Interim report for Q3 2018/19

In Q3, Ambu has achieved solid organic growth of 10% and an EBIT margin before special items of 20.1%. The pipeline has been advanced, US approval of ENT scopes secured, and Ambu is on plan for future launch of the duodenoscope, the cystoscope and next generation aView™ monitor. In terms of commercial infrastructure, Ambu has decided to further invest in and strengthen its largest market by moving to a 100% direct sales organization for pulmonary endoscopy in the US. Financial guidance is revised.

"We have a unique position with our pipeline of Visualization products, and we believe there is an untapped potential to be released by further investments in a direct sales force. Therefore, we have decided to go 100% direct with our aScope products on the US market. We believe that in the years to come, our direct sales force will be able to maximise our revenue growth and our entrance into ENT and urology will benefit from having full control of the sales force. With this change, we will build the largest single-use direct organisation in our most important market globally creating a competitive advantage for Ambu. Our expansion is well under way and will be effective during H1 2019/20. As a result, our full-year guidance for 2018/19 and 2019/20 is changed. In line with our communication in June, we are committed to create significant value for our shareholders in the long-term through strategic investments," says CEO Juan Jose Gonzalez.

Highlights for the quarter – Investing for the future

- For Q3, revenue totalled DKK 773m (DKK 673m), with organic growth of 10% and reported growth of 15%. The gap between organic growth and reported growth is due to the strengthened USD/DKK exchange rate, and recognition of GPO fees in accordance with the accounting standard relative to the same quarter last year.
- In Q3, Visualization contributed organic growth of 30%, Anaesthesia was flat, and PMD (Patient Monitoring & Diagnostics) delivered growth of 2%.
- Organic growth of 15% was realised in North America, 5% in Europe and 9% in the Rest of the world.
- Sales of single-use endoscopes in Q3 totalled 194,000 units, up 33% relative to Q3 last year. Year to date, sales of endoscopes thus totals 525,000 units.
- Gross margin for Q3 was 56.4% (59.7%), including one-off write-downs of raw materials and finished goods in the amount of DKK 25m due to the discontinuation of the SC210 colonoscope. Comparable gross margin before these write-downs was 59.6%, which is on par with Q3 last year.
- Capacity costs for the quarter totalled DKK 281m (DKK 251m), corresponding to a 12% increase. The increase reflects investments made in the sales organisation in recent quarters and recognition of GPO fees. Furthermore, cost accruals

have been released in respect of long-term incentives for management as a result of the adjusted long-term financial guidance (as communicated on 17 June 2019).

- EBIT before special items for the quarter was DKK 155m (DKK 151m) with an EBIT margin before special items of 20.1% (22.4%). Adjusted for one-off write-downs relating to the SC210 colonoscope, the EBIT margin before special items was 23.3%.
- In line with the announcement on 10 May 2019, costs associated with the change of CEO are accounted for as one-off costs in Q3 in the amount of DKK 38m and in the form of special items.
- In line with the business update on 17 June 2019, financial income for the quarter includes DKK 202m due to changes in estimates of earn-out and milestone payments due to lower impact from revenue of GI scopes in the earn-out period ending October 2021.
- The working capital to revenue ratio is 21% (22%) based on rolling 12-month revenue.
- Free cash flows before acquisitions totalled DKK 148m (DKK 103m) for the quarter.
- Since 2015, Ambu and Tri-anim Health Services, a leading US specialty distributor, have been in partnership to make Ambu's single-use bronchoscopes the market leader. Today, Tri-anim covers 40% of Ambu's revenue from sales of aScope™ products within pulmonary endoscopy in the US market. As part of the ongoing initiative to expand our direct sales force, Ambu and Tri-anim have mutually agreed to fully transition the sales of aScope™ products to Ambu and the agreement has effect from 1 October 2019. We are confident that with our pipeline of new endoscope products in markets including ENT and urology, we will be able to maximise revenue growth and cross-sales effects by going direct. This is an attractive investment for Ambu as transition effects will be outweighed by higher long-term growth.

  Furthermore, pricing policies towards distributors in the US will be changed with the purpose of optimizing prices. These important investments will have a one-off effect in Q4 and will cause significant changes to the guidance for the full year 2018/19 and 2019/20 and to the expected number of endoscopes sold.

Financial guidance for 2018/19 and 2019/20

The outlook for the full year as announced in company announcement no. 12 2018/19 on 17 June 2019 and with the changes announced in company announcement no. 13 2018/19 on 22 August 2019 is now changed as follows:

Current financial year (2018/19)

- Organic growth of approx. 4-5% compared to previously 14-15%
- EBIT margin before special items of approx. 17% compared to previously approx. 22%
- Free cash flows of approx. DKK 200m compared to previously approx. DKK 375m.
- Sale of approx. 600,000 endoscope units in 2018/19 compared to previously stated 750,000

The changes to the outlook are caused by a decision to invest further in the US and to transition our distributor sales for pulmonary endoscopy in the US and by a change of legacy business practice of offering rebates within the core business on the US market. As part of the agreement to transition the distributor partnership, it has been agreed that Ambu will pay a compensation of USD 20m. The compensation is a one-off cost in Q4, accounted in the form of special items and is payable in Q4 2018/19 and Q1 2019/20. Further details on the changes to the financial guidance are described on page 11.

Big Five 2020 strategy (2019/20)

- Organic growth in 2019/20 is now estimated in the range of 16-22% compared to previously 16-19% driven by a change in the guidance for the full year 2018/19, as explained above, as well as a more conservative outlook.
- Sale of approx. 900,000 endoscope units in 2019/20 compared to previously approx. 1,000,000, due to the changes to the commercial infrastructure in the US as explained above.

The reason for the change to the outlook for organic growth and the number of endoscopes sold is the impact from transitioning sales from the distributor in the US as well as the timing of transferring the accounts from the distributor to Ambu. Assumptions regarding planned revenue from Ambu's direct sales of all Visualization products including GI and ENT are unchanged. Due to the significant expansion of the organisation and the investments that are being planned, the guidance on EBIT and free cash flow will be available with the result for 2018/19 to be announced on 13 November 2019.

A **conference call** is being held today, 22 August 2019, at 10.00 (CEST). The conference will be held in English and can be followed online at www.ambu.com/webcastQ32019. The presentation can be downloaded immediately before the conference call via the same link. In order to be able to ask questions during the conference call, please call 5 minutes before the start on tel. +45 3544 5577 and enter the following access code: 95008558#.

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Ambu
Ideas that work for life

Financial highlights

DKKm	Q3 2018/19	Q3 2017/18	YTD 2018/19	YTD 2017/18	FY 2017/18
Income statement					
Revenue	773	673	2,214	1,877	2,606
Gross margin, %	56.4	59.7	58.8	59.5	59.4
EBITDA before special items	186	182	544	484	678
Depreciation	-15	-12	-38	-35	-49
Amortisation	-16	-19	-44	-51	-66
EBIT before special items	155	151	462	398	563
EBIT	117	151	424	398	563
Net financials	164	-4	109	-71	-98
Profit before tax	281	147	533	327	465
Net profit for the period	216	112	409	231	337
Balance sheet					
Assets	4,357	4,167	4,357	4,167	4,234
Net working capital	624	558	624	558	535
Equity	2,226	1,863	2,226	1,863	1,882
Net interest-bearing debt	1,112	1,410	1,112	1,410	1,245
Cash flows					
Cash flows from operating activities	225	181	381	338	554
Cash flows from investing activities before acquisitions of enterprises and technology	-77	-78	-177	-177	-233
Free cash flows before acquisitions of enterprises and technology	148	103	204	161	321
Acquisitions of enterprises and technology	-1	-76	-2	-928	-928
Cash flows from operating activities, % of revenue	29	27	17	18	21
Investments, % of revenue	-10	-12	-8	-9	-9
Free cash flows before acquisitions of enterprises and technology, % of revenue	19	15	9	9	12
Key figures and ratios					
Organic growth, %	10	17	13	15	15
Rate of cost, %	36	37	38	38	38
EBITDA margin before special items, %	24.1	27.0	24.6	25.8	26.0
EBIT margin before special items, %	20.1	22.4	20.9	21.2	21.6
Tax rate, %	23	24	23	29	28
Return on equity, %	25	19	25	19	21
NIBD/EBITDA before special items	1.5	2.2	1.5	2.2	1.8
Equity ratio, %	51	45	51	45	44
Net working capital, % of revenue	21	22	21	22	21
Return on invested capital (ROIC), %	15	15	15	15	17
Average number of employees	3,006	2,730	2,909	2,680	2,712
Share-related ratios					
Market price per share (DKK)	106	215	106	215	154
Earnings per share (EPS) (DKK)	0.88	0.46	1.67	0.95	1.39
Diluted earnings per share (EPS-D) (DKK)	0.87	0.45	1.65	0.92	1.36

Management's review

Q3 2018/19

In Q3 2018/19, Ambu's long-term growth potential was significantly strengthened.

