derivative financial instruments (level 2)[1]	2	0	0	2	2
Financial liabilities stated at fair value in the income statement	**151**	**0**	**0**	**151**	**139**

2019/20	0-1 year	1-5 years	> 5 years	Total	Carrying amount
Trade receivables	521	0	0	521	521
Other receivables	32	0	0	32	32
Cash	98	0	0	98	98
Financial assets measured at amortized cost	**651**	**0**	**0**	**651**	**651**
Provisions	10	35	18	63	41
Credit institutions	14	1,246	0	1,260	1,225
Other interest-bearing debt	0	0	26	26	24
Trade payables	259	0	0	259	259
Other payables	282	4	2	288	288
Financial liabilities measured at amortized cost	**565**	**1,285**	**46**	**1,896**	**1,837**
Contingent consideration (level 3)[1]	447	0	0	447	426
Derivative financial instruments (level 2)[1]	3	2	0	5	7
Financial liabilities stated at fair value in the income statement	**450**	**2**	**0**	**452**	**433**

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

Level 2: The fair value of financial instruments which are not traded 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.

4.2 Financial instruments (continued)

Financial instruments measured at fair value

At the end of the financial year, it is assessed whether an instrument has moved between the levels of the fair value hierarchy. There have been no movements between the various levels this year or the year before.

For an overview of this year's movements in financial instruments at level 3 of the fair value hierarchy, see note 5.2.

Methods and assumptions for the determination of fair value

Derivative financial instruments
Derivative financial instruments are recognized at fair value based on a valuation report prepared by an external party who valuates the instruments based on discounted cash flows, and other inputs based on observable market data.

Contingent consideration
Contingent consideration is recognized at fair value by discounting expected cash flows based on contractual conditions and unobservable inputs such as the expected performance of the acquired assets.

Contingent consideration recognized at fair value
Ambu's contingent consideration is recognised and measured at fair value using unobservable data (level 3) and includes the contingent consideration from the acquisition of Invendo Medical GmbH. The contingent consideration relates to the commercialisation of the technologies acquired from Invendo Medical GmbH in October 2017. The key assumptions in the valuation of the contingent consideration include future revenue from the acquired technologies, FDA approval of each endoscope as well as the discount rate of 18% applied.

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

Derivative financial instruments are recognized 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 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 recognized 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 recognized 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 recognized on an ongoing basis in the income statement.

Contingent consideration arising as a result of business combinations is recognized at fair value at the time of acquisition. The liability is subsequently adjusted to fair value on an ongoing basis.

Other liabilities are measured at amortized cost.

DKKm

4.3 Net financials

	2020/21	2019/20
Interest income, others	3	0
Foreign exchange gains, net	4	0
Fair value adjustment, swap	1	3
Financial income	**8**	**3**

	2020/21	2019/20
Interest expenses, banks	16	22
Interest expenses, leases	8	6
Interest expenses, others	2	0
Foreign exchange loss, net	0	30
Fair value adjustment, contingent consideration	10	48
Effect of shorter discount period, acquisition of technology	4	3
Financial expenses	**40**	**109**

§ Accounting policies
Financial income and expenses comprise interest, exchange gains and losses, transactions in foreign currencies and amortisation of financial assets and liabilities, including leases. The timing effect and fair value adjustment of contingent consideration and the purchase price payable are classified under net financials.

4.4 Net interest-bearing debt

	2020/21	2019/20
Credit institutions	550	1,225
Leases	210	152
Other interest-bearing debt	0	24
Long-term interest-bearing debt	**760**	**1,401**
Leases	63	43
Short-term interest-bearing debt	**63**	**43**
Interest-bearing debt	**823**	**1,444**

The table below shows the composition of the group's net interest-bearing debt.

	2020/21	2019/20
Interest-bearing debt	823	1,444
Cash	-64	-98
Net interest-bearing debt	**759**	**1,346**

4.5 Share capital and treasury shares

Share capital

Ambu's share capital is DKK 129m (2020: DKK 126m), divided into two classes of shares with a nominal share value of DKK 0.50. 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-up in full.

	Class A shares		Class B shares		Number of shares	
	2020/21	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**
Number of shares issued, beginning of year	34,320,000	34,320,000	218,497,100	217,489,600	252,817,100	251,809,600
Capital increase, private placement	0	0	4,711,832	0	4,711,832	0
Capital increase, warrants	0	0	175,000	1,007,500	175,000	1,007,500
Number of shares issued at end of year	**34,320,000**	**34,320,000**	**223,383,932**	**218,497,100**	**257,703,932**	**252,817,100**

Capital increases

A total of five capital increases were carried out during 2020/21. One capital increase was intended to strengthen Ambu's capital base and the other four took place in connection with employees' exercising of warrants.

In January 2021 Ambu concluded its accelerated bookbuild offering to increase the share capital by a nominal amount of DKK 2,355,916 through the issue of 4,711,832 Class B shares. The sale price was DKK 262 per share, which before transaction costs is DKK 1,234m.

Four times in the course of 2020/21, capital increases were effected in connection with the exercising by employees of warrants allocated in 2015 and 2016. As a consequence, Ambu's share capital was increased by a nominal amount of DKK 87,500 through the issue of 175,000 Class B shares.

The total capital increase for the year consisting of 4,886,832 (2019/20: 1,007,500) Class B shares has been paid at a weighted price of DKK 254.53 (2019/20: DKK 36.52). The proceeds after transaction cost were DKK 1,225m.

Treasury shares

	No.		Nominal value		In % of share capital	
	2020/21	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**
Treasury shares, beginning of year	4,903,638	6,442,639	2.3	3.2	1.9%	2.6%
Disposals, sale of treasury shares	-250,000	0	-0.1	0.0	-0.1%	0.0%
Disposals, share options	-677,167	-1,539,001	-0.2	-0.9	-0.3%	-0.6%
Dilutive effect of capital increases	0	0	0.0	0.0	0.0%	-0.1%
Treasury shares, end of year	**3,976,471**	**4,903,638**	**2.0**	**2.3**	**1.5%**	**1.9%**

In January 2021 250,000 treasury shares were sold in connection with the capital raise, at a price of DKK 262 per share. The disposal of another 677,167 treasury shares was recorded during the year in connection with stock option schemes exercised by employees, as well as matching of the employee share programme from 2018. The total weighted selling price in 2020/21 for the total disposal of 927,167 shares amounted to DKK 103m (2019/20: DKK 28m), corresponding to a weighted price of DKK 110.60 (DKK 18.10) per share. Net proceeds after transaction costs were DKK 102m.

