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BK MEDICAL HOLDING ApS
Mileparken 34
2730 Herlev
Central Business Registration
No 27971407

Annual report 01.08.2018 - 31.07.2019

The Annual General Meeting adopted the annual report on 7/1-20

Chairman of the General Meeting

Name: Brooks Edward West

Contents

Entity details

Entity
BK MEDICAL HOLDING ApS
Mileparken 34
2730 Herlev

Central Business Registration No (CVR): 27971407
Registered in: Herlev
Financial year: 01.08.2018 - 31.07.2019

Board of Directors
Brooks Edward West, chairman
Bo Hansen
Daniel Kiholm Banemann

Executive Board
Bo Hansen

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København 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 HOLDING ApS for the financial year 01.08.2018 - 31.07.2019.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.07.2019 and of the results of its operations and cash flows for the financial year 01.08.2018 - 31.07.2019.

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, 7-1-20

Executive Board

Bo Hansen

Board of Directors

Brooks Edward West chairman	Bo Hansen	Daniel Kiholm Banemann

Independent auditor's report

To the shareholders of BK MEDICAL HOLDING ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of BK MEDICAL HOLDING ApS for the financial year 01.08.2018 - 31.07.2019, 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 31.07.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.08.2018 - 31.07.2019 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 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 Parent'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 Group or 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

Independent auditor's report

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 these 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 Parent'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 Parent'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 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.

Independent auditor's report

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.

København, 07.01.2020

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Flemming Larsen
State Authorised Public Accountant
Identification No (MNE) mne27790

Management commentary

	2018/19 DKK'000	2017/18 DKK'000
Financial highlights		
Key figures		
Revenue	706.465	666.113
Gross profit/loss	343.551	351.389
Operating profit/loss	90.209	123.879
Net financials	(9.930)	(10.688)
Profit/loss for the year	56.575	83.412
Profit/loss excl minority interests	56.575	83.412
Total assets	685.552	643.705
Investments in property, plant and equipment	6.643	6.388
Equity	190.415	129.312
Equity excl minority interests	190.415	129.312
Cash flows from (used in) operating activities	(5.956)	143.209
Cash flows from (used in) investing activities	(7.309)	(15.913)
Cash flows from (used in) financing activities	(26.268)	(115.765)
Ratios		
Gross margin (%)	48,6	52,8
Net margin (%)	8,0	12,5
Return on equity (%)	35,4	82,0
Equity ratio (%)	27,8	20,1

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

Ratios	Calculation formula	Calculation formula reflects
Gross margin (%)	Gross profit/loss x 100 / Revenue	The entity's operating gearing.
Net margin (%)	Profit/loss for the year x 100 / Revenue	The entity's operating profitability.
Return on equity (%)	Profit/loss excl minority interests x 100 / Average equity excl minority interests	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	Equity excl minority interests x 100 / Total assets	The financial strength of the entity.

Management commentary

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 finances

The Group's revenue for the financial year 2018/19 was DKK 706.5 million, an increase of 6,1% from 2017/18 when revenue amounted to DKK 666.1 million. We expected the revenue for 2018/19 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 2018/19 increased to DKK 362.9 million compared to an expense of DKK 314.7 million in 2017/18. In 2018/19, the Group realised a profit before tax of DKK 80.3 million compared to a profit before tax of DKK 113.1 million in 2017/18.

Tax for the year amounted to an expense of DKK 23.7 million in 2018/19 compared to an expense of DKK 29.8 million in 2017/18. Thus, for 2018/19, net profit for the year amounted to DKK 56.6 million compared to a net profit of DKK 83.4 million in 2017/18.

The result for the year is considered satisfactory.

Capital expenditure

The Company's capital expenditure amounted to DKK 6.6 million in property, plant and equipment compared to DKK 6.4 million last year and DKK 4.4 million in intangible assets compared to DKK 10.1 million last year.

Special risks – operating risks and financial 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 into.

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

Management commentary

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.

Strategy and objectives

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. In addition, the Company is focused on gaining a foothold in adjacent procedure-driven markets. 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.

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

Sales and marketing 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 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' plan to expand into and develop other relevant surgical markets in order to create a basis for adequate future growth.

The forecast for 2019/20 shows revenue at a flat to mid-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 with 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.

Management commentary

Costs are budgeted to increase for 2019/20 compared to 2018/19 although lower than the expected increase in revenue, resulting in a higher EBIT Margin for 2019/20.