Appointment of new CEO

On 10 May 2019, Ambu's Board of Directors appointed Juan Jose Gonzalez as the new CEO, effective 15 May 2019, to replace Lars Marcher, who resigned from his position.

Lars Marcher's resignation entailed one-off costs of DKK 38m, which for accounting purposes are recognised in the income statement as special items. The costs related, among other things, to salary during the notice period the value of share options already granted, calculated according to the Black Scholes formula, as well as expenses in the recruitment of a new CEO.

Partnership with Cook Medical

On 18 May 2019, Cook Medical and Ambu announced a partnership under which Cook Medical will distribute Ambu's single-use duodenoscope in the US. The product is well under development and is expected to be launched before the end of September 2020.

Duodenoscopes are used for ERCP procedures, which involve examinations of the pancreatic and bile ducts. An ERCP procedure requires a combination of scope and tools, and Cook Medical is the second-largest provider of ERCP tools on the US market. The partnership with Cook Medical will enhance Ambu's ability to successfully enter the market for duodenoscopy.

Visualization portfolio pipeline update

On 17 June 2019, Ambu announced an updated product pipeline which includes several new products. The products, which Ambu had not previously announced, were a new aScope™ 5 Broncho, a new ureteroscope, a new monitor platform that allows full HD quality, and a replacement of the SC210 colonoscope with a superior scope based on classic wheel technology.

During Q3 2018/19, Ambu secured the approval of its ENT portfolio in the US. The initial results of the launch are promising in especially the US and the UK where we see a faster uptake compared to previous launches.

Investments in commercial infrastructure

The announcement on 17 June 2019 included the decision to accelerate Ambu's investments in commercial infrastructure in the US, Europe and Asia Pacific with the purpose of maximising the value and strengthening of our position as a global leader in single-use Visualization.

The expansion of the sales force will include additional sales reps, clinical trainers and an expansion of marketing capabilities in all our key markets, and will more than double our global Visualization sales force. To maximise the impact on growth in 2019/20 and beyond, hiring has started in Q4 2018/19, with an estimated cost in 2018/19 of approx. DKK 20m.

Settlement with US authorities

In Q2, Ambu reached an agreement in principle to settle a dispute with US authorities concerning compliance with laws and regulations governing sales to US government institutions. The financial implications of the settlement are limited to the payment of a restitution totalling USD 3.3 million. Provisions in a similar amount have been made and expensed in earlier accounting periods, and the settlement will therefore have no further impact on Ambu's EBIT earnings, nor will it impact Ambu's growth opportunities in the USA. The settlement has been finally agreed in August 2019.

BUSINESS AREAS

(Comparative figures are stated in brackets. Unless otherwise stated, growth is stated as organic growth.)

Visualization

Visualization delivered growth of 30% for Q3, and 32% year to date. Visualization accounted for 38% (32%) of revenue for the quarter.

Sales of endoscopes totalled 194,000 units in Q3, representing a 33% increase, while sales year to date stood at 525,000 units, which also equates to a 33% increase. In FY 2017/18, we sold 560,000 endoscopes, and including the impact from transitioning the US distribution partnership, we now expect to sell approx. 600,000 units in the current financial year.

Revenue – business areas

	Q3			Composition of growth				YTD			Composition of growth			
	18/19	Split	17/18	Organic	IFRS 15	Currency	Reported	18/19	Split	17/18	Organic	IFRS 15	Currency	Reported
Visualization	295	38%	218	30%	2%	3%	35%	809	36%	587	32%	2%	4%	38%
Anaesthesia	257	33%	244	0%	2%	3%	5%	748	34%	679	4%	2%	4%	10%
PMD	221	29%	211	2%	1%	2%	5%	657	30%	611	5%	1%	2%	8%
Revenue	**773**	**100%**	**673**	**10%**	**2%**	**3%**	**15%**	**2,214**	**100%**	**1,877**	**13%**	**2%**	**3%**	**18%**

Ambu has now received market approval from the US authorities for both versions of its latest single-use endoscopes: Ambu® aScope™ 4 RhinoLaryngo Slim and Ambu® aScope™ 4 RhinoLaryngo Intervention. US approval for the Slim version was granted in May, and for the Intervention version in July.

This means that Ambu now has an offer of single-use endoscopes for both routine and specialist nose and throat procedures. The feedback from physicians is positive, and sales has started.

Following FDA approval of both of Ambu's ENT endoscopes and the update of Ambu's Visualization product pipeline as mentioned above, our single-use endoscopy pipeline is as follows:

Monitor technology platform

- **aView™ 2 Advance**: To be used for aScope™ products primarily within pulmonary, urology and ENT
  (expected launch Q3 2019/20)
- **aBox™**: To be used for aScope™ products primarily within the GI space
  (expected launch Q2 2020/21)

Pulmonary endoscopy

- **aScope™ 5 Broncho**
  (expected launch Q4 2020/21)

ENT

- **aScope™ 4 RhinoLaryngo Intervention**
  (available now in key markets globally)
- **aScope™ 4 RhinoLaryngo Slim**
  (available now in key markets globally)

Urology

- **Cystoscope**
  (expected US launch Q2 2019/20)
- **Ureteroscope**
  (expected US launch 2021/22)

GI

- **aScope™ Duo**
  (expected launch before end of September 2020)
- **aScope™ Gastro**
  (expected launch Q2 2020/21)
- **aScope™ Colon**
  (expected launch Q2 2020/21)

All the expected launch dates remain unchanged and as set out in the previous announcement on 17 June 2019.

Anaesthesia

Anaesthesia was flat in Q3, which brings year-to-date growth for this business area to 4%.

The development in Anaesthesia is negatively impacted by timing differences in major orders and by an unusually strong Q3 growth last year (10%). We have seen an increase in volumes for the quarter, but this has been countered by price pressure for our Anaesthesia products.

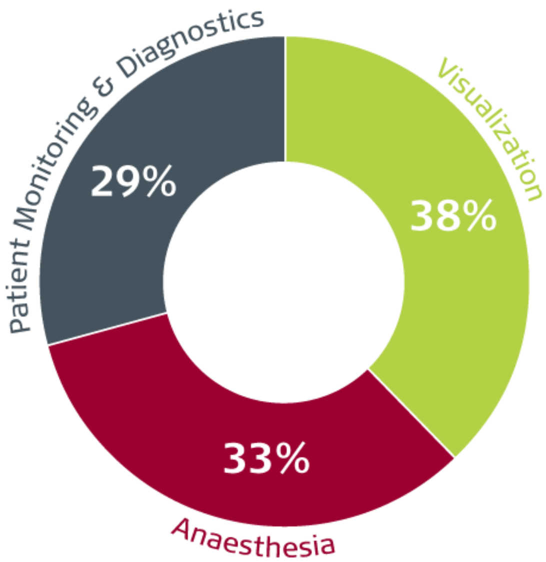
Anaesthesia accounted for 33% (36%) of revenue in Q3.

