

BK Medical ApS

Mileparken 34
2730 Herlev
CVR No. 15731176

Annual report 01.08.2019 - 31.07.2020

The Annual General Meeting adopted the
annual report on 18.12.2020

Daniel Banemann
Chairman of the General Meeting

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Entity details

Entity

BK Medical ApS
Mileparken 34
2730 Herlev

Business Registration No.: 15731176
Registered office: Herlev
Financial year: 01.08.2019 - 31.07.2020

Board of Directors

Brooks Edward West, Chairman
Dorthe Lundby Pedersen
Robert Joseph Patterson
Jens Mose Pedersen
Steen Madsen

Executive Board

Bo Hansen, CEO
Daniel Kiholm Banemann, Director

Bank

Danske Bank
Munkeengen 30
DK-3400 Hilleroed

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P. O. Box 1600
0900 Copenhagen C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of BK Medical ApS for the financial year 01.08.2019 - 31.07.2020

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.07.2020 and of the results of their operations and the consolidated cash flows for the financial year 01.08.2019 - 31.07.2020.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Herlev, 18 December 2020

Executive Board



Bo Hansen
CEO



Daniel Kiholm Banemann
Director

Board of Directors



Brooks Edward West
Chairman



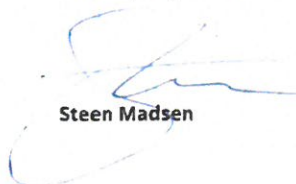
Dorthe Lundby Pedersen



Robert Joseph Patterson



Jens Mose Pedersen



Steen Madsen

Independent auditor's report

To the shareholders of BK Medical ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of BK Medical ApS for the financial year 01.08.2019 - 31.07.2020, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.07.2020 and of the results of their operations and the consolidated cash flows for the financial year 01.08.2019 - 31.07.2020 in accordance with the Danish Financial Statements Act.

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 financial statements" section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 the 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 these consolidated financial statements and parent financial statements.

As part of an audit conducted in accordance with ISAs and the 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 consolidated financial statements and the parent 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 Entity'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 consolidated financial statements and the parent 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 Entity'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 consolidated financial statements and the parent 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient and 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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

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

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

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent 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 commentary.

Copenhagen, 18 December 2020

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556



Lars Hansen

State Authorised Public Accountant
Identification No (MNE) mne24828

Management commentary

Financial highlights

	2019/20	2018/19	2017/18	2016/17
	DKK'000	DKK'000	DKK'000	DKK'000
Key figures				
Revenue	645,759	706,465	666,113	558,095
Gross profit/loss	305,140	343,551	351,389	263,635
Operating profit/loss	18,230	90,209	123,879	29,504
Net financials	(5,945)	(9,930)	(10,688)	(14,961)
Profit/loss for the year	20,595	56,575	83,412	4,887
Balance sheet total	672,961	685,552	643,705	611,064
Investments in property, plant and equipment	9,536	6,643	6,388	14,728
Equity	200,874	190,415	129,312	73,673
Cash flows from operating activities	53,683	(6,004)	143,209	43,089
Cash flows from investing activities	(14,272)	(7,309)	(15,913)	(28,369)
Cash flows from financing activities	(37,769)	(26,268)	(115,765)	(22,807)
Ratios				
Gross margin (%)	47.25	48.63	52.75	47.24
Net margin (%)	3.19	8.01	12.52	0.88
Return on equity (%)	10.53	35.4	82.0	13.27
Equity ratio (%)	29.85	27.78	20.09	12.06
Ratios	Ratio reflects			
Gross margin (%)	The entity's operating gearing.			
Net margin (%)	The entity's operating profitability.			
Return on equity (%)	The entity's return on capital invested in the entity by the owners.			
Equity ratio (%)	The financial strength of the entity			

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Gross margin (%):

$\frac{\text{Gross profit/loss}}{\text{Revenue}} * 100$

Revenue

Net margin (%):

Profit/loss for the year * 100

Revenue

Return on equity (%):

Profit/loss for the year excl. minority interests * 100

Average equity excl. minority interests

Equity ratio (%):

Equity excl. minority interests * 100

Balance sheet total

Primary activities

The Group develops and markets human diagnostic and therapy guidance ultrasound equipment, primarily for the urological and surgical market segments. The goal of the Group is to ensure profitable, organic growth exceeding the market growth of these niches, thus ensuring an increased market share. The products are manufactured in the US by the parent company BK Medical Holding Company Inc., our sister company Sound Technology Inc. and by the Danish entity BK Medical ApS since the reopening of the manufactory site during the year under review.