§ Accounting policies

Acquisition costs and consideration as well as the dividend on treasury shares are recognized 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, and from the sale of employee shares or warrants are taken directly to equity.

DKKm

4.6 Cash flows from financial liabilities classified as financing activities

	30.09.20	Cash flows	Adjust-ments[1]	Raising of leases[1]	30.09.21
Credit institutions	1,225	-675	0	0	550
Other interest-bearing debt	24	-24	0	0	0
Lease liabilities	195	-44	5	117	273
	1,444	**-743**	**5**	**117**	**823**

	30.09.19	Cash flows	Adjust-ments[1]	Raising of leases[1]	30.09.20
Credit institutions	1,050	175	0	0	1,225
Other interest-bearing debt	0	0	24	0	24
Lease liabilities	105	-32	54	68	195
	1,155	**143**	**78**	**68**	**1,444**

[1]Non-cash transactions.

SECTION 5:

PROVISIONS, OTHER LIABILITIES ETC.

Section 5 includes statutory notes and notes of secondary importance to understanding Ambu's financial results and financial position.

DKKm

5.1 Provisions

	2020/21	2019/20
Provisions at 1 October	41	43
Used during the year	-3	-2
Value adjustment	4	3
Currency translation adjustment	1	-3
Provisions at 30 September	**43**	**41**
Provisions expected to fall due:		
Non-current liabilities	30	32
Current liabilities	13	9
Provisions at 30 September	**43**	**41**

Provisions at the balance sheet date concern the deferred purchase price relating to the acquisition of technology in previous years.

§ Accounting policies

Provisions are recognized 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 pre-tax discount rate. When applying a discount rate, the change in provisions due to the timing is recognized as a financial cost.

5.2 Contingent consideration

	2020/21	2019/20
Contingent consideration at 1 October	426	378
Paid during the year	-298	0
Adjustments made through the income statement under financial expenses:		
Value adjustment	10	48
Currency translation adjustment	-1	0
Contingent consideration at 30 September	**137**	**426**
Contingent consideration expected to fall due:		
Current liabilities	137	426
Contingent consideration at 30 September	**137**	**426**

Contingent consideration as at the balance sheet date concerns outstanding liabilities relating to the acquisition of Invendo in October 2017. For more information about the expected realisation of the liabilities and any associated uncertainties, see note 4.2. During the financial year Ambu paid contingent consideration of DKK 298m in connection with the milestone payment concerning the acquisition of Invendo.

During the financial year the management remeasured the fair value of the contingent consideration based on revised expectations to the timing of the FDA clearance. The remeasurement led to financial income of DKK 14m (2019/20: DKK 17m). The effect of a shorter discount period for the contingent consideration is recognised as a financial cost of DKK 24m (2019/20: DKK 65m). These remeasurements led to a total negative fair value adjustment of financials of DKK 10m (2019/20: DKK 48m).

The final milestone of EUR 20m concerning the acquisition of Invendo is expected to mature in 2021/22.

§ Accounting policies

Contingent consideration is recognized at fair value at the date of acquisition by discounting expected cash flows based on contractual conditions and unobservable inputs, corresponding to level 3 of the fair value hierarchy. Adjustments to fair value are recognized in the income statement under net financials.

5.3 Share-based payment

The Group's incentive-based remuneration to the Executive Management and other levels of management personnel is described in the 'Remuneration Policy' and specific information pertaining to 2020/21 is available in the 'Remuneration report 2020/21' at www.ambu.com/remcom. The company's Board of Directors does not participate in the Group's share-based payment schemes. For all share-based payment schemes, vesting is subject to the condition of employment during the entire vesting period.

On 17 December 2019, the Annual General Meeting adopted the new long-term incentive structure of a rolling annual Performance Share Units (PSU) scheme. Effective prior financial year 2019/20, all share-based payments are granted as PSUs that vest conditionally on one or more financial and strategic targets set by the Board of Directors. PSUs have a vesting period of three years.

Total share-based payment costs in the income statement

	2020/21	2019/20
Performance Share Units, amortised cost during the period based on value at grant date	5	3
Fair value adjustment of settled-in-cash Performance Share Units	3	3
Share options, amortised cost during vesting-period based on value at grant date	1	2
Executive Management	**9**	**8**
Performance Share Units, amortised cost during vesting-period based on value at grant date	3	8
Share options, amortised cost during vesting-period based on value at grant date	1	2
Employee shares, amortised cost during vesting-period based on value at grant date	6	7
Total costs for share-based payment in the income statement	**19**	**25**

Performance Share Units (PSU)
In 2019/20, as part of Ambu's new long-term incentive structure, Ambu established a PSU program for the Executive Management and key employees, excluding individuals who were already part of the stock option programme for FY2019/20 granted in 2017. The financial target was achieved in full and all PSUs were allocated. Vesting is subject to Ambu achieving a financial target set by the Board of Directors. At the time of vesting, all allocated shares, except for the CEO's, are transferred to the individuals at an exercise price of DKK 0. The CEO participates on equal terms and conditions except that the programmes are settled in cash upon vesting.

In 2020/21, Ambu established a PSU program for the Executive Management, key employees selected on the basis of job level and individuals in a special reward programme. The financial target set by the Board of Directors was not achieved and thus all PSUs were subsequently cancelled. The grant date of the programme was January 2021, and the share price used for determining the grant date fair value of the PSU was the average share price for the Ambu A/S B share on Nasdaq Copenhagen in the days up to the grant, adjusted for expected dividend. On the time of vesting, all allocated shares, except for the CEO's, are transferred to the individuals at an exercise price of DKK 0. The CEO participates on equal terms and conditions except that the programmes are settled in cash upon vesting.

	Executive Management		Other and former employees		Total	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
Outstanding PSUs beginning of the year	127,928	28,612	86,806	0	214,734	28,612
Allocated during the year	66,410	99,316	147,964	86,806	214,374	186,122
Cancelled during the year	-66,410	0	-153,870	0	-220,280	0
Outstanding PSUs end of the year	**127,928**	**127,928**	**80,900**	**86,806**	**208,828**	**214,734**
Of which will be settled in cash	127,928	127,928	0	0	127,928	127,928

Outstanding PSUs have on average 1.2 years and 1.3 years until contract expiry for the Executive Management and 'Other and former employees', respectively.