Patient Monitoring & Diagnostics

PMD delivered growth of 2% in Q3 and 5% year to date, which is in line with our full-year growth ambition for this business area. As was the case for Anaesthesia, PMD pricing has been impacted by a very modest yet measurable lowering of prices, which has had a marginal impact on gross profit for the quarter.

PMD accounted for 29% (32%) of revenue in Q3.

Q3 revenue by business area



VISUALIZATION	ANAESTHESIA	PMD
• Single-use endoscopes	• Resuscitators	• Cardiology electrodes
• Video laryngoscopes	• Laryngeal masks	• Neurology electrodes
• Airway tubes with integrated camera	• Face masks	• Training manikins
	• Breathing circuits	• Neck collars

FINANCIAL RESULTS
INCOME STATEMENT

Revenue

Revenue of DKK 773m was posted for Q3, representing organic growth of 10%, and 15% reported growth. Year to date, revenue totals DKK 2,214m, equating to organic growth of 13%, or 18% reported growth.

Growth in **North America** was 15% (18%) for the quarter. In North America, Visualization grew 49%, while Anaesthesia grew -1% and PMD 1% in Q3.

Sales momentum continues to be strong for Visualization in North America, while growth in Anaesthesia and PMD was low due to timing differences in purchase patterns and, to a lesser degree, price pressure.

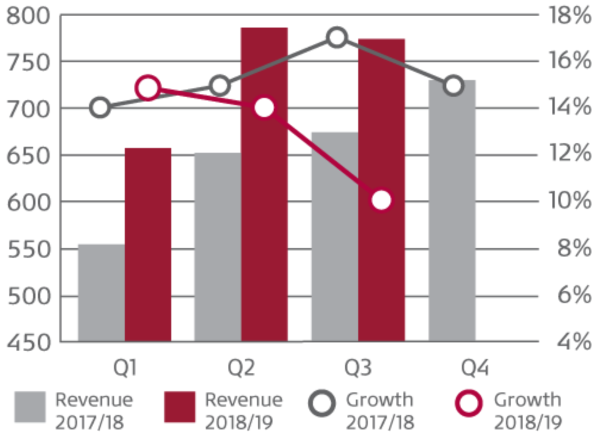
In **Europe**, growth of 5% (18%) was realised in Q3. For the quarter, growth rates in the European markets were 14% for Visualization, 2% for Anaesthesia and 1% for PMD.

As regards single-use endoscopes, the markets in Northern Europe are more mature than, for instance, in Spain and Italy. Therefore, we see high penetration and low growth in Scandinavia, the UK, Germany and France, whereas we see low penetration and high growth in Southern Europe. The growth for Anaesthesia and PMD was low compared to the strong Q3 last year.

The Rest of the world – comprising Asia, Australia and markets in the Middle East, Africa and Latin America – realised growth of 9% (7%) in Q3. Growth was 10% for Visualization, 5% for Anaesthesia and 12% for PMD.

In Q2, we started to obtain the price codes which are necessary for sales of single-use endoscopes in China, and in Q3 we have seen strong growth albeit from low initial volumes. In Australia, the growth for Visualization reflects the fact that this market is more mature, whereas the growth in Anaesthesia has been relatively strong. Growth in the Middle East, Africa and Latin America has been negatively impacted by fluctuations in major orders from NGOs and distributors. However, PMD has seen growth across the Rest of the world markets with peaks in the Middle East.

Revenue (DKKm) and growth (%) per quarter



Currency exposure

Ambu's revenue is exposed, in particular, to the USD, as approx. 50% of revenue is invoiced in USD. The rest of Ambu's revenue is invoiced mainly in EUR and DKK, while GBP accounts for approx. 5% of revenue. Ambu's exposure to GBP is shown in the table below.

Moreover, EBIT is exposed to developments in the Chinese currency CNY and the Malaysian currency MYR, as a significant proportion of the value of Ambu's production in the Far East is settled in these two currencies.

The foreign currency sensitivity of revenue and EBIT, respectively, can be summarised over a 12-month period as follows, based on a 10% increase in exchange rates against DKK:

DKKm	USD	MYR	CNY	GBP
Revenue	160	0	0	15
EBIT	45	-15	-15	10
EBIT margin	+0.3%	-0.5%	-0.5%	+0.3%

Gross profit

Gross profit for Q3 was DKK 436m (DKK 402m), while the gross margin decreased from 59.7% to 56.4%. The lower gross margin reported in Q3 2018/19 is negatively affected by 3 percentage points due to the discontinuation of the SC210 which has led to a DKK 25m one-off write-down relating to raw materials and finished goods.

Adjusted for the discontinuation of SC210, the gross margin for Q3 is 59.6%.

Revenue – markets

	Q3			Composition of growth				YTD			Composition of growth			
	18/19	Split	17/18	Organic	IFRS 15	Currency	Reported	18/19	Split	17/18	Organic	IFRS 15	Currency	Reported
North America	383	49%	306	15%	3%	7%	25%	1,074	49%	844	17%	3%	7%	27%
Europe	300	39%	285	5%	0%	0%	5%	884	40%	814	8%	0%	1%	9%
Rest of the world	90	12%	82	9%	0%	1%	10%	256	11%	219	14%	0%	3%	17%
Revenue	**773**	**100%**	**673**	**10%**	**2%**	**3%**	**15%**	**2,214**	**100%**	**1,877**	**13%**	**2%**	**3%**	**18%**

Costs

Total capacity costs for the quarter were DKK 281m (DKK 251m), and are thus up 12%, which reflects the continued investments made in the sales organization in recent quarters, the recognition of GPO fees as well as release of accruals in previous quarters in respect of long-term incentives for management due to adjustments to the long-term financial guidance.

Year to date, total capacity costs amounted to DKK 839m (DKK 719m).

The rate of cost for Q3 was 36% (37%).

Selling and distribution costs totalled DKK 190m (DKK 155m), corresponding to an increase of 23%. Compared to Q2, selling and distribution costs increased by 5%, which is in line with expectations.

Development costs year to date totalled DKK 76m (DKK 84m). The correlation between capitalisation of development costs and amortisation in the income statement is shown in the table below. Amortisation of DKK 45m and investments of DKK 119m have been recognised, taking cash development costs to DKK 150m year to date, of which 51% (77%) have been expensed. The share of development costs expensed is declining, as the number and value of development projects are going up, while the fixed, non-allocable costs are largely unchanged. In line with Ambu's accounting policies, development projects are amortised over 5-10 years from the moment the products are launched commercially.

DKKm	YTD	
	18/19	**17/18**
Development costs	76	84
÷ Amortisation related thereto	-45	-49
+ Investments	119	74
= Cash flows	**150**	**109**
Of which expensed	**51%**	**77%**

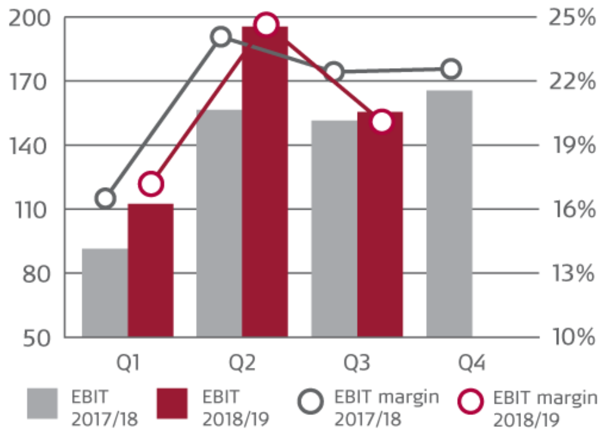
Management and administrative expenses for the quarter totalled DKK 65m (DKK 62m). The expenses are in line with Q2 after adjusting for management's long-term incentives in Q3 as a consequence of lowering the long-term financial guidance on 17 June 2019.