Description of material changes in activities and finances

There has during the financial period been a merger of BK Medical Holding ApS into BK Medical ApS effectively of 1 August 2019. There has not been made any changes of the comparative figures cf. §123, stk. 2 of the Danish Financial Statement Act.

Development in activities and finances

The Group's revenue for the financial year 2019/20 was DKK 645.8 million, a decrease of 8.6% from 2018/19 where the revenue amounted to DKK 706.5 million. The Group suffered a decrease in revenue due to the COVID-19 disruption and lockdown during Q3 and Q4 of the financial year 2019/2020. This had the consequence that several clients decided to postpone the purchase of new equipment.

The operating expenses 2019/20 decrease to DKK 340.6 million compared to an expense of DKK 362.9 million in 2018/19, a decrease of 6.1% which is in line with the decrease of the revenue.

In 2019/20, the Group realised a profit before tax of DKK 12.3 million compared to a profit before tax of DKK 80.3 million in 2018/19.

Tax for the year amounted to an income of DKK 8.3 million in 2019/20 compared to an expense of DKK 23.7 million in 2018/19. Thus, for 2019/20, net profit for the year amounted to DKK 20.6 million compared to a net profit of DKK 56.6 million in 2018/19.

The result for the year is considered satisfactory.

Capital expenditure

The Company's capital expenditure amounted to DKK 9.5 million in property, plant and equipment compared to DKK 6.6 million last year and DKK 5.0 million in intangible assets compared to DKK 4.4 million last year.

Outlook

Strategy

The primary strategy of the Group is to target the intraoperative imaging markets for urological and surgical applications in the European, Asian and North American ultrasound markets by continuously developing and introducing new products that address these markets' needs. To support this strategy, the Company continues to strengthen its direct and indirect sales and distribution in the USA, Europe and China by expanding its sales organisation and expanding the R&D capabilities.

Sales activities are carried out by the Company's subsidiaries in Germany, Italy, Sweden, Belgium and the UK as well as through dealer networks, primarily in Eastern Europe, Latin America, the Middle East and Asia corresponding to approximately 70 countries. On an on-going basis, The Group considers the possibilities of expansion of relevant niche solutions, including distribution form, through strategic cooperation alliances. The organisation is developed continuously to adapt to ever changing conditions.

Reorganisation within the group

During the fiscal year the company decided to simplify the organisational group structure. The decision resulted in the following:

- Dissolvement of the intermediate parent company in Luxembourg, BK Medical Luxembourg S.à.r.l.
- The merger of the two Danish companies BK Medical ApS and BK Medical Holding ApS, with BK Medical ApS as the surviving company
- The contribution of the Canadian company Ultrasonix Medical Corporation from BK Medical Luxembourg S.à.r.l. to Bk Medical ApS.

The reorganization was completed within the fiscal year.

Target and expectations for the year ahead

As mentioned above, the competition on the general ultrasound market is continuously increasing. This is expressed through more aggressive marketing and ultimately lower prices resulting in increased pressure on margins. We have though through our focus on procedures been able to increase our average selling price, through recent years release of products to our high-end markets. At the same time, there are indications of a certain consolidation where only the large market participants are expected to endure in the long term. Therefore, the BK Medical strategy of surgical guidance and procedure driven ultrasound rather than diagnostic is more and more relevant.

The forecast for 2020/21 shows revenue at a mid-single digit organic growth rate. Our expected revenue range from DKK 650 million to DKK 680 million. This is a realistic target when seen in the light of the investments in new products. The growth is primarily expected to take place in the existing core markets due to expansion and new products.

The expectations are based on the assumption that the exchange rates for the currencies to which the Company is exposed, primarily USD, will remain unchanged.

Costs are budgeted to increase for 2020/21 compared to 2019/20 although lower than the expected increase in revenue, resulting in a higher EBIT Margin for 2020/21. Our expected result is between DKK 15 million and 30 million.

In 2019/20, capital expenditure in property, plant and equipment increased compared to prior year. It is mostly due to the construction of the manufactory site in Denmark. It is expected that the Company's level of capital expenditure in property, plant and equipment for 2020/21 will remain at the same level, since further investments are needed for the manufacturing area and also additional investments are planned for development projects.

Furthermore, in 2019/20, capital expenditure related to intangible assets increased compared to 2018/19. It is expected that the Company's level of capital expenditure in intangible assets for 2020/21 will increase due to investments in the new product platform for future ultrasound systems.

Particular risks**Foreign exchange risks**

For several years, the Company has aimed at balancing its net positions (sales, purchases, operating expenses and financing expenses), primarily concerning USD, thus reducing the foreign exchange risk significantly. No forward hedging of exchange rate exposures on foreign exchange positions has been entered.

The results, cash flow and equity of the Company are effected by the development in exchange rates of several different currencies due to the international activities of the Company.

