BK Medical Holding ApS

Mileparken 34, 2730 Herlev

CVR no. 27 97 14 07

Annual report
for the financial year 01.08.17 - 31.07.18

This annual report has been adopted at the company's annual general meeting on

Chairman of the meeting

Table of contents

Group information etc.

The company

BK Medical Holding ApS
Mileparken 34
2730 Herlev
Danmark
Tel.: +45 44 52 81 00
Website: www.bkmedical.com
Registered office: Herlev
CVR no.: 27 97 14 07
Financial year: 01.08 - 31.07

Executive Board

Bo Hansen

Board Of Directors

Brooks Edward West
Bo Hansen
Davin Joseph Hall

Auditors

ERNST & YOUNG
Godkendt Revisionspartnerselskab

Statement of the Board of Directors and Executive Board on the annual report

We have on this day presented the annual report for the financial year 01.08.17 - 31.07.18 for BK Medical Holding ApS.

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

In our opinion, the consolidated financial statements and financial statements give a true and fair view of the group's and the parent's assets, liabilities and financial position as at 31.07.18 and of the results of the group's and parent's activities and of the group's cash flows for the financial year 01.08.17 - 31.07.18.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Herlev, 15 JANUARY 2019

Executive Board

Bo Hansen

Board Of Directors

Brooks Edward West Chairman	Bo Hansen	Davin Joseph Hall

Independent auditor's report

To the capital owner of BK Medical Holding ApS

Opinion

We have audited the consolidated financial statements and parent company financial statements of BK Medical Holding ApS for the financial year 01.08.17 - 31.07.18, which comprise income statement, balance sheet, statement of changes in equity and notes, inclusive of accounting policies, for both the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and parent company financial statements are prepared in accordance with Danish Financial Statements Act

In our opinion the consolidated financial statements and parent company financial statements give a true and fair view of the financial position of the Group and Parent company at 31.07.18 and of the results of the group's and the parent company's operations as well at the consolidated cash flows for the financial year 01.08.17 - 31.07.18 in accordance with the Danish Financial Statements Act .

Basis for opinion

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

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

Management's responsibility for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and 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 the financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the finanscial staments represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and per-formance 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 the management's review

Management is responsible for management's review.

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

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

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

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

Copenhagen, 15 January 2019

ERNST & YOUNG

Godkendt Revisionspartnerselskab
CVR no. 30700228

Christian Schwenn Johansen	Rasmus Bloch Jespersen
State Authorized Public Accountant	State Authorized Public Accountant
MNE-no. mne33234	MNE-no. mne35503

GROUPS FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	2017/18	2016/17
Profit/loss		
Revenue	666.113	558.095
Operating profit/loss	123.879	29.504
Total net financials	-10.688	-14.961
Profit/loss for the year	83.412	4.887
Balance		
Total assets	643.705	611.064
Equity	129.312	73.673
Cashflow		
Net cash flow:		
Operating activities	143.209	43.089
Investing activities	-15.913	-28.369
Financing activities	-115.765	-22.807
Cash flows for the year	11.531	-8.087

Ratios

	2017/18	2016/17
Profitability		
Return on equity	82%	7%
Gross margin	53%	47%
Profit margin	19%	5%
Equity ratio		
Equity interest	20%	12%

Ratios - continued -

	2017/18	2016/17
Others		
Number of employees (average)	184	187

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios". For therms and definitions, please see the accounting policies.

With reference to § 128, 4 in the Financial Statements act key figures have been stated for 2 years and not 5 years

Primary activities

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. 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, as well as other companies within the Analogic Group.

Development in activities and financial affairs

The Group's revenue for the financial year 2017/18 was DKK 666.1 million, an increase of 19,4% from 2016/17 when revenue amounted to DKK 558.1 million. We expected the revenue for 2017/18 to be flat with a low single digit organic growth rate. The increase in revenue is primarily attributed to higher direct sales and related royalty payments in both Europe and the USA, due to local conditions and changes in the sales force.

The operating expenses for 2017/18 decreased to DKK 314.7 million compared to an expense of DKK 294.4 million in 2016/17.