EBIT before special items

EBIT before special items for Q3 was hereafter DKK 155m (DKK 151m), and the EBIT margin before special items was 20.1% (DKK 22.4%). Year to date, EBIT before special items was DKK 462m (DKK 398m), with an EBIT margin before special items of 20.9% (21.2%).

Adjusted for the one-off effects stated above stemming from the discontinuation of the SC210 and management incentive schemes, the EBIT margin before special items was 22.1% for Q3.

EBIT before special items (DKKm) and EBIT margin before special items (%) per quarter



Special items

In Q3, Ambu appointed a new CEO. The expenses relating to severance pay and share options to the former CEO as well as the recruitment of a new CEO amounted to a one-off cost of DKK 38m, which is recognised in the income statement for Q3 as special items.

EBIT

EBIT for Q3 was hereafter DKK 117m (DKK 151m), and year to date DKK 424m (DKK 398m).

Net financials

Year to date, financials amounted to a net income of DKK 109m (net expenses of DKK 71m).

Net financials are composed as follows:

- Foreign exchanges constitute net losses of DKK 2m (net income of DKK 4m).
- Interest expenses on bank, lease and bond debt totalled DKK 14m (DKK 24m).
- Fair value adjustments of derivative instruments constituted a net expense of DKK 9m (net income of DKK 8m).
- Fair value adjustments of contingent consideration represent a net income of DKK 136m, relating to the

acquisition of Invendo Medical GmbH (expense of DKK 57m).

- The interest element from liabilities stated at present amortised value is recognised as a net expense of DKK 2m (DKK 2m).

According to the terms agreed when acquiring Invendo Medical GmbH in October 2017, changes to the fair value of contingent consideration to former Invendo Medical GmbH shareholders, as announced on 17 June 2019, has led to a net financial income of DKK 136m Q3 year to date.

This net financial income consists of the following elements:

- Adjustment of the fair value of contingent earn-out payments has led to non-cash financial income of DKK 187m in Q3. To achieve the minimum threshold of the earn-out, accumulated revenue from sale of GI-products in the period October 2017 to October 2021 must be EUR 75m. Based on the latest estimates this revenue is not going to be achieved and the value of the earn-out is now valued at DKK 0m.
- Adjustment of the fair value of the contingent milestones has led to non-cash financial income of DKK 15m in Q3. When Ambu receives FDA approval for the "aScope™ Duo" and the "aScope™ Gastro", milestones of EUR 40m and 20m respectively will be payable. Changes to timelines relating to these contingent payments have caused a non-cash financial income of DKK 15m in Q3.
- According to the ordinary amortization plan set in conjunction with the purchase price allocation of Invendo Medical GmbH the unwinding of cash flows relating to milestones and earn-out has caused a non-cash financial cost of DKK 66m.

With respect to unwinding of cash flows for the remaining of the year we expect to incur additional costs of DKK 15m for Q4, and DKK 55m for 2019/20. These fair value adjustments have no cash flow effects.

Tax

The profit before tax for the quarter was taxed at a rate of 23% (24%), adjusted for non-deductible and non-taxable items. Year to date, the tax rate was 23% (29%). The reduction in the effective tax rate year to date compared to last year is because the tax figure for 2017/18 was impacted by the US tax reform and the impairment of the tax asset to which this gave rise.

Net profit

A net profit of DKK 216m (DKK 112m) was posted for the quarter. The result year to date is hereafter a net profit of DKK 409m (DKK 231m), corresponding to 18% (12%) of revenue. The primary reason for the increase in net profit is the one-off net effect from lower than previously expected earn-out payments, discontinuation of SC210 and special items.

Earnings per share (EPS)

Year to date, earnings per share were DKK 1.67 (DKK 0.95), affected by the one-off items described above. In addition, the development from last year is positively affected by non-cash items of DKK 19m in 2017/18 due to a reduction in the federal income tax rate in the US to 21%.

Balance sheet

At the end of June 2019, Ambu had total assets of DKK 4,357m (DKK 4,167m).

At the end of Q3, the contingent consideration related to the milestone payment maturing upon FDA approval of duodenoscope (EUR 40m) is classified as short-term at a fair value of DKK 254m as opposed to non-current in previous quarters. The payment of EUR 40m will be funded out of Ambu's existing credit facilities.

The net working capital at the end of the quarter was DKK 624m (DKK 558m), corresponding to 21% (22%) of 12 months' revenue.

Trade receivables totalled DKK 535m at the end of the quarter against DKK 429m at the same time last year. Calculated at fixed exchange rates, the average number of credit days was 59 (55). The credit risk attaching to outstanding debtors is unchanged, and the quarter was not affected by bad debts to any significant extent.

Inventories totalled DKK 418m at the end of the quarter against DKK 387m at the same time last year and are composed of raw materials at factories and finished goods at central warehouse locations. Calculated at fixed exchange rates, the increase is 7%. The growth in absolute values is due to a build-up of inventories of finished goods to support growth and the build-up of safety stock in raw materials at our factories. The average finished goods turnover ratio is 6.7 (6.0).

Trade payables and other payables totalled DKK 384m (DKK 306m). The increase is primarily due to special items, discontinuation of SC210 and timing differences.
Cash and cash equivalents amounted to DKK 26m (DKK 27m), and total net interest-bearing debt at the end of the quarter was DKK 1,112m (DKK 1,410m), corresponding to 1.5 (2.2) of rolling 12-month EBITDA before special items.

At the end of Q3, Ambu had unutilised credit facilities of approx. DKK 1.3bn (DKK 1.0bn).

Cash flow statement

(Unless otherwise stated, all values refer to cash flows year to date.)

Cash flows from operating activities totalled DKK 225m (DKK 181m) for the quarter and DKK 381m (DKK 338m) year to date. The large fluctuation between the quarters in H1 and H2 is in line with expectations, including the cash flow impact from transitioning the distributor in the US in Q4.

Investments in non-current assets totalled DKK 177m (DKK 177m), which are distributed in DKK 119m (DKK 74m) that related to development activities, and DKK 58m (DKK 103m – of which DKK 70m related to buildings) that primarily were investments in Ambu's production facilities. For the full year, total investments of approx. DKK 250m are expected, of which development costs will constitute about 70%.

Free cash flows before acquisitions of enterprises totalled DKK 204m (DKK 161m), corresponding to 9% of revenue (9%).

Cash flows from financing activities amounted to DKK -248m (DKK 772m). This includes changes to long-term loans and the payment of dividend. The difference relative to the end of Q3 last year is due primarily to proceeds from the capital increase, the repayment of bridge financing in connection with the acquisition of Invendo Medical GmbH, as well as the purchase of treasury shares.

Changes in cash and cash equivalents totalled DKK -46m (DKK 5m).

Equity

At the end of Q3, equity totalled DKK 2,226m (DKK 1,863m), with an equity ratio of 51% (45%).

Other comprehensive income

Other comprehensive income includes a translation adjustment year to date arising from the translation of foreign subsidiaries of DKK 24m (DKK 20m) because of a strengthening of the USD/DKK exchange rate by 2% since the end of the previous financial year.

Other equity

At the general meeting held on 12 December 2018, it was decided to pay dividend of DKK 101m. Since the general meeting, all DKK 101m in proposed dividend have been distributed, including DKK 3m on Ambu's portfolio of treasury shares.

At the end of Q3, Ambu employees had exercised a total of 842,429 purchase options in Ambu A/S.

In accordance with Ambu's remuneration policy, a general employee share programme for 2018/19 was established in Q1, while the general employee share programme for 2016/17 has expired, and Ambu's obligations in this respect have thus been fulfilled. Consequently, the holding of treasury shares was reduced by 128,751 Class B shares in Ambu A/S.