Credit risks

The Company does not have any material risks relating to a single customer or business partner. According to company policy for assuming credit risks, all customer credit ratings are periodically evaluated. Transactions with customers in the less mature geographical markets (e.g. Asia) are primarily secured by a guaranteed form of payment.

Research and development activities

Research and development are carried out by BK Medical ApS in Herlev for all ultrasound scanners. Expenses related to research and development activities increased by DKK 24.5 million in 2019/20 due to continued investment in our R&D department and increased expenses relating to the implementation of the European Medical Device Regulation.

Capitalisation of R&D projects was lower compared to 2018/19 due to the release of BK Medical's latest Ultrasound scanner BKSpecto during the fiscal year 2017/18 and we are not capitalising the expenses for our next scanner yet. The strategic commitment to new markets with increasing requirements on the products and their performance continues. These investments are primarily aimed at providing new platforms for future ultrasound scanners.

The majority of development activities are focused on the development of a new generation of ultrasound scanners and transducers and continue SW upgrade for existing products that will help open new markets for the Group.

Intellectual capital resources

The development, production and marketing of high-end technology ultrasound scanners demand highly skilled employees. Therefore, The Group attaches great importance to recruiting, retaining and developing competent staff - e.g. through increased focus on HR functions and the introduction of a common set of values.

Statutory report on corporate social responsibility

The Group develops and markets human diagnostic ultrasound equipment, primarily for the urological and surgical market segments and, secondarily, for selected point-of-care markets, general imaging and other markets.

BK Medical ApS Code of Conduct is intended to promote ethical conduct in all Company affairs in accordance with our high standards of integrity, and to deter wrongdoing in compliance with all applicable laws and regulations

As a global company, the Group is aware that there can be risks when operating in areas where approaches to human rights and anti-corruption may differ from our domestic markets. Breaches concerning human rights could impact our ability to retain and attract employees and impact our reputation. Breaches regarding corruption and bribery could also impact our reputation. That is why we have a primary focus on these risks, including setting the tone at the top to align the values throughout the Group. As a development and sales company, our environmental impact is limited for which reason we consider it a lower risk. Consequently, we do not have a separate policy, but we follow existing rules and laws in this area. We are also not aware of any breaches regarding environment and climate in The Group in 2019/20.

Human rights

We fully acknowledge our responsibility to respect human rights as set out in the International Bill of Human Rights and are committed to implementing the United Nations Guiding Principles on Business and Human Rights throughout our operations. Respect for the dignity of the individual and for the importance of each individual's human rights forms the basis of the behaviors we expect of every individual who works for us, either as a direct employee or indirectly through our supply chain. We do not accept any form of discrimination, harassment or bullying within The Group. To this end we require all of our Managers to implement processes designed to ensure equality of opportunity and inclusion for all the Group's employees. These include avoiding any form of forced, bonded or compulsory labour (or any other kind of modern slavery or human trafficking).

Goals and implementation

Our Code of conduct will have a section on respecting human rights. It is our goal that we will not experience issues related to non-compliance with human rights. We are not aware of any breaches concerning human rights in the Group in 2019/20.

Ethics and anti-corruption

The Group has a zero tolerance towards corruption and bribery, including means such as improper payments, bribes and kickbacks, and facilitation payments. The Group is committed to complying with the United States Foreign Corrupt Practice Act (FCPA), export controls and comparable laws where the Group engages in business.

We require the same commitment from our employees, business partners and suppliers.

Goals and implementation

All employees and distributors receive guidelines on anti-corruption and bribery. It is our goal that we all not experience issues related to ethics and anti-corruption. We are not aware of any breaches concerning corruption and bribery in the Group in 2019/20.

Workplace responsibilities

We are committed to maintaining a safe and healthy work environment by complying with applicable health and safety rules and practices. Furthermore, we encourage employees and require all employment decisions (e.g. recruiting, hiring, training, promoting, and compensation) related to employees and applicants to be based on merit, qualifications, and job performance.

Goals and implementation

To implement our workplace responsibilities, we focus on offering relevant training, internal courses and employee development interviews. We conclude that our activities have contributed to maintaining a good working environment in the Group in 2019/20.

Statutory report on the underrepresented gender**Policy regarding the Proportion of Gender in other Management Levels of BK Medical ApS**

BK Medical ApS is committed to continue working towards and maintaining equal opportunities for women and men at all management levels within the Company. BK Medical ApS encourages talented male and female employees to pursue a career within the Company. In connection with recruitment, including recruitment at management level, it is BK Medical ApS' policy to meet the Company's needs for employees with the right skills and competences, regardless of gender, age, ethnicity, etc. When choosing between equally qualified candidates, the diversity among the employees is taken into consideration, as it is the aim that both genders attain representation at management levels of at least 30%. In connection with recruitment for managerial positions it must be ensured, where possible, that the candidates invited for interview include both men and women. The

Company's focus on diversity among its employees, including at management levels, must be visible during recruitment.