In 2017/18, the Group realised a profit before tax of DKK 113.1 million compared to a profit before tax of DKK 14.5 million in 2016/17. The increase is primarily attributed to the increase in revenue and saving in operating expenses as mentioned above.

Tax for the year amounted to an expense of DKK 29.8 million in 2017/18 compared to an expense of DKK 9.6 million in 2016/17. Thus, for 2017/18, net profit for the year amounted to DKK 83.4 million compared to a net profit of DKK 4.9 million in 2016/17.

The result for the year in considered satisfactory.

Capital expenditure

The Group capital expenditure amounted to DKK 6.4 million in property, plant and equipment compared to DKK 14.7 million last year and DKK 10.1 million in intangible assets compared to DKK 17.2 million last year.

Knowledge 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.

Special risks - operating risks and financial risks

Foreign exchange risks

For several years, the Group 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 into.

The results, cash flow and equity of the Group are affected by the development in exchange rates of a number of different currencies due to the international activities of the Group.

Credit risks

The Group does not have any material risks relating to a single customer or business partner. According to group 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.

Strategy and objectives

Strategy

The primary strategy of the Group is to target the urological and surgical niches of the European, Asian and North American ultrasound markets by continuously developing and introducing new products that address these markets' needs. In addition, the Group is focused on gaining a foothold in adjacent procedure-driven markets. To support this strategy, the Group continues to strengthen its direct and indirect sales and distribution in the USA, Europe and China by expanding its sales organisation.

To enable profitable growth, the Group leverages the sourcing, manufacturing and administrative resources of its parent Company, Analogic Corporation.

Sales and marketing activities are carried out by the Group's subsidiaries in Denmark, 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 or through acquisitions. The organisation is developed continuously to adapt to ever changing conditions.

Target and expectations for the year ahead

As mentioned above, the competition on the overall ultrasound market is continuously increasing. This is expressed through more aggressive marketing and ultimately lower prices resulting in increased pressure on margins. 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. As expressed by our strategy, it is the Group's plan to expand into other relevant niche areas in order to create a basis for adequate future growth. In addition to anaesthesia the Group is establishing itself in other point-of-care segments and interventional ultrasound markets.

The forecast for 2018/19 shows revenue at a flat to low single digit organic growth rate. 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 and the point-of-care markets as well as in the general ultrasound market.

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

Costs are budgeted to increase for 2018/19 compared to 2017/18 although lower than the expected increase in revenue, resulting in a higher EBIT Margin for 2018/19.

In 2017/18, capital expenditure decreased compared to prior years. It is expected that the Group's level of capital expenditure in property, plant and equipment for 2018/19 will remain at the same level, since no additional major investment are planned for development projects.

Furthermore, in 2017/18, capital expenditure related to intangible assets decreased compared to 2016/17. It is expected that the Group's level of capital expenditure in intangible assets for 2018/19 will be at the same level due to the continued investments in the new product platform for future ultrasound systems.

Basis of earnings

Research and development

Research and development is carried out by the subsidiary BK Medical ApS in Herlev for all ultrasound scanners. Expenses related to research and development activities decreased by DKK 9.2 million in 2016/17 due to lower expenses related to an externally funded project that ended in 2016/17. Capitalisation of R&D projects was lower compared to 2016/17 due to the release of BK Medical's latest ultrasound scanner BKSpecto during the fiscal year 2017/18. 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 that will help open new markets for the Group.

Unusual events

There have been no unusual events during the fiscal year.

Corporate social responsibility

The Group does not have a corporate social responsibility policy and therefore no specific policies relating to human rights, environment and climate impact.

Policy regarding the Proportion of Gender in other Management Levels of BK Medicial Holding ApS

The Group is committed to continue working towards and maintaining equal opportunities for women and men at all management levels within the Group. The Group encourages talented male and female employees to pursue a career within the Group. In connection with recruitment, including recruitment at management level, it is the Group's policy to meet the 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 Group'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 Group. 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 regarding the Proportion of Gender in the board of BK Medical Holding ApS

The Group aims to continue the current strategy as it is in the policy to meet the 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, as it is the objective that both genders attain representation at board level of at least 20%.