At the end of Q3, Ambu's holding of treasury Class B shares had hereafter been reduced by 971,180 to 6,767,239 (7,738,419), corresponding to 2.688% (3.083%) of the total share capital.

In addition, at the end of Q3, Ambu employees had exercised a total of 455,000 warrants to subscribe for shares in Ambu A/S.

Outlook 2018/19

The outlook for the full year as announced in company announcement no. 12 2018/19 on 17 June 2019 and with the changes announced in company announcement no. 13 2018/19 on 22 August 2019 is now changed as follows:

	Local currencies				
	22 August 2019	**17 June 2019**	**1 May 2019**	**31 January 2019**	**13 November 2018**
Organic growth	Approx. 4-5%	Approx. 14-15%	Approx. 15-16%	Approx. 15-16%	Approx. 15-16%

	Danish kroner				
	22 August 2019	**17 June 2019**	**1 May 2019**	**31 January 2019**	**13 November 2018**
EBIT margin before special items	Approx. 17%	Approx. 22%	Approx. 22-24%	Approx. 22-24%	Approx. 22-24%
Free cash flows*	Approx. DKK 200m	Approx. DKK 375m	Approx. DKK 400-475m	Approx. DKK 400-475m	Approx. DKK 400-475m

* Before acquisitions

The changes to the outlook for organic growth are mainly cause by two decisions:

- A decision by Ambu to further invest in the US and transition the partnership with Tri-anim Health Services, who has been selling aScope™ Broncho in the US since 2015, and instead sell directly through Ambu's own sales force. The agreement to end the partnership was entered on 22 August 2019 and takes effect from 1 October 2019. The reason for the change is that we are confident that with our pipeline of new endoscope products in markets including ENT and urology, we will be able to maximise revenue growth and cross-sales effects by going direct. The transition is agreed amicably, and Ambu will, with the purpose to support a smooth migration, cancel already agreed sales orders for September 2019 and buy back existing inventories at Ambu's initial transfer price. These transactions will reduce already expected revenue in 2018/19 by approx. DKK 200m and cause a cash payment of approx. DKK 120m when buying back inventories from the distributor by end of Q4.

  The inventory that is bought back will be added to Ambu's existing inventory and be sold in H1 2019/20 on normal terms and at full retail price. It is estimated, that the inventory equals approx. 95,000 aScope units. These units have in previous quarters been sold and hence reported as part of Ambu's revenue and must therefore be offset against our Q4 revenue and unit sales. This will reduce our full year revenue and unit sales together with orders worth approx. DKK 80m, or 55,000 units, expected for Q4 that are now canceled because the distribution partnership has been concluded.

  Finally, to end the partnership, Tri-anim will be paid a compensation of USD 20m which will be accrued in Q4 and accounted in the form of special items and is payable with 50% each in Q4 2018/19 and Q1 2019/20.

  The sales of endoscopes for 2018/19 are now expected to be 600,000 units compared to previously 750,000. The decline reflects the short-term impact from transitioning the distributor to Ambu's direct sales organisation in the US.

- A decision to change a legacy business practice of offering rebates to a range of distributors within the core business on the US market. The change in pricing is estimated to reduce revenue for 2018/19 by approx. DKK 50m while revenue in 2019/20 is estimated to be positively impacted due to the improved pricing.

The impact of the above equals a total reduction in revenue by DKK 250m which will reduce the current estimate for 2018/19 full year growth by approx. 10%-pts to now approx. 4-5% growth and make growth for Q4 negative by approx. 18%. Going forward these changes will enable Ambu to achieve stronger growth at better prices, as the margin and the rebates that are currently shared with distributors to a large extent can be added back to revenue. Our end-customers using Ambu's products are not foreseen to be impacted by these changes.

The impact from the reduction of the full year revenue by DKK 250m is expected to reduce the EBIT margin before special items for the full year 2018/19 from approx. 22% to approx. 17%.

The impact to the free cash flows for the financial year 2018/19 from the above is estimated to be approx. DKK 175m which will reduce the guidance for 2018/19 to approx. DKK 200m.

The financial impact from the changes described will all be posted in Q4 2018/19 and have full impact on the full year 2018/19 results.

The overall impact to the organic growth for prior years that the changes to pricing policies and transitioning the distributor partnership in the US would have had, if the changes were to be cascaded backwards, are not significant. Specifically, for Q3 2018/19 and the financial year 2017/18, the net effect to organic growth would have been nil.

The outlook for 2018/19 is based on the following exchange rate assumptions:

	Exchange rate assumptions for 2018/19			
	22 August 2019	**1 May 2019**	**31 January 2019**	**13 November 2018**
USD/DKK	660	660	650	650
CNY/DKK	97	97	95	95
MYR/DKK	160	160	155	155
GBP/DKK	840	860	850	830

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

Financial diary 2018/19

2019	
30 September	End of FY 2018/19

Financial diary 2019/20

2019	
16 October	Quiet period ending 13 November 2019
13 November	Annual report 2018/19
17 December	Annual general meeting

Quarterly results

DKKm	Q3 2018/19	Q2 2018/19	Q1 2018/19	Q4 2017/18	Q3 2017/18	Q2 2017/18	Q1 2017/18
Composition of net revenue, products:							
Visualization	295	283	231	249	218	211	158
Anaesthesia	257	260	231	247	244	228	207
PMD	221	242	194	233	211	212	188
Revenue	**773**	**785**	**656**	**729**	**673**	**651**	**553**
Key figures, revenue:							
Endoscopes sold, ’000 units	194	182	149	165	146	145	104
Growth in number of endoscopes sold, %	33	26	43	43	54	53	76
Composition of reported growth:							
Organic growth, %	10	14	15	15	17	15	14
IFRS 15 effects on reported growth, %	2	2	1	0	0	0	0
Exchange rate effects on reported growth, %	3	5	3	1	-5	-9	-6
Reported revenue growth, %	**15**	**21**	**19**	**16**	**12**	**6**	**8**
Organic growth, products:							
Visualization, %	30	27	42	39	47	43	58
Anaesthesia, %	0	5	8	6	10	8	0
PMD, %	2	10	1	5	2	3	4
Organic growth, %	**10**	**14**	**15**	**15**	**17**	**15**	**14**
Organic growth, markets:							
North America, %	15	16	20	18	18	16	16
Europe, %	5	9	11	12	18	14	12
Rest of the world, %	9	24	10	13	7	17	12
Organic growth, %	**10**	**14**	**15**	**15**	**17**	**15**	**14**
Revenue	773	785	656	729	673	651	553
Production costs	-337	-313	-263	-299	-271	-257	-232
Gross profit	**436**	**472**	**393**	**430**	**402**	**394**	**321**
Gross margin, %	*56.4*	*60.1*	*59.9*	*59.0*	*59.7*	*60.5*	*58.0*
Selling and distribution costs	-190	-181	-182	-165	-155	-146	-141
Development costs	-26	-23	-27	-27	-34	-26	-24
Management and administration	-65	-73	-72	-73	-62	-66	-65
Total capacity costs	*-281*	*-277*	*-281*	*-265*	*-251*	*-238*	*-230*
Operating profit (EBIT) before special items	**155**	**195**	**112**	**165**	**151**	**156**	**91**
EBIT margin before special items, %	*20.1*	*24.8*	*17.1*	*22.6*	*22.4*	*24.0*	*16.5*
Special items	-38	0	0	0	0	0	0
Operating profit (EBIT)	**117**	**195**	**112**	**165**	**151**	**156**	**91**
EBIT margin, %	*15.1*	*24.8*	*17.1*	*22.6*	*22.4*	*24.0*	*16.5*
Financial income	131	5	0	0	3	6	3
Financial expenses	33	-30	-30	-27	-7	-44	-32
Profit before tax (PBT)	**281**	**170**	**82**	**138**	**147**	**118**	**62**
Tax on profit for the period	-65	-40	-19	-32	-35	-27	-34
Net profit for the period	**216**	**130**	**63**	**106**	**112**	**91**	**28**