The policy may be amended by the Board of Directors and should be interpreted in accordance with applicable equal rights and anti-discrimination legislation in Denmark, applicable at any given time.

We currently have less than 30% representation of the gender with lowest proportion at manager level. We are however, on level with the general proportion of gender for the company. We follow our policy of not discriminating when we hire for both management positions and regular employees. Since the proportion of each gender at manager level is consistent with the general proportion, no steps have been initiated this financial year.

Policy regard the Proportion of Gender in the board of BK Medical ApS

The Company aims to continue the current strategy as it is the policy of BK Medical ApS to meet the Company's needs for board members with the right skills and competences, regardless of gender, age, ethnicity, etc. When choosing between equally qualified candidates, the diversity among the employees is taken into consideration. In accordance with §99b of the Danish Financial Statements Act, the Company has achieved an even gender balance within the shareholder elected board members.

Further, the Company continuously aims at ensuring that the board supports the inter-company relations by means of its composition which is currently made up by 2 members elected by the employees and 3 members elected by the general meeting, where two are also connected to the parent company: Chairman Brooks Edward West and Director Robert Joseph Patterson.

There is currently a minimum of 20% representation of each gender on the board, including both shareholders' elected and employees' elected members, which falls within our policy, and therefore, no steps have been initiated this financial year.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2019/20

	Notes	2019/20 DKK'000	2018/19 DKK'000
Revenue	2	645,759	706,465
Cost of sales		(340,619)	(362,914)
Gross profit/loss		305,140	343,551
Research and development costs		(115,284)	(90,770)
Distribution costs		(116,676)	(127,012)
Administrative expenses	3	(54,950)	(35,560)
Operating profit/loss		18,230	90,209
Other financial income	5	8,058	4,963
Other financial expenses	6	(14,003)	(14,893)
Profit/loss before tax		12,285	80,279
Tax on profit/loss for the year	7	8,310	(23,704)
Profit/loss for the year	8	20,595	56,575

Consolidated balance sheet at 31.07.2020

Assets

	Notes	2019/20 DKK'000	2018/19 DKK'000
Completed development projects	10	28,106	36,708
Goodwill		60,869	76,204
Development projects in progress	10	9,363	10,587
Intangible assets	9	98,338	123,499
Land and buildings		83,669	87,263
Plant and machinery		15,878	14,139
Other fixtures and fittings, tools and equipment		3,323	4,475
Property, plant and equipment	11	102,870	105,877
Fixed assets		201,208	229,376
Raw materials and consumables		6,073	1,728
Manufactured goods and goods for resale		74,210	66,844
Inventories		80,283	68,572
Trade receivables		80,732	106,646
Receivables from group enterprises		285,288	254,910
Other receivables		3,178	1,077
Tax receivable		0	4,077
Prepayments	12	5,274	5,388
Receivables		374,472	372,098
Cash		16,998	15,506
Current assets		471,753	456,176
Assets		672,961	685,552

Equity and liabilities

	Notes	2019/20 DKK'000	2018/19 DKK'000
Contributed capital		64,225	100,000
Retained earnings		136,649	90,415
Equity		200,874	190,415
Deferred tax	13	32	17,002
Provisions		32	17,002
Payables to group enterprises		360,137	358,674
Other payables		643	609
Deferred income	16	5,973	6,377
Non-current liabilities other than provisions	15	366,753	365,660
Trade payables		23,458	9,677
Payables to group enterprises		6,707	13,653
Tax payable		17,476	37,409
Other payables		46,248	39,977
Deferred income	16	11,413	11,759
Current liabilities other than provisions		105,302	112,475
Liabilities other than provisions		472,055	478,135
Equity and liabilities		672,961	685,552
Events after the balance sheet date	1		
Staff costs	4		
Unrecognised rental and lease commitments	18		
Contingent liabilities	19		
Transactions with related parties	20		
Group relations	21		
Subsidiaries	22		

Consolidated statement of changes in equity for 2019/20

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	100,000	90,415	190,415
Effect of mergers and business combinations	(35,775)	33,867	(1,908)
Exchange rate adjustments	0	(8,228)	(8,228)
Profit/loss for the year	0	20,595	20,595
Equity end of year	64,225	136,649	200,874