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

There is currently not a 20% representation of each gender on the board, but since the board is only for the parent company, and the minimum of 20 % representation is fulfilled in the primary subsidary, no steps have been initiated this financial year.

Subsequent event

As of the report date, no significant events have occurred which are considered to have a material effect on the assessment of the annual report.

Income statement

Note		Group		Parent	
		2017/18 DKK '000	2016/17 DKK '000	2017/18 DKK '000	2016/17 DKK '000
1	**Revenue**	**666.113**	**558.095**	**0**	**0**
2,9,10	Cost of goods sold	-314.724	-294.460	0	0
	Gross profit	**351.389**	**263.635**	**0**	**0**
2,10	Sales- and distribution expenses	-119.446	-119.701	0	0
2,10	Administrative expenses	-35.347	-32.557	-446	-238
2,10	Research- and development expenses	-72.717	-81.873	0	0
	Profit/loss before net financials	**123.879**	**29.504**	**-446**	**-238**
4	Income from equity investments in group enterprises	0	0	40.500	15.000
5	Financial income	4.524	1.253	0	0
6	Financial expenses	-15.212	-16.214	-14.347	-14.363
	Profit/loss before tax	**113.191**	**14.543**	**25.707**	**399**
7	Tax on profit or loss for the year	-29.779	-9.656	3.256	6.859
	Profit/loss for the year	**83.412**	**4.887**	**28.963**	**7.258**

8 Distribution of net profit

Balance sheet

ASSETS

Note		Group		Parent	
		31.07.18 DKK '000	31.07.17 DKK '000	31.07.18 DKK '000	31.07.17 DKK '000
	Completed development projects	65.936	47.021	0	0
	Goodwill	91.539	106.874	0	0
	Development projects in progress	6.165	41.873	0	0
9	**Total intangible assets**	**163.640**	**195.768**	**0**	**0**
	Land and buildings	88.888	92.261	0	0
	Plant and machinery	13.928	12.036	0	0
	Other fixtures and fittings, tools and equipment	9.373	11.130	0	0
10	**Total property, plant and equipment**	**112.189**	**115.427**	**0**	**0**
11	Equity investments in group enterprises	0	0	603.767	603.767
	Total investments	**0**	**0**	**603.767**	**603.767**
	Total non-current assets	**275.829**	**311.195**	**603.767**	**603.767**
	Raw materials and consumables	918	812	0	0
	Manufactured goods and goods for resale	60.616	58.139	0	0
	Total inventories	**61.534**	**58.951**	**0**	**0**
	Trade receivables	102.201	78.976	0	0
	Receivables from group enterprises	135.076	103.440	6.367	3.155
	Income tax receivable	6.335	5.704	6.335	5.704
	Other receivables	4.028	5.113	0	0
12	Prepayments	3.663	4.177	0	0
	Total receivables	**251.303**	**197.410**	**12.702**	**8.859**
	Cash	**55.039**	**43.508**	**147**	**3.089**
	Total current assets	**367.876**	**299.869**	**12.849**	**11.948**
	Total assets	**643.705**	**611.064**	**616.616**	**615.715**

Balance sheet

EQUITY AND LIABILITIES

Note		Group 31.07.18 DKK '000	Group 31.07.17 DKK '000	Parent 31.07.18 DKK '000	Parent 31.07.17 DKK '000
	Share capital	100.000	100.000	100.000	100.000
	Retained earnings	29.312	-26.327	157.504	157.041
	Total equity	**129.312**	**73.673**	**257.504**	**257.041**
13	Provisions for deferred tax	30.788	28.304	0	0
	Total provisions	**30.788**	**28.304**	**0**	**0**
14	Payables to group enterprises	358.674	397.447	358.674	358.674
14	Other payables	400	2.508	0	0
14	Deferred income	4.352	2.167	0	0
	Total long-term payables	**363.426**	**402.122**	**358.674**	**358.674**
	Trade payables	12.210	8.159	438	0
	Payables to group enterprises	39.921	56.775	0	0
	Income taxes	23.881	4.265	0	0
	Other payables	36.336	31.150	0	0
15	Deferred income	7.831	6.616	0	0
	Total short-term payables	**120.179**	**106.965**	**438**	**0**
	Total payables	**483.605**	**509.087**	**359.112**	**358.674**
	Total equity and liabilities	**643.705**	**611.064**	**616.616**	**615.715**