Quarterly results (continued)

DKKm	Q3 2018/19	Q2 2018/19	Q1 2018/19	Q4 2017/18	Q3 2017/18	Q2 2017/18	Q1 2017/18
Balance sheet:							
Assets	4,357	4,418	4,262	4,234	4,167	4,046	3,894
Net working capital	624	713	568	535	558	538	457
Equity	2,226	2,075	1,874	1,882	1,863	1,743	1,918
Net interest-bearing debt	1,112	1,266	1,274	1,245	1,410	1,241	981
Cash flows, in DKKm:							
Cash flows from operating activities	225	63	93	216	181	70	87
Cash flows from investing activities before acquisitions of enterprises and technology	-77	-52	-48	-56	-78	-48	-51
Free cash flows before acquisitions of enterprises and technology	148	11	45	160	103	22	36
Acquisitions of enterprises and technology	-1	-1	0	0	-76	-1	-851
Cash flows, in % of revenue:							
Cash flows from operating activities	29	8	14	30	27	11	16
Cash flows from investing activities before acquisitions of enterprises and technology	-10	-7	-7	-8	-12	-8	-9
Free cash flows before acquisitions of enterprises and technology	19	1	7	22	15	3	7
Key figures and ratios:							
Capacity costs	281	277	281	265	251	238	230
Rate of cost, %	36	35	43	36	37	37	42
EBITDA before special items	186	221	137	194	182	184	118
EBITDA margin before special items, %	24.1	28.2	20.9	26.6	27.0	28.3	21.3
Depreciation	-15	-12	-11	-14	-12	-12	-11
Amortisation	-16	-14	-14	-15	-19	-16	-16
EBIT before special items	155	195	112	165	151	156	91
EBIT margin before special items, %	20.1	24.8	17.1	22.6	22.4	24.0	16.5
NIBD/EBITDA before special items	1.5	1.7	1.8	1.8	2.2	2.0	1.7
Net working capital, % of revenue	21	25	21	21	22	22	19
Share-related ratios:							
Market price per share (DKK)	106	176	157	154	215	136	111
Earnings per share (EPS) (DKK)	0.88	0.53	0.26	0.44	0.46	0.37	0.12
Diluted earnings per share (EPS-D) (DKK)	0.87	0.52	0.25	0.43	0.45	0.36	0.11

Management's statement

The Board of Directors and the Executive Board have considered and approved the interim report of Ambu A/S for the period 1 October 2018 to 30 June 2019. The interim report has not been audited or reviewed by the company's independent auditors.

The interim report is presented in accordance with IAS 34 – Interim Financial Reporting as adopted by the EU and additional Danish disclosure requirements for the interim reporting of listed companies.

We consider the accounting policies applied to be expedient, the group's internal controls relevant to preparing and presenting the interim report to be adequate and the interim report to give a true and fair view of the group's assets, liabilities, results and financial position as at 30 June 2019 and of the results of the group's operations and cash flows for the period 1 October 2018 to 30 June 2019.

We further consider that the management's review gives a true and fair view of the development in the group's activities and financial affairs, the profit for the period and the group's financial position as a whole as well as a description of the most significant risks and uncertainties to which the group is subject.

Ballerup, 22 August 2019

Executive Board

Juan Jose Gonzalez
CEO

Michael Højgaard
CFO

Board of Directors

Jens Bager
Chairman

Mikael Worning
Vice-Chairman

Oliver Johansen

Christian Sagild

Henrik Ehlers Wulff

Thomas Lykke Henriksen
Elected by the employees

Jakob Koch
Elected by the employees

Jakob Bønnelykke Kristensen
Elected by the employees

Consolidated financial statements

Interim report Q3 2018/19

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Ambu® aScope™ 4 RhinoLaryngo Intervention is a sterile single-use endoscope. It is used for procedures in the nose and throat. The monitor (Ambu® aView™) is used multiple times.

Income statement and statement of comprehensive income – Group

Interim report Q3 2018/19

DKKm

Income statement	Note	Q3 2018/19	Q3 2017/18	YTD 2018/19	YTD 2017/18	FY 2017/18
Revenue	5	773	673	2,214	1,877	2,606
Production costs		-337	-271	-913	-760	-1,059
Gross profit		**436**	**402**	**1,301**	**1,117**	**1,547**
Selling and distribution costs		-190	-155	-553	-442	-607
Development costs		-26	-34	-76	-84	-111
Management and administration		-65	-62	-210	-193	-266
Operating profit (EBIT) before special items		**155**	**151**	**462**	**398**	**563**
Special items	6	-38	0	-38	0	0
Operating profit (EBIT)		**117**	**151**	**424**	**398**	**563**
Financial income	11	131	3	136	12	12
Financial expenses	11	33	-7	-27	-83	-110
Profit before tax		**281**	**147**	**533**	**327**	**465**
Tax on profit for the period		-65	-35	-124	-96	-128
Net profit for the period		**216**	**112**	**409**	**231**	**337**
Earnings per share in DKK						
Earnings per share (EPS)		0.88	0.46	1.67	0.95	1.39
Diluted earnings per share (EPS-D)		0.87	0.45	1.65	0.92	1.36

Statement of comprehensive income	Q3 2018/19	Q3 2017/18	YTD 2018/19	YTD 2017/18	FY 2017/18
Net profit for the period	216	112	409	231	337
Other comprehensive income:					
Items which are moved to the income statement under certain conditions:					
Translation adjustment in foreign subsidiaries	-24	50	24	20	19
Adjustment to fair value for the period:					
Cash flow hedging, realisation of deferred gains/losses	0	2	0	1	1
Cash flow hedging, reclassification to the income statement	0	0	0	0	5
Cash flow hedging, deferred gains/losses for the period	0	-4	0	-3	0
Tax on hedging transactions	0	1	0	1	-1
Other comprehensive income after tax	**-24**	**49**	**24**	**19**	**24**
Comprehensive income for the period	**192**	**161**	**433**	**250**	**361**

Balance sheet – Group

Interim report Q3 2018/19

DKKm

Assets	Note	30.06.19	30.06.18	30.09.18
Acquired technologies, trademarks and customer relations		135	149	146
Acquired technologies in progress		661	660	661
Completed development projects		165	140	130
Development projects in progress		178	95	131
Rights		60	69	67
Goodwill		1,517	1,501	1,505
Intangible assets		**2,716**	**2,614**	**2,640**
Land and buildings		284	286	286
Plant and machinery		96	91	93
Other plant, fixtures and fittings, tools and equipment		55	49	47
Prepayments and plant under construction		57	25	29
Property, plant and equipment		**492**	**451**	**455**
Deferred tax asset		111	198	154
Other receivables		0	2	0
Other non-current assets		**111**	**200**	**154**
Total non-current assets		**3,319**	**3,265**	**3,249**
Inventories		418	387	382
Trade receivables		535	429	478
Other receivables		13	15	19
Income tax receivable		4	13	7
Prepayments		42	31	36
Cash		26	27	63
Total current assets		**1,038**	**902**	**985**
Total assets		**4,357**	**4,167**	**4,234**

Equity and liabilities	Note	30.06.19	30.06.18	30.09.18
Share capital		126	125	126
Other reserves		2,100	1,738	1,756
Equity		**2,226**	**1,863**	**1,882**
Deferred tax		116	20	40
Provisions		35	35	36
Contingent consideration	14	109	487	498
Interest-bearing debt	12	1,125	1,431	1,304
Non-current liabilities		**1,385**	**1,973**	**1,878**
Provisions		4	4	4
Contingent consideration	14	254	0	0
Interest-bearing debt	12	13	6	4
Trade payables		154	143	194
Income tax		78	6	79
Other payables		230	163	186
Derivative financial instruments		13	9	7
Current liabilities		**746**	**331**	**474**
Total liabilities		**2,131**	**2,304**	**2,352**
Total equity and liabilities		**4,357**	**4,167**	**4,234**