Consolidated cash flow statement for 2019/20

	Notes	2019/20 DKK'000	2018/19 DKK'000
Operating profit/loss		18,230	90,209
Amortisation, depreciation and impairment losses		42,756	53,625
Working capital changes	17	27,877	(136,266)
Other adjustments		(8,237)	1,690
Cash flow from ordinary operating activities		80,626	9,258
Financial income received		8,058	(4,963)
Financial expenses paid		(14,003)	14,893
Taxes refunded/(paid)		(20,998)	(25,192)
Cash flows from operating activities		53,683	(6,004)
Acquisition etc. of intangible assets		(4,952)	(4,422)
Acquisition etc. of property, plant and equipment		(9,536)	(6,643)
Sale of property, plant and equipment		216	3,756
Cash flows from investing activities		(14,272)	(7,309)
Free cash flows generated from operations and investments before financing		39,411	(13,313)
Incurrence of debt to group enterprises		(35,861)	(26,268)
Business Combination		(1,908)	0
Cash flows from financing activities		(37,769)	(26,268)
Increase/decrease in cash and cash equivalents		1,642	(39,581)
Cash and cash equivalents beginning of year		15,506	55,039
Currency translation adjustments of cash and cash equivalents		(150)	48
Cash and cash equivalents end of year		16,998	15,506
Cash and cash equivalents at year-end are composed of:			
Cash		16,998	15,506
Cash and cash equivalents end of year		16,998	15,506

Notes to consolidated financial statements

1 Events after the balance sheet date

After the balance sheet date, no significant events have occurred which are considered to have a material effect on the assessment of the Annual report.

2 Revenue

	2019/20 DKK'000	2018/19 DKK'000
Denmark	12,132	24,422
Scandinavia - other	39,636	45,027
Europe - other	329,793	342,604
USA	108,979	137,361
Asia, Pacific and the rest of the world	155,219	157,051
Total revenue by geographical market	645,759	706,465

We identify a business as an operating segment if: i) it engages in business activities from which it may earn revenues and incur expenses; ii) its operating results are regularly reviewed by our chief operating decision maker who is our chief executive officer, and iii) it has available discrete financial information. We aggregate our operating segments into reportable segment if the operating segments are determined to have similar economic characteristics and are similar in the nature of products and services, nature of production processes, type or class of customer for their products and services, product or service distribution method and, if applicable, nature of the regulatory environment. We have only one business segment: Ultrasound which complies with the sale of ultra scanners. For this reason, it is not relevant to provide segment information by business segment.

According to current statutory requirements, information on revenue is provided on geographical segments

3 Fees to the auditor appointed by the Annual General Meeting

	2019/20 DKK'000	2018/19 DKK'000
Statutory audit services	763	825
Other assurance engagements	110	55
Tax services	0	51
Other services	41	64
	914	995

4 Staff costs

	2019/20	2018/19
	DKK'000	DKK'000
Wages and salaries	139,638	136,867
Pension costs	7,537	7,578
Other social security costs	10,576	10,948
	157,751	155,393
Staff costs classified as assets	(4,685)	(4,422)
	153,066	150,971
<hr/>		
Average number of full-time employees	226	203

5 Other financial income

	2019/20	2018/19
	DKK'000	DKK'000
Other interest income	8,058	4,963
	8,058	4,963

6 Other financial expenses

	2019/20	2018/19
	DKK'000	DKK'000
Financial expenses from group enterprises	13,480	14,346
Other interest expenses	523	547
	14,003	14,893

7 Tax on profit/loss for the year

	2019/20	2018/19
	DKK'000	DKK'000
Current tax	41,222	36,963
Change in deferred tax	(49,532)	(13,786)
Adjustment concerning previous years	0	527
	(8,310)	23,704

8 Proposed distribution of profit/loss

	2019/20	2018/19
	DKK'000	DKK'000
Retained earnings	20,595	56,575
	20,595	56,575

9 Intangible assets

	Completed development projects DKK'000	Goodwill DKK'000	Development projects in progress DKK'000
Cost beginning of year	178,711	306,691	10,587
Transfers	6,177	0	(6,177)
Additions	0	0	5,386
Disposals	(30,803)	0	(433)
Cost end of year	154,085	306,691	9,363
Amortisation and impairment losses beginning of year	(142,003)	(230,487)	0
Amortisation for the year	(14,779)	(15,335)	0
Reversal regarding disposals	30,803	0	0
Amortisation and impairment losses end of year	(125,979)	(245,822)	0
Carrying amount end of year	28,106	60,869	9,363

10 Development projects

Management has not identified any indicators of impairment relative to the carrying amount of capitalized development projects.

The company has capitalized internal development cost relating to the continuous development into our products, being scanners, transducers and accessories. We typically have one to two scanners and several transducers in development.