16 Contingent liabilities

17 Related parties

Statement of changes in equity

Figures in DKK '000	Share capital	Retained earnings	Equity of the parent company's capital owners
Group:			
Statement of changes in equity for 01.08.17 - 31.07.18			
Balance pr. 01.08.17	100.000	-26.327	73.673
Foreign currency translation adjustment of foreign enterprises	0	727	727
Distributions for the year	0	-28.500	-28.500
Net profit/loss for the year	0	83.412	83.412
Balance as at 31.07.18	100.000	29.312	129.312
Parent:			
Statement of changes in equity for 01.08.17 - 31.07.18			
Balance pr. 01.08.17	100.000	157.041	257.041
Distributions for the year	0	-28.500	-28.500
Net profit/loss for the year	0	28.963	28.963
Balance as at 31.07.18	100.000	157.504	257.504

Consolidated cash flow statement

Note		Group 2017/18 DKK '000	Group 2016/17 DKK '000
	Net profit for the year	**83.412**	**4.887**
18	Adjustments	92.473	64.505
	Change in working capital:		
	Inventories	-2.583	-2.886
	Receivables	-21.624	8.773
	Trade payables	4.051	-929
	Other payables relating to operating activities	6.478	-11.303
	Cash flows from operating activities before net financials	**162.207**	**63.047**
	Interest income and similar income received	4.524	1.253
	Interest expenses and similar expenses paid	-15.212	-16.214
	Income tax paid	-8.310	-4.997
	Cash flows from operating activities	**143.209**	**43.089**
	Purchase of intangible assets	-10.138	-17.216
	Purchase of property, plant and equipment	-6.388	-14.728
	Sale of property, plant and equipment	613	3.575
	Cash flows from investing activities	**-15.913**	**-28.369**
	Dividend paid	-28.500	0
	Repayment of debt to group enterprises	-87.265	-22.807
	Cash flows from financing activities	**-115.765**	**-22.807**
	Total cash flows for the year	**11.531**	**-8.087**
	Cash, beginning of year	43.508	51.595
	Cash, end of year	**55.039**	**43.508**
	Cash, end of year, comprises:		
	Cash	55.039	43.508
	Total	**55.039**	**43.508**

1. Revenue

Information about the distribution of revenue by segment and geographical markets is provided below.

Revenue comprises the following geographical markets:

	Group		Parent	
	2017/18 DKK '000	2016/17 DKK '000	2017/18 DKK '000	2016/17 DKK '000
Denmark	22.135	10.176	0	0
Scandinavia - other	46.482	42.399	0	0
Europe - other	297.007	266.648	0	0
USA	164.565	102.943	0	0
Asia, Pacific and rest of world	135.924	135.929	0	0
Total	666.113	558.095	0	0

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 a 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 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.

2. Employee aspects

	Group		Parent	
	2017/18 DKK '000	2016/17 DKK '000	2017/18 DKK '000	2016/17 DKK '000
Wages and salaries	132.340	136.550	0	0
Pensions	7.422	7.422	0	0
Other social security costs	10.161	9.987	0	0
Staff costs recognised in assets	-10.138	-17.216	0	0
Total	139.785	136.743	0	0
Total staff costs comprise:				
Cost of goods sold	8.367	7.775	0	0
Sales- and distribution expenses	66.220	68.837	0	0
Administrative expenses	9.912	8.256	0	0
Research- and development expenses	55.286	51.875	0	0
Total	139.785	136.743	0	0
Average number of employees during the year	184	187	0	0

With reference to §98b,3 in the financial statements act salaries and fees paid to the executive and supervisory board have not been specified.

The executive board and other selected individuals are part of the Analogic stock compensation plan.