In 2018/19, capital expenditure decreased compared to prior years. It is expected that the Company's level of capital expenditure in property, plant and equipment for 2019/20 will remain at the same level, since no additional major investment are planned for development projects.
Furthermore, in 2018/19, capital expenditure related to intangible assets decreased compared to 2017/18. It is expected that the Company's level of capital expenditure in intangible assets for 2019/20 will increase due to 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 increased by DKK 18.0 million in 2018/19 due to lower expenses related to an externally funded project that ended in 2017/18. Capitalisation of R&D projects was lower compared to 2017/18 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 and transducers 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.

Unusual events
There have been no unusual events during the fiscal year.

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.

Management commentary

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 2018/19.

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 Groups 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 2018/19.

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 will not experience issues related to ethics and anti-corruption. We are not aware of any breaches concerning corruption and bribery in The Group in 2018/19.

Management commentary

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 to raise work-related issues, questions or concerns. We value the talents, abilities and diversity of all 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 2018/19.

Statutory report on the underrepresented gender

Policy regarding the Proportion of Gender in other Management Levels of the Group

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

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

Management commentary

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 3 members elected by the general meeting, where one is also connected to the parent company: Chairman Brooks Edward West.

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 subsidiary, 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 2018/19

	Notes	2018/19 DKK'000	2017/18 DKK'000
Revenue	1	706.465	666.113
Production costs	3	(362.914)	(314.724)
Gross profit/loss		**343.551**	**351.389**
Research and development costs	3	(90.770)	(72.717)
Distribution costs	3	(127.012)	(119.446)
Administrative expenses	2, 3	(35.560)	(35.347)
Operating profit/loss		**90.209**	**123.879**
Other financial income	4	4.963	4.524
Other financial expenses	5	(14.893)	(15.212)
Profit/loss before tax		**80.279**	**113.191**
Tax on profit/loss for the year	6	(23.704)	(29.779)
Profit/loss for the year	7	**56.575**	**83.412**

Consolidated balance sheet at 31.07.2019

	Notes	2018/19 DKK'000	2017/18 DKK'000
Completed development projects		36.708	65.936
Goodwill		76.204	91.539
Development projects in progress		10.587	6.165
Intangible assets	8	**123.499**	**163.640**
Land and buildings		87.263	88.888
Plant and machinery		14.139	13.928
Other fixtures and fittings, tools and equipment		4.474	9.373
Property, plant and equipment	9	**105.876**	**112.189**
Fixed assets		**229.375**	**275.829**
Raw materials and consumables		1.728	918
Manufactured goods and goods for resale		66.844	60.616
Inventories		**68.572**	**61.534**
Trade receivables		106.646	102.201
Receivables from group enterprises		254.910	135.076
Other receivables		1.078	4.028
Income tax receivable		4.077	6.335
Prepayments	10	5.388	3.663
Receivables		**372.099**	**251.303**
Cash		**15.506**	**55.039**
Current assets		**456.177**	**367.876**
Assets		**685.552**	**643.705**

Consolidated balance sheet at 31.07.2019

	Notes	2018/19 DKK'000	2017/18 DKK'000
Contributed capital		100.000	100.000
Retained earnings		90.415	29.312
Equity		**190.415**	**129.312**
Deferred tax	11	17.002	30.788
Provisions		**17.002**	**30.788**
Prepayments received from customers		6.377	4.352
Payables to group enterprises		358.674	358.674
Other payables		609	400
Non-current liabilities other than provisions		**365.660**	**363.426**
Prepayments received from customers	12	11.759	8.539
Trade payables		9.677	11.502
Payables to group enterprises		13.653	39.921
Income tax payable		37.409	23.881
Other payables		39.977	36.336
Current liabilities other than provisions		**112.475**	**120.179**
Liabilities other than provisions		**478.135**	**483.605**
Equity and liabilities		**685.552**	**643.705**
Unrecognised rental and lease commitments	14		
Contingent liabilities	15		
Transactions with related parties	16		
Subsidiaries	17		

Consolidated statement of changes in equity for 2018/19

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	100.000	29.312	129.312
Exchange rate adjustments	0	4.528	4.528
Profit/loss for the year	0	56.575	56.575
Equity end of year	**100.000**	**90.415**	**190.415**