DKKm

5.3 Share-based payment (continued)

General terms and conditions for performance share units allocated in the current and the previous financial year:

PSU programmes	2019/20	2019/20	2020/21	2020/21
Number of persons included in the programme	45	9	188	4
Total number of PSUs granted	181,912	4,210	207,428	6,946
Number of PSUs granted to Executive Management	99,316	-	66,410	-
Vesting date	Jan. 2023	Jan. 2023	Jan. 2024	Jan. 2024
Fair value per option at grant date (DKK)	109.65	193.04	209.82	189.23

Share options
For all share options, final vesting is preconditional upon full or partial realisation of predetermined financial targets. For 2019/20, the financial targets were realized in full. Share options may be exercised for up to three years after the three-year vesting period, with the exception of the share options allocated under the 'Big Five' scheme, where the exercise period is postponed by 12 months to be counted from the date of vesting on 1 October 2020. Under the 'Strategy 2020' LTI plan, all share options were allocated for FY 2019/20, as the financial performance target was realised in full. Under the 'Big Five' programme, the financial targets are realised partly and a total of 364,690 shares were allocated.

	Executive Management		Other and former employees		Total	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
Outstanding share options beginning of the year	331,706	753,855	2,373,572	4,744,937	2,705,278	5,498,792
Exercised during the year	-171,903	-129,105	-459,390	-1,285,880	-631,293	-1,414,985
Cancelled during the year	0	-293,044	-15,771	-1,085,485	-15,771	-1,378,529
Outstanding share options end of the year	**159,803**	**331,706**	**1,898,411**	**2,373,572**	**2,058,214**	**2,705,278**
Of which are vested	0	0	1,043,129	647,825	1,043,129	647,825

The average market price on the date of exercise by the Executive Management was DKK 208.00 (2019/20: DKK 195.60).
The average market price on the date of exercise by other and former employees was DKK 300.34 (2019/20: DKK 148.16).

Outstanding share options for Executive Management have on average 3.5 years until contract expiry at an average exercise price of DKK 134.10 per option and on average 2.6 years for 'Other and former employees' at an average exercise price of DKK 101.66 per option.

General terms and conditions for share option programmes allocated in the current and the previous financial year:

Share option programmes	Strategy 2020	Big Five
Year of allocation	2017/18	2017/18
Original number of conditionally allocated options	2,039,769	1,795,391
Fair value per option at grant date (DKK)	22.49	15.12
Fair value at grant date of original number of conditionally allocated options (DKKm)	46	27
Service period in which the fair value, calculated at the time of conditional allocation, is amortised	Oct. 2017 to Sep. 2022	Oct. 2017 to Sep. 2020

Black-Scholes assumptions used to calculate the fair value at the time of allocation are a volatility of 30%, a risk-free interest rate of -0.2% and a probability of 100% for the Strategy 2020 programme and a probability of 75% for the Big Five programme.

DKKm

5.3 Share-based payment (continued)

Other share-based payments

Ambu has offered all its employees, excluding the Board of Directors, the opportunity to acquire a number of shares based on a fixed percentage of their annual base salary. The number of shares with which an employee participates is matched free of charge after two years. The Executive Management participates with 2,379 shares in the current employee share programmes currently under vesting. The total market value at the time of allocation in 2021 was DKK 12m (DKK 9m) at a fair value per share of DKK 235.81 at grant date (DKK 117.19).

	Employee shares		Warrants		Total	
	2020/21	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**
Outstanding beginning of the year	132,094	107,581	357,000	1,374,500	489,094	1,482,081
Allocated during the year	50,258	78,103	0	0	50,258	78,103
Exercised during the year	0	0	-175,000	-1,007,500	-175,000	-1,007,500
Released during the year	-45,923	-45,090	0	0	-45,923	-45,090
Cancelled during the year	-8,068	-8,500	0	-10,000	-8,068	-18,500
Outstanding end of the year	**128,361**	**132,094**	**182,000**	**357,000**	**310,361**	**489,094**

The average market price on the date of exercising warrants was DKK 259.77 (2019/20: DKK 171.53).

All outstanding warrants are vested and have on average 1.1 years until contract expiry and an average exercise price of DKK 76.08.

§ Accounting policy

The fair value of Ambu's share-based payment is expensed on an accrual basis. Fair value of equity-based schemes at the time of allocation is calculated according to recognized valuation models or methods. This value is expensed over the service period for each of the respective schemes and is taken to equity. On recognition of the fair value during the service period, account is taken of the number of employees who are expected to obtain a final right to the scheme, including the conditions to which the allocation is subject. This estimate is reassessed at the end of each reporting period so that only the number of rights expected to be vested are recognised. Adjustments relating to previous periods are recognised in the period in which the adjustment is made. The fair value per unit does not change.

Performance Share Units that are settled in cash are taken to liabilities, instead of equity, and the fair value adjustment of the respective scheme end of the period is expensed to P/L. This include any changes to the quoted price of the Ambu B-share on Nasdaq Copenhagen.

5.4 Fee to auditors appointed by the annual general meeting

	2020/21	**2019/20**
Audit fee	4	3
Other assurance engagements	0	0
Tax consultancy services	0	0
Other services	1	0
Total fees	**5**	**3**

DKKm

5.5 Group companies

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

				Activity			
Company	**Reg. office**	**Currency**	**Ownership interest**	Sales[1]	Production[2]	Develop-ment	Other
Parent company:							
Ambu A/S	Denmark	DKK	100%	x	x	x	x
Subsidiaries:							
Ambu Australia Pty. Ltd.	Australia	AUD	100%	x			
Ambu Healthcare Solutions Canada Inc.	Canada	CAD	100%	x			
Ambu Ltd.	China	CNY	100%		x	x	
Ambu (Xiamen) Trading Co., Ltd.	China	CNY	100%	x			
Ambu Nordic A/S	Denmark	DKK	100%				x
Ambu Operations A/S	Denmark	USD	100%		x		
Ambu Rusland Holding ApS	Denmark	DKK	100%				x
Ambu Sarl	France	EUR	100%	x			
Ambu GmbH	Germany	EUR	100%	x			
Ambu Innovation GmbH	Germany	EUR	100%			x	
Ambu India Private Limited	India	INR	100%	x			
Ambu s.r.l.	Italy	EUR	100%	x			
Ambu KK	Japan	JPY	100%	x			
Ambu Sdn. Bhd.	Malaysia	MYR	100%		x	x	
Ambu Sales & Services Sdn. Bhd.	Malaysia	MYR	100%	x			
Ambu Mexico Operations S. A. DE C. V.	Mexico	MXN	100%		x		
Ambu B.V.	Netherlands	EUR	100%	x			
Ambu LLC	Russia	RUB	100%	x			
Firma Ambu, S.L.	Spain	EUR	100%	x			
Ambu AG	Switzerland	CHF	100%	x			
Ambu Ltd.	UK	GBP	100%	x			
Ambu Inc.	USA	USD	100%	x			
King Systems Holding Inc.	USA	USD	100%				x
King Systems Corp.	USA	USD	100%		x	x	

[1]Sales include promotional activities.
[2]Production includes the purchase of goods for resale and the coordination thereof.