3. Fees to auditors appointed by the general meeting

	Group 2017/18	Group 2016/17	Parent 2017/18	Parent 2016/17
Statutory audit of the financial statements	929	602	375	0
Other assurance engagements	66	53	0	0
Tax advice	25	69	0	0
Other services	150	0	0	0
Total	1.170	724	375	0

	Group		Parent	
	2017/18 DKK '000	2016/17 DKK '000	2017/18 DKK '000	2016/17 DKK '000

4. Income from equity investments in group enterprises

Dividend, group enterprises	0	0	40.500	15.000
Total	0	0	40.500	15.000

5. Financial income

Other financial income	4.524	1.253	0	0
Total	4.524	1.253	0	0

6. Financial expenses

Interest, group enterprises	14.736	15.605	14.347	14.347
Other financial expenses	476	609	0	26
Total	15.212	16.214	14.347	14.368

7. Tax on profit or loss for the year

Current tax for the year	27.295	9.772	-3.256	-3.212
Adjustment of deferred tax for the year	2.484	-116	0	0
Adjustment of tax in respect of previous years	0	0	0	-3.647
Total	29.779	9.656	-3.256	-6.859

	Group		Parent	
	2017/18 DKK '000	2016/17 DKK '000	2017/18 DKK '000	2016/17 DKK '000

8. Distribution of net profit

	2017/18 DKK '000	2016/17 DKK '000	2017/18 DKK '000	2016/17 DKK '000
Dividend proposed during the year	28.500	0	28.500	0
Proposed dividend for the year	0	0	0	0
Retained earnings	54.912	4.887	463	7.258
Total	83.412	4.887	28.963	7.258

9. Intangible assets

Figures in DKK '000	Completed development projects	Goodwill	Development projects in progress	Total
Group:				
Cost pr. 01.08.17	132.865	306.691	41.873	481.429
Additions during the year	0	0	10.138	10.138
Transfers during the year to/from other items	45.846	0	-45.846	0
Cost as at 31.07.18	178.711	306.691	6.165	491.567
Amortisation and impairment losses pr. 01.08.17	-85.844	-199.817	0	-285.661
Amortisation during the year	-26.931	-15.335	0	-42.266
Amortisation and impairment losses as at 31.07.18	-112.775	-215.152	0	-327.927
Carrying amount as at 31.07.18	65.936	91.539	6.165	163.640

Development projects that are clearly defined and identifiable, and where the technical feasibility, sufficient resources and a potential future market or development opportunities in the Group are evidenced, and where the Group intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement when incurred.

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

10. Property, plant and equipment

Figures in DKK '000	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Total
Group:				
Cost pr. 01.08.17	136.758	41.955	31.542	210.255
Exchange adjustment	0	0	-101	-101
Additions during the year	0	4.126	2.262	6.388
Disposals during the year	0	-1.148	-3.231	-4.379
Cost as at 31.07.18	136.758	44.933	30.472	212.163
Depreciation and impairment losses pr. 01.08.17	-44.497	-29.919	-20.412	-94.828
Exchange adjustment	0	0	18	18
Depreciation during the year	-3.373	-2.235	-3.573	-9.181
Reversal of depreciation of disposed assets	0	1.149	2.868	4.017
Depreciation and impairment losses as at 31.07.18	-47.870	-31.005	-21.099	-99.974
Carrying amount as at 31.07.18	88.888	13.928	9.373	112.189

Management has not identified any evidence of impairment relative to the carring amount of property, plant and equipment.

	31.07.18 DKK '000	31.07.17 DKK '000
Depreciations of property, plant and equipment are recognised in the following items:		
Cost of goods sold	2.305	2.062
Sale and distribution expenses	2.728	3.158
Research and development expenses	3.155	3.406
Administrative expenses	993	920
Total	9.181	9.546

11. Equity investments in group enterprises

Figures in DKK '000	Equity investments in group enterprises
Parent:	
Cost pr. 01.08.17	603.767
Cost as at 31.07.18	603.767
Carrying amount as at 31.07.18	603.767

Name and Registered office:	Ownership interest	Equity	Net profit/loss for the year
Group enterprises:			
BK Medical ApS, DK	100%	271.614	85.939
BK Medical Systems, Inc., USA	100%	63.371	14.319
BK Medical G.m.b.H, GER	100%	16.014	2.211
BK Medical Benelux N.V.S.A, BEL	100%	6.735	1.102
BK Medical S.r.l, ITA	100%	4.243	401
BK Medical AB, SWE	100%	9.292	987
BK Ultrasound Limited, UK	100%	8.995	1.364

In the section above the annual published report for 2017/18 were used for Belgium, Denmark and Sweden. For Germany and UK the annual published reports for 2016/2017 were used. Italy is based on non-published numbers for 2017/2018. USA is based of non-published numbers for 2016/17.