Consolidated cash flow statement for 2018/19

	Notes	2018/19 DKK'000	2017/18 DKK'000
Operating profit/loss		90.209	123.879
Amortisation, depreciation and impairment losses		53.625	51.447
Working capital changes	13	(136.266)	(13.678)
Other adjustments		1.738	559
Cash flow from ordinary operating activities		**9.306**	**162.207**
Financial income received		(4.963)	4.524
Financial expenses paid		14.893	(15.212)
Income taxes refunded/(paid)		(25.192)	(8.310)
Cash flows from operating activities		**(5.956)**	**143.209**
Acquisition etc of intangible assets		(4.422)	(10.138)
Acquisition etc of property, plant and equipment		(6.643)	(6.388)
Sale of property, plant and equipment		3.756	613
Cash flows from investing activities		**(7.309)**	**(15.913)**
Repayment of debt to group enterprises		(26.268)	(87.265)
Dividend paid		0	(28.500)
Cash flows from financing activities		**(26.268)**	**(115.765)**
Increase/decrease in cash and cash equivalents		**(39.533)**	**11.531**
Cash and cash equivalents beginning of year		55.039	43.508
Cash and cash equivalents end of year		**15.506**	**55.039**

Notes to consolidated financial statements

	2018/19 DKK'000	2017/18 DKK'000
1. Revenue		
Denmark	24.422	22.135
Scandinavia - other	45.027	46.482
Europe - other	342.604	297.007
USA	137.361	164.565
Asia, Pacific and rest of the world	157.051	135.924
	706.465	**666.113**

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.

	2018/19 DKK'000	2017/18 DKK'000
2. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	825	929
Other assurance engagements	55	66
Tax services	51	25
Other services	64	150
	995	**1.170**

	2018/19 DKK'000	2017/18 DKK'000
3. Staff costs		
Wages and salaries	136.867	132.340
Pension costs	7.578	7.422
Other social security costs	10.948	10.161
	155.393	**149.923**
Staff costs classified as assets	(4.422)	(10.138)
	150.971	**139.785**
Average number of employees	**203**	**184**

Notes to consolidated financial statements

Total staff costs comprise:

	2018/19 DKK'000	2017/18 DKK'000
Production costs	9.678	8.367
Distribution costs	63.552	66.220
Administrative expenses	9.679	9.912
Research and development costs	68.062	55.286
	150.971	**139.785**

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 were part of the Analogic stock compensation plan in 2017/18.

	2018/19 DKK'000	2017/18 DKK'000
4. Other financial income		
Other interest income	4.963	4.524
	4.963	**4.524**

	2018/19 DKK'000	2017/18 DKK'000
5. Other financial expenses		
Financial expenses from group enterprises	14.346	14.736
Other interest expenses	547	476
	14.893	**15.212**

	2018/19 DKK'000	2017/18 DKK'000
6. Tax on profit/loss for the year		
Current tax	36.963	27.295
Change in deferred tax	(13.786)	2.484
Adjustment concerning previous years	527	0
	23.704	**29.779**

	2018/19 DKK'000	2017/18 DKK'000
7. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	0	28.500
Retained earnings	56.575	54.912
	56.575	**83.412**

Notes to consolidated financial statements

	Completed development projects DKK'000	Goodwill DKK'000	Development projects in progress DKK'000
8. Intangible assets			
Cost beginning of year	178.711	306.691	6.165
Additions	0	0	4.422
Cost end of year	**178.711**	**306.691**	**10.587**
Amortisation and impairment losses beginning of year	(112.775)	(215.152)	0
Amortisation for the year	(29.228)	(15.335)	0
Amortisation and impairment losses end of year	**(142.003)**	**(230.487)**	**0**
Carrying amount end of year	**36.708**	**76.204**	**10.587**

Development projects

Management has not identified any evidence 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. For this fiscal year we have capitalized development cost for 5 transducers or accessories.