DKKm

5.6 Contingent liabilities and other contractual liabilities

Contingent liabilities

At the end of September 2021, Ambu had entered into two significant lease contracts with commencement dates in Q1 2021/22. The first contract relates to the new manufacturing facilty in Mexico, which at the end of September 2021 was under construction. The second contract relates to offce space in Germany. The combined value of DKK 254m will be recognised in accordance with IFRS 16 'Leases' as a right-of-use asset and a lease liability at the end of Q1 2021/22.

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

Ambu is involved from time to time in disputes with customers and patients about Ambu's products. Appropriate provisions are made on an ongoing basis, and product liability insurance has been taken out. The management believes that the likely outcomes of these disputes can be covered by the provisions made and recognized in the balance sheet at 30 September 2021. For a more detailed description of the group's risks, see the 'Risk management' section on pages 31-32.

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. Change-of-control remuneration to members of the Executive Management is subject to a maximum value corresponding to two years' remuneration.

5.7 Related parties

The group's related parties include the company's Board of Directors and Executive Management and members of their families. Related parties furthermore include enterprises in which the aforementioned persons have a significant interest.

During the year, no transactions, except for payment of the management's remuneration (notes 2.3 and 5.3), took place with the Board of Directors, Executive Management, major shareholders or other related parties.

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.

5.9 Adoption of the annual report and distribution of profit

At the board meeting on 9 November 2021, the Board of Directors approved the annual report presented. Subsequently, the annual report will be presented to the shareholders of Ambu A/S for adoption at the annual general meeting on 14 December 2021. The Board of Directors proposes that dividend of DKK 0.29 per share be paid. In 2019/20, the Board of Directors proposed a dividend payment of DKK 0.29 per share, which was subsequently distributed to the shareholders of Ambu A/S.

	2020/21	**2019/20**
Proposed dividend for the year	75	73
Transferred to distributable reserves	172	168
	247	**241**
Pay-out ratio, in % of net profit	30%	30%

§ Accounting policies

Proposed dividend is recognized as a liability at the time of adoption by the 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 before special items	Operating profit before special items, depreciation, amortization and impairment losses.
Operating profit (EBIT) before special items	Profit for the year before special items, net financials and tax
Operating profit (EBIT)	Profit for the year before net financials and tax
Capacity costs	Selling and distribution costs, development costs, management and administrative expenses as well as other operating income and expenses.
Balance sheet	
Net working capital	Inventories, trade receivables, other receivables and prepayments less trade payables and other payables.
Interest-bearing debt	Debt on which interest is paid, including bank debt, debt to credit institutions, lease debt and corporate bonds, but not trade payables.
Net interest-bearing debt (NIBD)	Interest-bearing debt less cash.
Cash flows	
Cash flow from operating activities	Cash flow from operating activities as defined in IAS 7.
Cash flow from investing activities before acquisitions of enterprises and technology	Cash flow from investing activities as defined in IAS 7 excluding cash flow for the acquisition of technologies and enterprises.
Free cash flow before acquisitions of enterprises and technology	The sum of cash flow from operating activities and cash flow from investing activities before acquisitions of enterprises and technology.
Acquisitions of enterprises and technology	Cash flow from the acquisition of enterprises and technologies, including payment to the seller and payment of earn-outs less cash in acquired enterprises.
Key figures and ratios	
Organic growth	Development in revenue, adjusted for fluctuations in foreign exchange rates and the effect of acquisitions, in the past 12 months in % of revenue in the period of comparison.
Endoscopes	Single-use endoscopes. Currently, endoscopes comprise the following product groups: Ambu® aScope™, Isiris® α stent removal solution[1] and VivaSight™.
Growth in endoscopes sold	The development in the number of endoscopes sold in % of the number of endoscopes sold in the period of comparison.
Rate of cost	Capacity costs in % of revenue.
Tax rate	Tax for the year relative to the profit before tax.
EBITDA margin before special items	EBITDA before special items in % of revenue.
EBIT margin	EBIT in % of revenue.
EBIT margin before special items	EBIT before special items in % of revenue.

[1]The Isiris® α stent removal solution is developed in collaboration between Ambu and Coloplast and is available for sale through Coloplast. Isiris® is a registered trademark of Coloplast.

5.10 Key figure and ratio definitions (continued)

Key figures and ratios (continued)	
Return on equity	Net profit/loss for the year for a rolling 12-month period in relation to average equity.
NIBD/EBITDA before special items	Net interest-bearing debt/EBITDA before special items.
Equity ratio	Equity's share of total assets at end of year.
Investments, % of revenue	Cash flow from investing activities, including assets disposed of, in % of revenue.
Net 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 the group's expected long-term tax rate relative to the average equity plus the average net 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 flow from operating activities relative to number of shares at end of year.
Equity value per share	Total equity relative to number of shares at end of year.
Dividend per share	Dividend relative to number of shares at end of year.
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).

STATEMENTS AND REPORTS

MANAGEMENT'S STATEMENT

On this day, the Board of Directors and the Executive Management have considered and approved the Annual Report of Ambu A/S for the financial year from 1 October 2020 to 30 September 2021.

The Annual Report has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

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, equity and liabilities and financial position as at 30 September 2021, and of the results of the group's and the company's operations and cash flows for the financial year from 1 October 2020 to 30 September 2021.

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 the group's and the company's financial position, together with a description of the principal risks and uncertainties faced by the group and the company.

The Annual Report is submitted for adoption by the annual general meeting.