11 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000
Cost beginning of year	138,556	47,410	25,935
Addition through business combinations etc	0	0	3,913
Exchange rate adjustments	0	0	21
Additions	68	4,948	607
Disposals	0	(1,531)	(2,056)
Cost end of year	138,624	50,827	28,420
Depreciation and impairment losses beginning of year	(51,293)	(33,271)	(21,460)
Addition through business combinations etc	0	0	(3,473)
Exchange rate adjustments	0	0	20
Depreciation for the year	(3,662)	(3,194)	(1,985)
Depreciation and impairment losses on assets disposed of	0	1,516	1,801
Depreciation and impairment losses end of year	(54,955)	(34,949)	(25,097)
Carrying amount end of year	83,669	15,878	3,323

12 Prepayments

Prepayments mainly relate to prepaid insurance premiums and other prepayments where criteria to recognise the expenses in the financial year have not been met.

13 Deferred tax

	2019/20 DKK'000	2018/19 DKK'000
Intangible assets	8,242	10,405
Property, plant and equipment	4,383	4,100
Fixed asset investments	1,826	1,830
Receivables	(62)	(176)
Provisions	(2,889)	(2,019)
Other taxable temporary differences	(11,468)	2,862
Deferred tax	32	17,002

	2019/20 DKK	2018/19 DKK
Changes during the year		
Beginning of year	17,002	30,788
Recognised in the income statement	(16,970)	(13,786)
End of year	32	17,002

14 Deferred income

Deferred income is mainly related to service contracts, extended warranties and to income where the revenue recognition criteria as to collectability has not been met.

15 Non-current liabilities other than provisions

	Due after more than 12 months 2019/20 DKK'000
Payables to group enterprises	360,137
Other payables	643
Deferred income	5,973
	366,753

16 Deferred income

Deferred income is mainly related to service contracts, extended warranties and to income where the revenue recognition criteria as to collectability has not been met.

17 Changes in working capital

	2019/20	2018/19
	DKK'000	DKK'000
Increase/decrease in inventories	(11,713)	(7,038)
Increase/decrease in receivables	23,928	(123,054)
Increase/decrease in trade payables etc.	12,662	(2,533)
Other changes	3,000	(3,641)
	27,877	(136,266)

18 Unrecognised rental and lease commitments

	2019/20	2018/19
	DKK'000	DKK'000
Total liabilities under rental or lease agreements until maturity	10,750	9,692

19 Contingent liabilities

In connection with several tenders, the Group has per 31 July 2020 issued customary performance guarantees through banks and insurance companies.

20 Transactions with related parties

	Parent	Subsidiaries	Other related parties
	DKK'000	DKK'000	DKK'000
Revenue	80,763	11,402	40
Cost of sales	(130,602)	(2,037)	(63)
Management fee	(23,355)	(69)	0
Cost reimbursement	1,338	(6,101)	(11,931)
Interest Income/expense	(13,480)	394	0
Dividend paid/received	0	2,018	0
Liabilities other than provisions	(1,185)	(19,442)	(20,626)

21 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
BK Medical Holding Company Inc., USA

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
BK Medical ApS, Denmark

22 Subsidiaries

	Registered in	Ownership %
BK Medical G.m.b.H	GER	100
BK Medical Benelux N.V.S.A	BEL	100
BK Medical S.r.l	ITA	100
BK Medical AB	SWE	100
BK Ultrasound Limited	UK	100
BK Medical Systems Inc.	USA	100
Ultrasonix Medical Corporation	CND	100

Parent income statement for 2019/20

	Notes	2019/20 DKK'000	2018/19 DKK'000
Revenue	2	356,907	407,902
Cost of sales		(173,372)	(184,691)
Gross profit/loss		183,535	223,211
Research and development costs		(115,017)	(90,770)
Distribution costs		(37,084)	(48,909)
Administrative expenses		(55,001)	(19,000)
Operating profit/loss		(23,567)	64,532
Other financial income	4	10,153	5,325
Other financial expenses	5	(13,376)	(314)
Profit/loss before tax		(26,790)	69,543
Tax on profit/loss for the year		21,400	(9,261)
Profit/loss for the year	6	(5,390)	60,282