	Group		Parent	
	31.07.18 DKK '000	31.07.17 DKK '000	31.07.18 DKK '000	31.07.17 DKK '000

12. Prepayments

	31.07.18	31.07.17	31.07.18	31.07.17
Prepaid insurance premiums	569	966	0	0
Other prepayments	2.164	2.030	0	0
Prepaid exhibitions	930	1.181	0	0
Total	3.663	4.177	0	0

13. Deferred tax

Deffered tax comprises:

	31.07.18	31.07.17	31.07.18	31.07.17
Deferred tax asset	0	0	0	0
Deferred tax liability	30.788	28.304	0	0
Total	30.788	28.304	0	0

Deffered tax comprises:

	31.07.18	31.07.17	31.07.18	31.07.17
Intangible assets	15.862	19.298	0	0
Property, plant and equipment	3.312	2.621	0	0
Investments	1.826	1.823	0	0
Trade receivables	0	-249	0	0
Accounting provision for uncertain tax positions	11.279	11.279	0	0
Provisions	-1.491	-1.473	0	0
Liabilities	0	-494	0	0
Tax losses	0	-4.501	0	0
Total	30.788	28.304	0	0

14. Long-term payables

Figures in DKK '000	Repayment first year	Outstanding debt after 5 years	Total payables at 31.07.18	Total payables at 31.07.17
Group:				
Payables to group enterprises	0	0	358.674	397.447
Other payables	0	0	400	2.508
Deferred income	0	0	4.352	2.167
Total	0	0	363.426	402.122
Parent:				
Payables to group enterprises	0	0	358.674	358.674
Total	0	0	358.674	358.674

15. Deferred income

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

16. Contingent liabilities

Group:

Lease commitments

The enterprise has concluded lease agreements with a total payment of DKK 6.572 thousand (2016/2017: 7.540 thousand).

Other contingent liabilities

Through its bankers, the group hsa as per 31 July 2018 issued payment, advance and performance guaranties totalling DKK 1.027 thousand (2016/2017: DKK 229 thousand).

Parent:

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and has joint, several and unlimited liability for income taxes and any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.

17. Related parties

Controlling influence:	Basis of influence
Analogic Holding Luxembourg S.á.r.l.	Immediate parent company
ALTARIS	Ultimate parent company

Transaction	Relation	2017/18 DKK'000
Revenue	Parent companies	142.247
Revenue	Group companies	95
Cost of sales	Parent companies	-287.623
Cost of sales	Group companies	-1.663
Management fee	Parent companies	-3.535
Cost reimbursement	Parent companies	511
Cost reimbursement	Group companies	-19.234
Stock options	Parent companies	2.082
Dividend paid	Parent copmanies	-40.500
Purchase for Fixed asset	Parent companies	-503

Balances	31.07.18 DKK'000
Receivables from group enterprises	135.076
Payables to group enterprises	358.674
Short-termed payables to group enterprises	39.921

Receivables from group companies recognised under current assets and short-term payables to group enterprises consist of balances which are settled on an ongoing basis and in accordance with standard terms of agreement and payment. No write-downs have been made on the receivables.

Long-term payables to group enterprises consist of a 5-year loan. The loan will be repaid 19. July 2020 and carries an interest at a rate of 4% p.a.

18. Adjustments for the cash flow statement

	Group 2017/18 DKK '000	Group 2016/17 DKK '000
Other operating income	-251	-281
Depreciation, amortisation, impairment losses and write-downs	51.447	44.555
Financial income	-4.524	-1.253
Financial expenses	15.212	16.214
Tax on profit or loss for the year	29.779	9.656
Other adjustments	810	-4.386
Total	92.473	64.505

19. Accounting policies

GENERAL

The annual report of BK Medical Holding ApS has been prepared in accordance with the provisions of the Danish Financial Statements Act that applies to large reporting class C enterprises.