Copenhagen, 9 November 2021

Executive Management

Juan Jose Gonzalez CEO	Michael Højgaard CFO

Board of Directors

Jørgen Jensen Chairman	Christian Sagild Vice-Chairman	Britt Meelby Jensen
Mikael Worning	Henrik Ehlers Wulff	
Thomas Lykke Henriksen Elected by the employees	Jakob Koch Elected by the employees	Jakob Bønnelykke Kristensen Elected by the employees

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Ambu A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Ambu A/S for the financial year 1 October 2020 – 30 September 2021, pages 45-85 and pages 92-104, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the group and the parent company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the group and the parent company at 30 September 2021 and of the results of the group's and the parent company's operations and cash flows for the financial year 1 October 2020 – 30 September 2021 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Our opinion is consistent with our long-form audit report to the Audit Committee and the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the 'Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements' (hereinafter collectively referred to as 'the financial statements') section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014

Appointment of auditor
We were appointed as auditor of Ambu A/S on 13 December 2017 for the 2017/18 financial year. We have been reappointed by resolution of the general meeting for a total consecutive period of four years up until the 2019/20 financial year.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the 2020/21 financial year. These matters were addressed during our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the 'Auditor's responsibilities for the audit of the financial statements' section, including in relation to the key audit matters below. Accordingly, our audit included the design and performance of procedures to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Recognition of revenue in the USA due to price adjustment structure
In the US market, a significant portion of Ambu's sales flow through dealers (third-party warehouses) who sell the products to public and private hospitals and clinics (the end-customers). Ambu's sales price to the dealer depends on the pricing arrangement Ambu has agreed with the end-customer.

As Ambu's sales to end-customers deviate in amounts and timing from the amounts invoiced to the dealer, Ambu subsequently adjusts the price stated in the preliminary invoice. Price adjustments are recognized on an ongoing basis, and price adjustments which have not been settled at the balance sheet date are recognized as a reduction in trade receivables in the balance sheet.

We focus on this area, as the assessment of non-settled price adjustments to dealers is complex and includes management estimates and judgements.

Reference is made to note 2.2 Revenue to the consolidated financial statements.

How our audit addressed the key audit matter
We have identified, tested and assessed key internal controls and related systems which are used to process and calculate price adjustments for dealers.

We assessed and reviewed management's calculation of price adjustments by comparing the assumptions applied with the group's trading policies, the terms of existing contracts, third-party reported data and historical price adjustment levels.

We further made an assessment of the most significant parameters included in the calculation of the non-settled price adjustments as at 30 September 2021 based on historical data, accounting records and the terms of existing contracts.

Valuation of intangible assets
In connection with prior years' acquisitions including the acquisition of Invendo Medical GmbH in the 2017/18 financial year, the Ambu group has recognized acquired technologies, trademarks and customer relations and acquired technologies in progress totalling DKK 731m as at 30 September 2021.

The value of intangible assets is determined in connection with the purchase price allocation. In case of indications of impairment, an impairment test is prepared, based on management's estimates of the future value based on an assessment of future cash flows on the basis of strategic plans, long-term growth and discount rate.

Due to the inherent uncertainty involved in determining the net present value of future cash flows, we considered these impairment tests to be a key audit matter.

Reference is made to note 3.2 Other intangible assets to the consolidated financial statements.

How our audit addressed the key audit matter
Our audit procedures included testing the mathematical accuracy of the discounted cash flow model and comparing forecasted profitability to internally approved budgets.

We evaluated the assumptions and methodologies used in the discounted cash flow model, in particular those relating to the forecast revenue growth and EBIT margin, including comparing with historical growth rates.

Further, we evaluated the sensitivity analysis on the assumptions applied in the valuations prepared by management.

Statement on the management's review

Management is responsible for the management's review.

Our opinion on the financial statements does not cover the management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management's review and, in doing so, consider whether the management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless management either intends to liquidate the group or the parent company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 group's and the parent company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and the requirement to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 9 November 2021
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Søren Skov Larsen State Authorised Public Accountant mne26797	Henrik Pedersen State Authorised Public Accountant mne35456

FINANCIAL STATEMENTS 2020/21 – PARENT COMPANY

Income statement and statement of comprehensive income

Ambu A/S Financial statements for the period 1 October – 30 September

DKKm

Income statement	Note	2020/21	2019/20
Revenue		2,646	2,355
Production costs	2.1, 2.2	-1,885	-1,630
Gross profit		**761**	**725**
Selling and distribution costs	2.1, 2.2	-271	-241
Development costs	2.1, 2.2	-222	-154
Management and administration	2.1, 2.2	-322	-257
Operating profit (EBIT)		**-54**	**73**
Financial income	4.2	533	122
Financial expenses	4.2	-511	-104
Profit before tax		**-32**	**91**
Tax on profit for the year	2.3	54	-6
Net profit for the year		**22**	**85**

Statement of comprehensive income	2020/21	2019/20
Net profit for the year	22	85
Other comprehensive income	0	0
Comprehensive income for the year	**22**	**85**

Balance sheet

Ambu A/S Financial statements at 30 September

DKKm

Assets	Note	30.09.21	30.09.20
Completed development projects	3.1	394	305
Rights	3.1	746	779
Goodwill	3.1	147	147
Development projects in progress	3.1	567	315
Intangible assets		**1,854**	**1,546**
Property, plant and equipment	3.2, 3.4	**195**	**166**
Investments in subsidiaries	3.3	2,102	2,286
Total non-current assets		**4,151**	**3,998**
Inventories	3.5, 4.1	176	140
Trade receivables	3.6, 4.1	158	99
Receivables from subsidiaries	4.1	172	726
Income tax receivable		11	8
Other receivables	4.1	5	4
Prepayments		29	22
Cash	4.1	18	68
Total current assets		**569**	**1,067**
Total assets		**4,720**	**5,065**

Equity and liabilities	Note	30.09.21	30.09.20
Share capital		129	126
Other reserves		3,284	1,970
Equity		**3,413**	**2,096**
Deferred tax	2.4	11	85
Provisions	4.1, 5.1	30	32
Interest-bearing debt	4.1	651	1,348
Payables to subsidiaries	4.1	38	534
Non-current liabilities		**730**	**1,999**
Provisions	4.1, 5.1	13	9
Contingent consideration	4.1, 5.2	130	404
Interest-bearing debt	4.1	8	6
Trade payables	4.1	97	88
Payables to subsidiaries	4.1	201	398
Income tax		0	0
Other payables	4.1	126	58
Derivative financial instruments	4.1	2	7
Current liabilities		**577**	**970**
Total liabilities		**1,307**	**2,969**
Total equity and liabilities		**4,720**	**5,065**