Cash flow statement – Group

Interim report Q3 2018/19

DKKm

	Note	YTD 2018/19	YTD 2017/18	FY 2017/18
Operating profit (EBIT)		424	398	563
Adjustment of items with no cash flow effect	8	101	106	141
Changes in net working capital	9	-89	-85	-66
Interest expenses and similar items		-15	-37	-44
Income tax paid		-40	-44	-40
Cash flows from operating activities		**381**	**338**	**554**
Purchase of non-current assets		-177	-177	-234
Divestment of subsidiary in respect of previous years		0	0	1
Cash flows from investing activities before acquisitions of enterprises and technology		-177	-177	-233
Free cash flows before acquisitions of enterprises and technology		**204**	**161**	**321**
Acquisition of technology		-2	-2	-2
Acquisitions of enterprises		0	-926	-926
Cash flows from acquisitions of enterprises and technology		-2	-928	-928
Cash flows from investing activities		**-179**	**-1,105**	**-1,161**
Free cash flows after acquisitions of enterprises and technology		**202**	**-767**	**-607**
Redemption of corporate bonds		0	-701	-701
Raising of long-term debt		50	1,960	1,960
Repayment of debt to credit institutions		-225	-610	-760
Refund received in connection with the raising of lease debt		0	0	25
Repayment in respect of finance leases		-6	-2	-3
Redemption of derivative financial instruments		0	-12	-12
Exercise of options		10	20	20
Purchase of treasury shares		0	-493	-493
Sale of treasury shares, employee share programme		7	6	6
Dividend paid		-101	-92	-92
Dividend, treasury shares		3	2	2
Capital increase, Class B share capital		14	694	699
Cash flows from financing activities		**-248**	**772**	**651**
Changes in cash and cash equivalents		**-46**	**5**	**44**
Cash and cash equivalents, beginning of period		63	19	19
Translation adjustment of cash and cash equivalents		2	0	0
Cash and cash equivalents, end of period		**19**	**24**	**63**
Cash and cash equivalents, end of period, are composed as follows:				
Cash		26	27	63
Bank debt		-7	-3	0
		19	**24**	**63**

Statement of changes in equity – Group

Interim report Q3 2018/19

DKKm

	Share capital	Share premium	Reserve for hedging transactions	Reserve for foreign currency translation adjustment	Retained earnings	Proposed dividend	Total
Equity 1 October 2018	**126**	**0**	**0**	**89**	**1,566**	**101**	**1,882**
Net profit for the period					409		409
Other comprehensive income for the period			0	24			24
Total comprehensive income	**0**	**0**	**0**	**24**	**409**	**0**	**433**
Transactions with the owners:							
Share-based payment					19		19
Tax deduction relating to share options					-41		-41
Exercise of options					10		10
Sale of treasury shares, employee share programme					7		7
Distributed dividend						-98	-98
Dividend, treasury shares					3	-3	0
Share capital increase, warrants	0				14		14
Equity 30 June 2019	**126**	**0**	**0**	**113**	**1,987**	**0**	**2,226**

	Share capital	Share premium	Reserve for hedging transactions	Reserve for foreign currency translation adjustment	Retained earnings	Proposed dividend	Total
Equity 1 October 2017	**122**	**57**	**-5**	**70**	**945**	**90**	**1,279**
Net profit for the period					231		231
Other comprehensive income for the period			-1	20			19
Total comprehensive income	**0**	**0**	**-1**	**20**	**231**	**0**	**250**
Transactions with the owners:							
Share-based payment					20		20
Tax deduction relating to share options					178		178
Exercise of options					20		20
Purchase of treasury shares					-493		-493
Sale of treasury shares, employee share programme					6		6
Distributed dividend					-2	-88	-90
Dividend, treasury shares					2	-2	0
Share capital increase, warrants	0	26					26
Share capital increase, ordinary	3	664					667
Equity 30 June 2018	**125**	**747**	**-6**	**90**	**907**	**0**	**1,863**

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 2,100m (30.06.2018: DKK 1,738m).

Notes to the interim report

Interim report Q3 2018/19

Section 1: Basis of preparation of interim report

Page 23 Note 1 – Basis of preparation of interim report
Page 23 Note 2 – Changes in accounting estimates

Section 2: Operating activities and cash flows

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Section 3: Invested capital and net working capital

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Section 4: Financial risk management, capital structure and net financials

Page 25 Note 10 – Risks
Page 25 Note 11 – Net financials
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Section 5: Provisions, other liabilities etc.

Page 27 Note 14 – Contingent consideration
Page 27 Note 15 – Contingent liabilities
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Notes to the interim report

Interim report Q3 2018/19

Note 1 – Basis of preparation of the interim report

The interim report for the period 1 October 2018 to 30 June 2019 is presented in accordance with IAS 34 – Interim Financial Reporting as adopted by the EU and additional Danish disclosure requirements for the interim reporting of listed companies. The accounting principles applied are consistent with the principles applied in the annual report for 2017/18 with the exception of the implementation of IFRS 15 'Revenue from Contracts with Customers' described below. Basis of presentation for 'Special items' is defined as significant amounts concerning affairs which cannot be attributed to normal operations. For definitions of ratios, reference is made to note 5.11 in the annual report for 2017/18.

Following the implementation of IFRS 15, Ambu's long-standing accounting practice of offsetting fees paid to group purchasing organisations (GPOs) against revenue will be changed. As from Q1 2018/19, the accounting policies have therefore been changed so that revenue is presented without any deduction of these fees, while selling and distribution costs are increased accordingly, and operating profit (EBIT) is therefore unaffected. The change is made as a consequence of the clarification of the principal/agent relationship. The standard has been implemented using the catch-up method without restatement of comparative figures. The effect of the change in accounting policies amounts to a total of DKK 31m in the first three quarters of 2018/19.

From Q1 2018/19, Ambu's definition of geographical regions has been changed, so that the sale takes place in the country in which the control over the goods is transferred to the customer and not as previously in the country to which the invoice is issued. Comparative figures for organic growth in the geographic markets Europe and the Rest of the world have been restated in the overview table. The effect of this is minimal.

Note 2 – Changes in accounting estimates

In connection with the preparation of the interim report, the management makes 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. There are no changes in the estimates or assessments reported in prior interim reports for 2018/19 or in the annual report for 2017/18 other than the change in estimates regarding contingent consideration as described below.

Contingent consideration
As reported in note 3.9 and 4.2 to the annual report for 2017/18 the management apply unobservable data to measure fair value of the contingent consideration from the acquisition of Invendo Medical GmbH. One of the key assumptions in this valuation is the revenue in the four-year period of October 2017 until October 2021 from the technologies acquired from Invendo Medical GmbH in October 2017. The management no longer estimate that the nominal earn-out payment of EUR 40m will materialise which causes the significant financial income reported in note 11. Please refer to Management commentary and note 14 for further explanation.

Note 3 – Seasonal fluctuations

Gross margin
Historically, the gross margin is lower in H1 than in H2 due to higher activity levels in H2. The lowest gross margin is usually seen in Q1, where revenue relative to other quarters is the lowest. The relatively lower gross margin reported in Q3 2018/19 is affected 3 ppts. by the discontinuation of the SC210 which has led to one-off write-downs as described in Management commentary.

Cash flows from operating activities
Cash flows from operating activities have historically been lower in Q1 as a result of bonuses paid, income tax as well as a lower earnings level and increased net working capital. Cash flows from operating activities tend to increase gradually in Q2 and Q3, peaking in Q4. The increased level of cash flows from operating activities in Q4 is due to the collection of revenue from Q3 as well as a reduction of net working capital.