The accounting policies are consistent with those of the prior year.

Basis of recognition and measurement

Revenues are recognised in the income statement as earned. Futhermore, value adjustments of financial assets and liabilities measured at fair value or amortised costs are recognised. Moreover, All expenses, incurred to achieve the earnings of the year are recognised ind the income statement, including depreciation, amortisation, provisions and reversals due to changed accounting estimates of amounts which were previously recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the company, and the value of such assets can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the company, and the value of such liabilities can be measured reliably.

Asset and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the muturity period.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the parent and its subsidiaries in which the parent directly or indirectly holds more than 50% of the voting rights or by way of agreements exercises control.

All financial statements used for consolidation are prepared in accordance with the accounting policies of the group.

The consolidated financial statements consolidate the financial statements of the parent and its subsidiaries by adding together items of a uniform nature, eliminating intercompany income and ex-

19. Accounting policies - continued -

penditure, equity investments, intercompany balances and dividends as well as gains and losses resulting from transactions between the consolidated enterprises to the extent that the underlying assets and liabilities are not realised.

CURRENCY

The annual report is presented in Danish kroner (DKK).

Foreign currencies are translated with the exchange rates in the transaction date. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses ind the income statement.

Resceivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchanges rates at the balance sheet date and the transaction date rate are recognised in financial income and expenses in the income statement

Fixed assets acquired in foreign currencies are measured at the transaction date rates,

On recognition of foreign subsidiaries which are independent entities, the income statements are translated at the exchange rates applicable at the transaction date or approximate average exchange rates. The balance sheet items are translated using the exchange rates applicable at the balance sheet date. Foreign currency translation adjustments arising from the translation of equity at the beginning of the year using the exchange rates applicable at the balance sheet date and from the translation of income statements from average exchange rates to the exchange rates applicable at the balance sheet date are recognised directly in equity.

Translation adjustments of intercompany balances with independent foreign subsidiaries, measured using the equity method and where the balance is considered to be part of the overall investment, are recognised directly in equity. On the divestment of foreign entities, accumulated exchange differences are recognised in the income statement.

LEASES

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

19. Accounting policies - continued -

INCOME STATEMENT

Revenue

Income from the sale 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 sale 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 discounts relating to sales.

Cost of goods sold

Cost of goods sold comprises costs incurred to achieve revenue for the year. Cost comprises of materials, consumables, finished goods, goods for resale and depreciation etc. Moreover, amortisation of capitalised development cost is included.

Sales- and distribution expences

Sales- and distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses, depreciation, etc.

Administrative expenses

Administrative expenses comprise expenses for management, administrative staff, office expenses, depreciation, etc.

Research- and development expenses

Development expenses comprise costs in the form of salaries to staff in the development department and research and development expenses that do not qualify for capitalization.

Public grants

Public grants given to cover expenses are recognised in the income statement as a reduction of

19. Accounting policies - continued -

research and development costs when it is probable that the enterprise complies with all the terms of the grant. Grants given to purchase assets are set off against the cost of the asset concerned.

Depreciation and impairment losses

The depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

	Useful lives, years	Residual value, per cent
Completed development projects	5	0
Goodwill	20	0
Buildings	40	0
Plant and machinery	3-7	0
Other plant, fixtures and fittings, tools and equipment	3-8	0

Goodwill is amortised over 20 years. The useful life has been determined in consideration of the expected future net earnings of the enterprise or activity to which the goodwill relates.

Land is not depreciated.

Depreciation is recognised in the income statement as cost of goods sold, sales- and distribution costs and administative expenses, respectively.

The basis of depreciation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Other net financials

Financial income and expenses comprise interest, realised and unrealised exchange adjustments, dividend from subsidiaries as well as interest on extra payments and repayment under the on-account taxation scheme.

Dividend from investments in subsidiaries is recognised in the income statement in the financial year when the dividend is declared.