Cash flow statement

Ambu A/S Financial statements for the period 1 October – 30 September

DKKm

	Note	2020/21	2019/20
Operating profit (EBIT)		-54	73
Adjustment of items with no cash flow effect	3.7	123	90
Changes in net working capital	3.8	-166	-57
Interest income and similar items		20	0
Interest expenses and similar items		-22	-56
Income tax paid		9	-3
Cash flow from operating activities		**-90**	**47**
Investments in non-current assets		-446	-323
Investments in subsidiaries		-292	0
Dividend from subsidiaries		512	119
Sale of non-current assets		5	0
Cash flow from investing activities before acquisitions of enterprises and technology		-221	-204
Free cash flow before acquisitions of enterprises and technology		**-311**	**-157**
Acquisition of technology		-3	-2
Acquisition of enterprises		-283	0
Cash flow from acquisitions of enterprises and technology		-286	-2
Cash flow from investing activities		**-507**	**-206**
Free cash flow after acquisitions of enterprises and technology		**-597**	**-159**
Raising of long-term debt		575	325
Repayment of debt to credit institutions		-1,250	-150
Repayment of debt to other creditors		-24	0
Repayment in respect of lease liability		-9	-6
Exercise of options		37	19
Sale of treasury shares		65	9
Dividend paid		-73	-96
Dividend, treasury shares		1	2
Capital increase, Class B share capital		1,225	37
Cash flow from financing activities		**547**	**140**
Changes in cash and cash equivalents		**-50**	**-19**
Cash and cash equivalents, beginning of year		68	87
Translation adjustment of cash and cash equivalents		0	0
Cash and cash equivalents, end of year		**18**	**68**
Cash and cash equivalents, end of year, are composed as follows:			
Cash and cash equivalents		18	68
Bank debt		0	0
Cash and cash equivalents, end of year		**18**	**68**

Statement of changes in equity

Ambu A/S Financial statements for the period 1 October – 30 September

DKKm

	Share capital	Reserve for hedging transactions	Reserve for develop-ment costs	Retained earnings	Proposed dividend	Total
Equity 1 October 2020	**126**	**0**	**453**	**1,444**	**73**	**2,096**
Net profit for the year			273	-326	75	22
Other comprehensive income for the year				0		0
Total comprehensive income	**0**	**0**	**273**	**-326**	**75**	**22**
Transactions with the owners:						
Share-based payment				7		7
Tax deduction relating to share options				33		33
Exercise of options				37		37
Sale of treasury shares				65		65
Distributed dividend					-72	-72
Dividend, treasury shares				1	-1	0
Share capital increase	3			1,222		1,225
Equity 30 September 2021	**129**	**0**	**726**	**2,483**	**75**	**3,413**

	Share capital	Reserve for hedging transactions	Reserve for develop-ment costs	Retained earnings	Proposed dividend	Total
Equity 1 October 2019	**126**	**0**	**234**	**1,542**	**96**	**1,998**
Net profit for the year				12	73	85
Transferred to reserves			219	-219		0
Other comprehensive income for the year				0		0
Total comprehensive income	**0**	**0**	**219**	**-207**	**73**	**85**
Transactions with the owners:						
Share-based payment				14		14
Tax deduction relating to share options				28		28
Exercise of options				19		19
Sale of treasury shares, employee share programme				9		9
Distributed dividend					-94	-94
Dividend, treasury shares				2	-2	0
Share capital increase, warrants				37		37
Equity 30 September 2020	**126**	**0**	**453**	**1,444**	**73**	**2,096**

Other reserves are made up of reserve for hedging transactions, reserve for foreign currency translation adjustment, reserve for development costs, retained earnings and proposed dividend and total DKK 3,284m (2020: DKK 1,970m). Other reserves are free for distribution with the exception of the reserve for development costs.

§ Accounting policies

Reserve for development costs

Contrary to the accounting policies applied in the consolidated financial statements, in accordance with the Danish Financial Statements Act Ambu A/S must tie up a reserve in equity, corresponding to the capitalized value of development costs (see note 3.1). The amortization of the capitalized development costs as well as deferred tax is set off against this reserve.

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), IFRS as adopted by the EU as well as additional requirements in the Danish Financial Statements Act.

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: Statement of changes in equity – Parent company, 3.3 Investments in subsidiaries and 4.2 Net financials.

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

3.1 Goodwill
3.2 Other intangible assets
4.5 Share capital and treasury shares
5.3 Share-based payment
5.6 Contingent liabilities
5.8 Subsequent events
5.9 Adoption of the annual report etc.

The accounting policies have been applied consistently in the preparation of the financial statements of the Parent company in the years presented as well as being consistent with previous years.

2.1 Staff costs

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

	2020/21	**2019/20**
Production costs	8	6
Selling and distribution costs	114	89
Development costs	150	84
Management and administration	189	152
Total staff costs	**461**	**331**

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

	2020/21	**2019/20**
Remuneration, Executive Management	15	24
Share-based payment	9	8
Staff costs, Executive Management	**24**	**32**
Wages and salaries	387	257
Pension contributions	33	22
Social security costs	6	3
Share-based payment	6	13
Remuneration, Board of Directors	5	4
Total staff costs	**461**	**331**
Average number of employees	507	351
Number of full-time employees at the end of the year	567	425

DKKm

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

	2020/21	2019/20
Amortization of intangible development projects and rights	86	52
Depreciation of property, plant and equipment	25	16
Impairment losses on non-current assets	5	7
Total depreciation, amortization and impairment losses	**116**	**75**

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

	2020/21	2019/20
Selling and distribution costs	2	2
Development costs	94	55
Management and administration	20	18
Total depreciation, amortization and impairment losses	**116**	**75**

2.3 Tax on profit for the year

	2020/21	2019/20
Current tax on profit for the year	-5	-5
Deferred tax on profit for the year	-32	9
Adjustment, previous years	-17	2
Total tax on profit for the year	**-54**	**6**
Tax on profit for the year comprises (%):		
Applicable tax rate on profit for the year in Parent company	22.0	22.0
Income not subject to tax	371.2	-29.0
Non-deductible costs	-338.7	3.3
Value adjustment of contingent consideration	0.0	10.8
Additional tax deduction on R&D costs	61.1	-2.8
Additional tax deduction on R&D costs, prior years	37.1	0.0
Tax adjustment in respect of previous years	16.1	2.3
Average effective tax rate (tax expense divided by profit before tax)	**168.8**	**6.6**

The group’s transfer pricing setup is based on the widely used principal model. In this model Ambu A/S distributes an arm's length profit to its subsidiaries and any residual profit is repatriated back to Ambu A/S for taxation. The taxable profit is then reduced by deductions from investments made. Furthermore, income tax payable is reduced by Ambu A/S’s tax deduction resulting from the employees’ gains from exercised warrants and share options. Such gains are subject to personal tax.