Parent balance sheet at 31.07.2020

Assets

	Notes	2019/20 DKK'000	2018/19 DKK'000
Completed development projects	8	28,106	36,708
Goodwill		60,869	0
Development projects in progress	8	9,363	10,587
Intangible assets	7	98,338	47,295
Land and buildings		83,669	87,263
Plant and machinery		15,878	14,139
Other fixtures and fittings, tools and equipment		1,686	2,156
Property, plant and equipment	9	101,233	103,558
Investments in group enterprises		18,583	18,583
Receivables from group enterprises		7,598	7,618
Fixed asset investments	10	26,181	26,201
Fixed assets		225,752	177,054
Raw materials and consumables		5,976	1,728
Manufactured goods and goods for resale		22,881	14,855
Inventories		28,857	16,583
Trade receivables		40,765	52,788
Receivables from group enterprises		163,886	162,208
Other receivables		834	476
Prepayments	11	2,782	2,599
Receivables		208,267	218,071
Cash		5,120	3,782
Current assets		242,244	238,436
Assets		467,996	415,490

Equity and liabilities

	Notes	2019/20 DKK'000	2018/19 DKK'000
Contributed capital		64,225	64,225
Reserve for development costs		29,225	36,890
Retained earnings		(63,602)	215,793
Proposed dividend for the financial year		0	15,000
Equity		29,848	331,908
Deferred tax	12	32	2,672
Provisions		32	2,672
Other payables		643	610
Deferred income	13	4,822	5,505
Non-current liabilities other than provisions	14	5,465	6,115
Prepayments received from customers		5,641	1,119
Trade payables		18,107	5,865
Payables to group enterprises		364,754	1,693
Tax payable		14,490	36,656
Other payables		29,659	29,462
Current liabilities other than provisions		432,651	74,795
Liabilities other than provisions		438,116	80,910
Equity and liabilities		467,996	415,490
Events after the balance sheet date	1		
Staff costs	3		
Related parties with controlling interest	15		
Transactions with related parties	16		

Parent statement of changes in equity for 2019/20

	Contributed capital DKK'000	Reserve for development costs DKK'000	Retained earnings DKK'000	Proposed dividend for the year DKK'000	Total DKK'000
Equity beginning of year	64,225	36,890	215,793	15,000	331,908
Effect of mergers and business combinations	0	0	(296,655)	0	(296,655)
Exchange rate adjustments	0	0	(15)	0	(15)
Other entries on equity	0	0	15,000	(15,000)	0
Dissolution of reserves	0	(7,665)	7,665	0	0
Profit/loss for the year	0	0	(5,390)	0	(5,390)
Equity end of year	64,225	29,225	(63,602)	0	29,848

Notes to parent financial statements

1 Events after the balance sheet date

After the balance sheet date, no significant events have occurred which are considered to have a material effect on the assessment of the Annual Report.

2 Revenue

	2019/20 DKK'000	2018/19 DKK'000
Denmark	12,132	24,422
Scandinavia	10,406	15,210
Europe	99,415	103,263
USA	79,734	107,956
Asia, Pacific and rest of the world	155,220	157,051
Total revenue by geographical market	356,907	407,902

3 Staff costs

	2019/20 DKK'000	2018/19 DKK'000
Wages and salaries	98,099	101,192
Pension costs	7,537	7,383
Other social security costs	693	1,791
	106,329	110,366
Staff costs classified as assets	(4,685)	(4,422)
	101,644	105,944

Average number of full-time employees	145	130
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	Remuneration of manage- ment 2019/20 DKK'000	Remuneration of manage- ment 2018/19 DKK'000
Executive Board	2,680	3,259
	2,680	3,259

4 Other financial income

	2019/20 DKK'000	2018/19 DKK'000
Other interest income	10,153	5,325
	10,153	5,325

5 Other financial expenses

	2019/20 DKK'000	2018/19 DKK'000
Other interest expenses	13,376	314
	13,376	314

6 Proposed distribution of profit and loss

	2019/20 DKK'000	2018/19 DKK'000
Retained earnings	(5,390)	60,282
	(5,390)	60,282

7 Intangible assets

	Completed development projects DKK'000	Goodwill DKK'000	Development projects in progress DKK'000
Cost beginning of year	178,711	0	10,587
Addition through business combinations etc	0	306,691	0
Transfers	6,177	0	(6,177)
Additions	0	0	5,386
Disposals	(30,803)	0	(433)
Cost end of year	154,085	306,691	9,363
Amortisation and impairment losses beginning of year	(142,003)	0	0
Addition through business combinations etc	0	(230,487)	0
Amortisation for the year	(14,779)	(15,335)	0
Reversal regarding disposals	30,803	0	0
Amortisation and impairment losses end of year	(125,979)	(245,822)	0
Carrying amount end of year	28,106	60,869	9,363

8 Development projects

The company has capitalized internal development cost relating to the continuous development into our products, being scanners, transducers and accessories. We typically have one to two scanner and several transducers in development.