19. Accounting policies - continued -

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with the danish subsidiary. The tax effect of the joint taxation is allocated to enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Interest on extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

BALANCE SHEET

Intangible assets

On initial recognition, intangible assets are measured at cost.

Development costs related to the Group's development of hardware and software comprise costs, salaries and amortisation directly or indirectly attributable to the Group's development activities.

Development projects that are clearly defined and identifiable, and where the technical feasibility, sufficient resources and a potential future market or development opportunities in the Group are evidenced, and where the Group intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement when incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

The amortisation of development costs is based on an estimate of the financial useful life of the individual projects and is calculated on a straight-line basis over 5 years.

Goodwill

Goodwill is measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Goodwill is amortised using the straight-line method based on useful lives, which are stated in the

19. Accounting policies - continued -

'Depreciation and impairment losses' section.

Gains and losses on the disposal of intangible assets

Gains and losses on the disposal of development projects, patents and licences are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating costs, respectively.

Property, plant and equipment

Property, plant and equipment comprise land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured at cost less accumulated depreciation and any less accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operationg costs, respectively.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Cost includes the consideration measured at fair value plus direct purchase costs. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Impairment losses on fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the

19. Accounting policies - continued -

carrying amount and the asset is written down to its lower recoverable amount. This impairment test is performed on an annual basis for development projects in progress irrespective of any indication of impairment. The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Inventories

Inventories are measured at the lower of cost under standard cost method and net realisable value. Provisions are made for slow-moving and obsolete items. Goods for resale and consumables are measured at cost, comprising purchase price plus delivery costs

The net realisable value of inventories is calculated as the sales amount less costs necessary to make the sale and is determined considering marketability, obsolescence and development in expected selling price..

Product is held by the sales force in the field both for sales and demonstration purposes. We classify and value such product based on the manner in which it is used by the sales force. To the extent that demonstration inventory is unsold after a period of a year, it is written down over its estimated remaining useful life of 36 months.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to norminal value

Write-downs for estimated bad debts are determined, based on a specific evaluation of the receivables. Write-downs are calculated as the difference between the carrying amount of receivables and the present value of expected cash flows, including the realisable value of any collateral received.

Prepayments

Prepayments comprise prepaid expenses concerning subsequent financial years. Prepayments include prepaid rent, insurance premiums, exhibitions and leasing etc.

Cash

Cash comprise cash in banks.

19. Accounting policies - continued -

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate item under equity.

Provisions

Provisions are recognised when, as a result of past events, the Company has a legal or constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at net realisable value. If the obligation is expected to be settled far into the future, the obligation is measured at fair value

Current tax, deferred tax and uncertain tax positions

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes based on the intended use of the asset and settlement of the liability, respectively. Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax assets are recognised at the expected value of their utilisation; etither as a set-of against tax on future income or as a set-off against deferred tax liabilities.

Deferred tax is measured based on the tax rules and at the tax rate that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to change to tax rate are recognised in the income statement

Uncertain Tax positions is recognised whether it is more likely than not that a tax position will be sustained upon examination. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, the entity presume that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information.

Uncertain Tax positions is measured at the largest amount of benefit that is greater than 50 percent likely to be realized upon ultimate settlement.

19. Accounting policies - continued -

Financial liabilities

Financial liabilities are measured at amortised cost, substantially corresponding to net realisable value.

Deferred income

Deferred revenue is primarily comprised of maintenance and other service revenues for which payment has been received and for which services have not yet been rendered. In situations where collection of the receivable is not reasonably assured, the inventory is expensed upon shipment and the revenue is recognized as the cash is received.

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios"

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Return on equity: Profit/loss for the year / Averageequity * 100
Gross margin: Gross profit / Net revenue * 100
Profit margin: Operating profit/loss / Revenue * 100
Equity interest: Equity, end of year / Total assets * 100

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, showing cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the parent's share capital and associated costs and financing from and dividends paid to shareholders as well as the arrangement and repayment of long-term payables.

19. Accounting policies - continued -

Cash and cash equivalents at the beginning and end of the year comprise cash and short-term payables to credit institutions.