Income tax paid

Ambu A/S received a tax refund for the year of DKK 9m (payment of DKK 3m) attributable to additional tax deduction on R&D costs in accordance with the Danish Tax Assessment Act and adjustments to prior years.

DKKm

2.4 Deferred tax

	30.09.21	30.09.20
Deferred tax at 1 October	85	104
Deferred tax on share-based payment recognized in equity	2	-28
Deferred tax for the year recognized in the income statement	-32	9
Change in respect of previous years	-44	0
Deferred tax at 30 September	**11**	**85**
Deferred tax relates to:		
Intangible assets	388	294
Property, plant and equipment	-7	-8
Current assets	8	5
Deferred tax on share-based payment recognized in equity	10	8
Provisions	-2	-2
Contingent consideration	0	0
Payables	-8	-6
Tax loss carry-forwards	-378	-206
	11	**85**

3.1 Intangible assets

2020/21	Goodwill	Rights	Completed development projects	Development projects in progress	Total
Cost at 1 October	147	921	567	315	1,950
Additions during the year	0	12	0	391	403
Disposals during the year	0	-17	0	0	-17
Transferred during the year	0	0	139	-139	0
Cost at 30 September	**147**	**916**	**706**	**567**	**2,336**
Amortization and impairment losses at 1 October	0	-142	-262	0	-404
Disposals during the year	0	12	0	0	12
Impairment losses for the year	0	0	-4	0	-4
Amortization for the year	0	-40	-46	0	-86
Amortization and impairment losses at 30 September	**0**	**-170**	**-312**	**0**	**-482**
Carrying amount at 30 September	**147**	**746**	**394**	**567**	**1,854**

2019/20	Goodwill	Rights	Completed development projects	Development projects in progress	Total
Cost at 1 October	147	921	380	226	1,674
Additions during the year	0	0	0	284	284
Disposals during the year	0	0	-8	0	-8
Transferred during the year	0	0	195	-195	0
Cost at 30 September	**147**	**921**	**567**	**315**	**1,950**
Amortization and impairment losses at 1 October	0	-118	-240	0	-358
Disposals during the year	0	0	8	0	8
Impairment losses for the year	0	-2	0	0	-2
Amortization for the year	0	-22	-30	0	-52
Amortization and impairment losses at 30 September	**0**	**-142**	**-262**	**0**	**-404**
Carrying amount at 30 September	**147**	**779**	**305**	**315**	**1,546**

DKKm

3.2 Property, plant and equipment

2020/21	Land and buildings	Plant and machinery	Other plant, fixtures and equipment	Property, plant and equipment in progress	Total
Cost at 1 October	127	0	89	11	227
Additions during the year	10	0	5	41	56
Disposals during the year	-1	0	-8	0	-9
Transferred during the year	3	1	31	-35	0
Cost at 30 September	**139**	**1**	**117**	**17**	**274**
Depreciation and impairment losses at 1 October	-11	0	-50	0	-61
Disposals during the year	1	0	7	0	8
Impairment losses for the year	0	0	-1	0	-1
Depreciation for the year	-7	0	-18	0	-25
Depreciation and impairment losses at 30 September	**-17**	**0**	**-62**	**0**	**-79**
Carrying amount at 30 September	**122**	**1**	**55**	**17**	**195**

2019/20					
Cost at 1 October	118	0	77	16	211
Recognition of right-of-use assets	0	0	3	0	3
Additions during the year	2	0	3	32	37
Disposals during the year	0	0	-24	0	-24
Transferred during the year	7	0	30	-37	0
Cost at 30 September	**127**	**0**	**89**	**11**	**227**
Depreciation and impairment losses at 1 October	-6	0	-57	0	-63
Disposals during the year	0	0	23	0	23
Impairment losses for the year	-1	0	-4	0	-5
Depreciation for the year	-4	0	-12	0	-16
Depreciation and impairment losses at 30 September	**-11**	**0**	**-50**	**0**	**-61**
Carrying amount at 30 September	**116**	**0**	**39**	**11**	**166**

3.3 Investments in subsidiaries

	2020/21	2019/20
Cost at 1 October	2,286	2,281
Additions	292	5
Cost at 30 September	**2,578**	**2,286**
Impairment losses for the year	-476	0
Impairment losses at 30 September	**-476**	**0**
Carrying amount at 30 September	**2,102**	**2,286**

In the financial year 2020/21, subsidiaries distributed DKK 512m in dividends to the Parent company, which reduced the net book value of the investments. An impairment loss of DKK 476m is therefore taken to financial expenses to reflect the lower carrying amount. Reference is made to note 5.5 to 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, write-down for impairment is made to the lower value.

DKKm

3.4 Leases

	30.09.21	30.09.20
Land and buildings	115	109
Other plant, fixtures and fittings, tools and equipment	8	7
Carrying amount of lease assets	**123**	**116**
Additions on lease assets during the year	15	4

	30.09.21	30.09.20
Lease liabilities		
Less than 1 year	11	9
Between 1 and 5 years	37	30
More than 5 years	82	90
Undiscounted lease liabilities	**130**	**129**

	2020/21	2019/20
Amounts recognized in the income statement		
Expenses related to low value and short-term leases	0	0
Interest on lease liabilities	3	3
Depreciation of lease assets per asset class		
Land and buildings	4	2
Other plant, fixtures and fittings, tools and equipment	4	4
Depreciation of lease assets	**8**	**6**
Amounts recognized in the cash flow statement		
Total cash outflow for leases	12	9

3.5 Inventories

	30.09.21	30.09.20
Raw materials and consumables	3	3
Finished goods	173	137
	176	**140**
Cost of sales for the year	1,875	1,624
Write-down of inventories included in production costs for the year	1	5

DKKm

3.6 Trade receivables

	30.09.21	30.09.20
Ageing of trade receivables:		
Not due	146	91
1-90 days	8	7
91-180 days	1	0
> 180 days	3	1
Trade receivables	**158**	**99**
At end of year, trade receivables were written down by	0	4

3.7 Adjustment of items with no cash flow effect

	2020/21	2019/20
Depreciation, amortization and impairment losses	116	75
Share-based payment, settled in shares	7	15
	123	**90**