9 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000
Cost beginning of year	138,556	47,410	18,435
Additions	68	4,948	484
Disposals	0	(1,531)	(182)
Cost end of year	138,624	50,827	18,737
Depreciation and impairment losses beginning of year	(51,293)	(33,271)	(16,279)
Exchange rate adjustments	0	0	1
Depreciation for the year	(3,662)	(3,194)	(937)
Depreciation and impairment losses on assets disposed of	0	1,516	164
Depreciation and impairment losses end of year	(54,955)	(34,949)	(17,051)
Carrying amount end of year	83,669	15,878	1,686

10 Fixed asset investments

	Investments in group enterprises DKK'000	Receivables from group enterprises DKK'000
Cost beginning of year	18,583	7,618
Disposals	0	(20)
Cost end of year	18,583	7,598
Carrying amount end of year	18,583	7,598

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

11 Prepayments

Prepayments mainly relate to prepaid insurance premiums and other prepayments where criteria to recognise the expenses in the financial year have not been met.

12 Deferred tax

	2019/20	2018/19
	DKK'000	DKK'000
Intangible assets	8,242	10,405
Property, plant and equipment	4,383	4,100
Fixed asset investments	1,826	1,830
Receivables	(62)	(176)
Other investments	(2,889)	(2,019)
Provisions	(11,468)	(11,468)
Deferred tax	32	2,672

	2019/20	2018/19
	DKK'000	DKK'000
Changes during the year		
Beginning of year	2,672	30,788
Recognised in the income statement	(2,640)	(28,116)
End of year	32	2,672

13 Deferred income

Deferred income is mainly relating to extended warranty and to income where the revenue recognition criteria as to collectability has not been met.

14 Non-current liabilities other than provisions

	Due after more than 12 months 2019/20 DKK'000
Other payables	643
Deferred income	4,822
	5,465

Deferred income is mainly relating to extended warranty and to income where the revenue recognition criteria as to collectability has not been met.

15 Related parties with controlling interest

BK Medical Holding Company Inc. (8 Centennial Drive, Peabody, MA 01960, USA) owns all shares in the Entity, thus exercising control.

16 Transactions with related parties

	Parent	Subsidiaries	Other related
	DKK'000	DKK'000	parties
	DKK'000	DKK'000	DKK'000
Revenue	80,763	11,402	40
Cost of sales	(130,602)	(2,037)	(63)
Management fee	(23,355)	(69)	0
Cost reimbursement	1,338	(6,101)	(11,931)
Interest income/expense	(13,480)	394	0
Dividend paid/received	0	2,018	0
Receivables	(1,185)	(19,442)	0

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

Non-comparability

The Company has merged as of 2 July 2020 with the parent company BK Medical Holding ApS with BK Medical ApS as continuing entity. Comparatives have not been restated in accordance with pooling of interests method and book value method. The merger has been incorporated in the annual report with accounting effect from 1 August 2019.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the takeover date, with net assets having been calculated at fair value.

Business combinations

Newly acquired or newly established enterprises are recognised in the financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful lives. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful life is reassessed annually. Negative balances (negative goodwill) are recognised as income in the income statement.

The uniting-of-interests method is applied on acquisition of enterprises, mergers, demergers, contributions of assets and exchanges of shares, etc. in which the enterprises concerned are controlled by the Parent, under which method the combination is considered completed at the date of acquisition without restatement of comparative figures. Under the uniting-of-interests method, the acquiree's assets and liabilities are recognised at their carrying amounts, adjusted for any differences in accounting policies and accounting estimates. The difference between the consideration agreed and the carrying amount of the acquiree is recognised in equity.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are classified directly as equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary

items.

Income statement

Revenue

Income from the sales of finished goods for resale and finished goods is recognised in revenue when transfer of the most significant rewards and risks to the buyer has taken place and provided that the income can be reliably measured and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms 2010

Revenue from the sales of services, comprising service contracts, is recognised in revenue on a straight-line basis as delivered as the services are delivered in the form of an indefinite number of actions over a specific period of time.

Revenue from software compensation is recognised as the company's IP assets are used.

Revenue is recognised exclusive of VAT and net of sales discounts and is measured at fair value of the consideration fixed.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Research and development costs

Research and development costs comprise research costs, costs of development projects not qualifying for recognition in the balance sheet, and amortisation and impairment losses relating to development projects.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc., and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment involved in the distribution process.

Administrative expenses

Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Other financial income

Other financial income comprises dividends etc. received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet**Goodwill**

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. The amortisation period used are 20 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation period used is 5 years.

Property, plant and equipment

Land and buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	40 years
Plant and machinery	3-7 years
Other fixtures and fittings, tools and equipment	3-8 years

Estimated useful lives and residual values are reassessed annually.

Investments in group enterprises

Investments in group enterprises are measured at cost. Investments are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value, less writedowns for bad and doubtful debts.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.