Note 4 – Segment information

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

Ambu has thus identified one segment.

DKKm

Note 5 – Revenue

	Q3 2018/19	Q3 2017/18	YTD 2018/19	YTD 2017/18	FY 2017/18
Revenue by activities:					
Visualization	295	218	809	587	836
Anaesthesia	257	244	748	679	926
PMD	221	211	657	611	844
Total revenue	**773**	**673**	**2,214**	**1,877**	**2,606**
Revenue by markets:					
North America	383	306	1,074	844	1,208
Europe	300	285	884	814	1,083
Rest of the world	90	82	256	219	315
Total revenue	**773**	**673**	**2,214**	**1,877**	**2,606**

Note 6 – Special items

Special items was a cost of DKK 38m related to the change of CEO including 18 months of salary to former CEO, a non-cash effect of cost-accelaration of share-based payments and recruitment costs of a new CEO.

Note 7 – Development in balance sheet since 30 September 2018

Since the beginning of the financial year, intangible and fixed assets have increased by a net amount of DKK 113m to DKK 3,208m. The increase is driven by investments in ongoing development projects.

Deferred taxes was a net asset of DKK 114m at the beginning of the financial year. Since then, utilization of tax losses and the development of taxes on share options have entailed that defered taxes as of 30.06.2019 is a net liability of DKK 5m.

Inventories have been increased by DKK 36m as a consequence of planned higher activity levels and the establishment of safety stocks at the factory in Malaysia. Trade receivables increased by DKK 57m, driven by the growth in the quarter and an increased USD/DKK exchange rate.

Contingent consideration relating to the acquisition of Invendo Medical GmbH amounted to DKK 363m, a decrease of DKK 135m. The decrease is due to fair value adjustment of the contingent consideration of DKK 136m, as described in note 14.

Trade payables decreased by DKK 40m to DKK 154m, due to timing difference in the cash conversion cycle. Other payables increased by DKK 44m to DKK 230m due to accrual of special items in Q3 and the discontinuation of the SC210.

Note 8 – Adjustment of items with no cash flow effect

	YTD 2018/19	YTD 2017/18	FY 2017/18
Depreciation, amortisation and impairment losses	82	86	115
Share-based payment	19	20	26
	101	**106**	**141**

DKKm

Note 9 – Changes in net working capital

	YTD 2018/19	YTD 2017/18	FY 2017/18
Changes in inventories	-29	-66	-62
Changes in receivables	-53	12	-44
Changes in trade payables etc.	-7	-31	40
	-89	**-85**	**-66**

Note 10 – Risks

For a description of Ambu's risks, see the 'Risk management' section in the annual report for 2017/18, pages 26-27.

Note 11 – Net financials

	Q3 2018/19	Q3 2017/18	YTD 2018/19	YTD 2017/18	FY 2017/18
Other financial income:					
Foreign exchange gains, net	-5	4	0	4	5
Value adjustment of contingent consideration	136	0	136	0	0
Fair value adjustment, swap	0	-1	0	8	7
Financial income	**131**	**3**	**136**	**12**	**12**

	Q3 2018/19	Q3 2017/18	YTD 2018/19	YTD 2017/18	FY 2017/18
Interest expenses:					
Interest expenses, banks	3	3	12	11	18
Interest expenses, leases	1	1	2	2	2
Interest expenses, bonds	0	0	0	11	11
Other financial expenses:					
Foreign exchange loss, net	2	-18	2	0	0
Value adjustment of contingent consideration	-43	20	0	57	71
Effect of shorter discount period, acquisition of technology	1	1	2	2	3
Ineffectiveness of interest rate swap	0	0	0	0	5
Fair value adjustment, swap	3	0	9	0	0
Financial expenses	**-33**	**7**	**27**	**83**	**110**

DKKm

Note 12 – Interest-bearing debt

	30.06.19	YTD 2017/18	FY 2017/18
Credit institutions	1,025	1,350	1,200
Finance leases	100	81	104
Long-term interest-bearing debt	**1,125**	**1,431**	**1,304**

	30.06.19	YTD 2017/18	FY 2017/18
Bank debt	7	3	0
Finance leases	6	3	4
Short-term interest-bearing debt	**13**	**6**	**4**

Note 13 – Capital increases, treasury shares and dividend paid

Capital increases
A capital increase was implemented in November 2018 in connection with the exercise by employees of warrants allocated in 2015. In consequence hereof, Ambu’s share capital was increased by a nominal amount of DKK 52,500 through the issue of 105,000 Class B shares with a nominal value of DKK 0.50 each at a price of 39.26.

In February 2019, another capital increase was carried out in connection with the exercise by employees of warrants allocated in 2013 and 2015. In consequence hereof, Ambu’s share capital was increased by 50,000 Class B shares with a nominal value of DKK 0.50 each at a price of 13.26 and 80,000 Class B shares with a nominal value of DKK 0.50 each at a price of 39.26.

In May 2019, a capital increase was carried out for the third time in the financial year in connection with the exercise by employees of warrants allocated in 2013, 2014 and 2015. In consequence hereof, Ambu’s share capital was increased by 50,000 Class B shares with a nominal value of DKK 0.50 each at a price of 13.26, 50,000 Class B shares with a nominal value of DKK 0.50 each at a price of 23.06 and 120,000 Class B shares with a nominal value of DKK 0.50 each at a price of 39.26.

Changes in number of shares and share capital for the period:

	30.09.18	Change	30.06.19
No. of Class A shares	34,320,000	0	34,320,000
No. of Class B shares	216,954,600	455,000	217,409,600
	251,274,600	**455,000**	**251,729,600**
Share capital	125,637,300	227,500	125,864,800

Treasury shares
As at 30 September 2018, Ambu’s holding of treasury shares totalled 7,738,419 Class B shares with a nominal value of DKK 0.50 each. As at 30 June 2019, this had been reduced by 971,180 shares to 6,767,239 Class B shares. The reduction is attributable to disposals in connection with the conclusion of the employee share programme for 2016 (matching shares) and the sale and transfer of own shares to Ambu’s employees under the employee share programme for 2018 as well as sale of treasury shares relating to the management’s exercise of share option programmes. There have been no transactions with Class A shares.

Dividend paid
The Board of Directors’ proposal for the distribution of dividend of DKK 0.40 per share with a nominal value of DKK 0.50 was adopted at the company’s annual general meeting on 12 December 2018. The dividend declared totals DKK 101m and has subsequently been paid out.

Note 14 – Contingent consideration

	30.06.19
Contingent consideration 1 October 2018	498
Adjustments made through the income statement under financial expenses:	
Value adjustment	-136
Foreign currency translation adjustment	1
Contingent consideration 30 June 2019	**363**
Contingent consideration expected to fall due:	
Non-current contingent consideration	109
Current contingent consideration	254
Contingent consideration 30 June 2019	**363**

Contingent consideration concerns outstanding liabilities relating to the acquisition of Invendo Medical GmbH. The contingent consideration is valued on the basis of unobservable inputs, corresponding to level 3 in the fair value hierarchy.

The net value adjustment of DKK -136m posted to financials can be attributed to a drop in fair value upon remeasurement of the earn-out agreement of DKK -187m, adjustment of timing in milestone payments of DKK -15m as well as the effect of the shorter discounting period of DKK 66m.

Note 15 – Contingent liabilities

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

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 recognised in the balance sheet as at 30 June 2019. For a more detailed description of the group's risks, see the 'Risk management' section on pages 26-27 in the annual report 2017/18.

Note 16 – Subsequent events

In addition to the matters described in this interim report, the management is not aware of any events subsequent to 30 June 2019 which could be expected to have a significant impact on the group's financial position except for the decision to fully transition the sales of aScope™ products from a major distributor in the US to Ambu. Please refer to Management commentary for further explanation.