3.8 Changes in net working capital

	2020/21	2019/20
Changes in inventories	-36	-29
Changes in receivables	-69	6
Changes in balances with group companies	-139	77
Changes in trade payables etc.	78	-111
	-166	**-57**

DKKm

4.1 Categories of financial instruments

The parent company has recognized the following financial instruments:

	30.09.21	30.09.20
Receivables from subsidiaries	172	726
Trade receivables	158	99
Other receivables	5	4
Cash	18	68
Receivables and cash and cash equivalents	**353**	**897**
Credit institutions	550	1,225
Other interest-bearing debt	0	24
Provisions	43	41
Trade payables	97	88
Payables to subsidiaries	239	932
Other payables	126	58
Financial liabilities recognized at amortized cost	**1,055**	**2,368**
Contingent consideration (level 3)	130	404
Derivative financial instruments (level 2)	2	7
Financial liabilities stated at fair value in the income statement	**132**	**411**

The parent company’s payables fall due as follows:

2020/21	**0-1 year**	**1-5 years**	**> 5 years**	**Total**
Credit institutions	0	550	0	550
Provisions	13	30	0	43
Contingent consideration	130	0	0	130
Other financial liabilities	424	38	0	462
Derivative financial instruments	2	0	0	2
	569	**618**	**0**	**1,187**

2019/20	**0-1 year**	**1-5 years**	**> 5 years**	**Total**
Credit institutions	0	1,225	0	1,225
Other interest-bearing debt	0	0	24	24
Provisions	9	32	0	41
Contingent consideration	404	0	0	404
Other financial liabilities	544	534	0	1,078
Derivative financial instruments	7	0	0	7
	964	**1,791**	**24**	**2,779**

DKKm

4.2 Net financials

	2020/21	2019/20
Interest income, others	3	0
Foreign exchange gains, net	17	0
Dividend from subsidiaries	512	119
Fair value adjustment, swap	1	3
Financial income	**533**	**122**

	2020/21	2019/20
Interest expenses, subsidiaries	3	7
Interest expenses, banks	16	22
Interest expenses, leases	3	3
Foreign exchange loss, net	0	23
Fair value adjustment, contingent consideration	9	46
Effect of shorter discount period, acquisition of technology	4	3
Fair value adjustment, swap	0	0
Impairment, investments in subsidiaries	476	0
Financial expenses	**511**	**104**

§ Accounting policies

Dividend from subsidiaries is recognised under financial income at the time that the dividend is declared.

5.1 Provisions

	2020/21	2019/20
Provisions at 1 October	41	43
Used during the year	-3	-2
Value adjustment	4	3
Currency translation adjustment	1	-3
Provisions at 30 September	**43**	**41**
Provisions expected to fall due:		
Non-current liabilities	30	32
Current liabilities	13	9
Provisions at 30 September	**43**	**41**

DKKm

5.2 Contingent consideration

	2020/21	2019/20
Contingent consideration at 1 October	404	359
Paid during the year	-283	0
Adjustments made through the income statement under financial expenses:		
Value adjustment	9	46
Currency translation adjustment	0	-1
Contingent consideration at 30 September	**130**	**404**
Contingent consideration expected to fall due:		
Current liabilities	130	404
Contingent consideration at 30 September	**130**	**404**

5.3 Fee to auditors appointed by the annual general meeting

	2020/21	2019/20
Audit fee	1	1
Other assurance engagements	0	0
Tax consultancy services	0	0
Other services	1	0
Total fees	**2**	**1**

5.4 Related parties

The Parent company's related parties include subsidiaries, the company's Board of Directors and Executive Management and members of their families. Related parties furthermore include enterprises in which the aforementioned persons have a significant interest.

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

	2020/21	2019/20
Sale of goods and services to subsidiaries	2,674	2,146
Purchase of goods and services from subsidiaries	2,251	1,709

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 Management, senior employees, major shareholders or other related parties.

Outstanding balances and receivables in respect of related parties, essentially arising from ordinary business relations, i.e. the purchase and sale of goods and services, 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, see note 4.2.

The Parent company has provided loans to a number of subsidiaries. The loans carry interest on market terms.

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

	2020/21	2019/20
Guarantees and security provided on behalf of subsidiaries	24	24

COMPANY ANNOUNCEMENTS IN 2020/21

No. 1	Chairman of the Board of Directors will not seek re-election
No. 2	Annual Report 2019/20 (Earnings release)
No. 3	Candidate for new chairman of Ambu A/S
No. 4	Capital increase in connection with exercise of warrants
No. 5	Annual General Meeting in Ambu A/S
No. 6	Ambu A/S seeks to strengthen its capital base
No. 7	Interim Report for Q1 2020/21
No. 8	Status on accelerated bookbuild offering – Priced at DKK 262 per B share
No. 9	Completion of accelerated bookbuild offering
No. 10	Launch of Long-Term Incentive Plan
No. 11	Registration of share capital increase of 4,711,832 new B shares completed
No. 12	Capital increase in connection with exercise of warrants
No. 13	Interim Report for Q2 2020/21 and for the half year
No. 14	Capital increase in connection with exercise of warrants
No. 15	Update of financial guidance for 2020/21 and preliminary results for Q3 2020/21
No. 16	Interim report for Q3 2020/21
No. 17	Proposed changes within Ambu's Board of Directors
No. 18	Capital increase in connection with exercise of warrants
No. 19	Financial calendar for 2021/22

FINANCIAL CALENDAR 2021/22

2021	
9 November	Annual report 2020/21
14 December	Annual general meeting
2022	
11 January	Q1 quiet period starts
8 February	Interim report for Q1 2021/22
12 April	Q2 quiet period starts
10 May	Interim report for Q2 2021/22
28 July	Q3 quiet period starts
25 August	Interim report for Q3 2021/22
30 September	End of the financial year 2021/22

FINANCIAL CALENDAR 2022/23

2022	
18 October	Q4 quiet period starts
15 November	Annual report 2021/22
14 December	Annual general meeting

About Ambu
Ambu has been bringing the solutions of the future to life since 1937. Today, millions of patients and healthcare professionals worldwide depend on the efficiency, safety and performance of our single-use endoscopy, anaesthesia, and patient monitoring solutions. We continuously look to the future with a commitment to deliver innovative quality products that have a positive impact on patient care and the work of healthcare professionals. Headquartered near Copenhagen in Denmark, Ambu employs approximately 4,500 people in Europe, North America and the Asia Pacific. For more information, please visit ambu.com or follow us on our corporate LinkedIn and USA LinkedIn pages.

Ambu FOREVER FORWARD