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000
9. Property, plant and equipment			
Cost beginning of year	136.758	44.933	30.472
Exchange rate adjustments	0	0	(40)
Additions	1.798	3.237	1.608
Disposals	0	(760)	(6.106)
Cost end of year	**138.556**	**47.410**	**25.934**
Depreciation and impairment losses beginning of year	(47.870)	(31.005)	(21.099)
Depreciation for the year	(3.423)	(3.014)	(2.625)
Reversal regarding disposals	0	748	2.264
Depreciation and impairment losses end of year	**(51.293)**	**(33.271)**	**(21.460)**
Carrying amount end of year	**87.263**	**14.139**	**4.474**

Notes to consolidated financial statements

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

Depreciations of property, plant and equipment are recognised in the following items:

	2018/19 DKK'000	2017/18 DKK'000
Production costs	3.257	2.305
Distribution costs	2.084	2.728
Administrative expenses	2.749	3.155
Research and development costs	972	993
	9.062	**9.181**

10. Prepayments

	2018/19 DKK'000	2017/18 DKK'000
Prepaid insurance premiums	1.065	569
Other prepayments	3.617	2.164
Prepaid exhibitions	412	930
	5.094	**3.663**

	2018/19 DKK'000	2017/18 DKK'000
11. Deferred tax		
Intangible assets	10.405	15.862
Property, plant and equipment	4.100	3.312
Fixed asset investments	1.830	1.826
Receivables	(176)	0
Provisions	(2.019)	(1.491)
Other taxable temporary differences	2.862	11.279
	17.002	**30.788**

Changes during the year	
Beginning of year	30.788
Recognised in the income statement	(13.786)
End of year	**17.002**

Notes to consolidated financial statements

12. Prepayments received from customers

Prepayments received from customers is mainly related to service contracts, extended warranties and of income where the revenue recognition criteria as to collectability has not been met.

	2018/19 DKK'000	2017/18 DKK'000
13. Change in working capital		
Increase/decrease in inventories	(7.038)	(2.583)
Increase/decrease in receivables	(123.054)	(21.624)
Increase/decrease in trade payables etc	(2.533)	4.051
Other changes	(3.641)	6.478
	(136.266)	**(13.678)**

	2018/19 DKK'000	2017/18 DKK'000
14. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	**9.692**	**6.572**

15. Contingent liabilities

Through its bankers, the group has as per 31 July 2019 issued payment, advance and performance guaranties totalling DKK 2.886 thousand (2017/2018: DKK 1.027 thousand).

16. Transactions with related parties

No transactions on non-arm's length are disclosed in the financial statements.

	Registered in	Equity interest %	Equity DKK'000	Profit/loss DKK'000
17. Subsidiaries				
BK Medical ApS	DK	100,0	331.908	60.282
BK Medical Systems Inc.	USA	100,0	84.774	17.274
BK Medical G.m.b.H	GER	100,0	18.647	2.466
BK Medical Benelux N.V.S.A	BEL	100,0	8.025	1.274
BK Medical S.r.l	ITA	100,0	4.250	455
BK Medical AB	SWE	100,0	9.919	1.001
BK Ultrasound Limited	UK	100,0	11.019	1.353

In the section above the annual published report for 2018/19 were used for UK, Belgium and Sweden. Germany and USA are based on non-published numbers for 2017/18. Italy is based on non-published numbers for 2018/19.

Parent income statement for 2018/19

	Notes	2018/19 DKK'000	2017/18 DKK'000
Other external expenses	1	(455)	(446)
Operating profit/loss		**(455)**	**(446)**
Income from investments in group enterprises		0	40.500
Other financial expenses		(14.371)	(14.347)
Profit/loss before tax		**(14.826)**	**25.707**
Tax on profit/loss for the year	2	(11.770)	3.256
Profit/loss for the year	3	**(26.596)**	**28.963**

Parent balance sheet at 31.07.2019

	Notes	2018/19 DKK'000	2017/18 DKK'000
Investments in group enterprises		603.767	603.767
Fixed asset investments	4	**603.767**	**603.767**
Fixed assets		**603.767**	**603.767**
Receivables from group enterprises		3.553	6.367
Income tax receivable		4.077	6.335
Receivables		**7.630**	**12.702**
Cash		**101**	**147**
Current assets		**7.731**	**12.849**
Assets		**611.498**	**616.616**

Parent balance sheet at 31.07.2019

	Notes	2018/19 DKK'000	2017/18 DKK'000
Contributed capital		100.000	100.000
Retained earnings		130.908	157.504
Equity		**230.908**	**257.504**
Deferred tax	5	14.330	0
Provisions		**14.330**	**0**
Payables to group enterprises		358.674	358.674
Non-current liabilities other than provisions		**358.674**	**358.674**
Trade payables		413	438
Payables to group enterprises		7.173	0
Current liabilities other than provisions		**7.586**	**438**
Liabilities other than provisions		**366.260**	**359.112**
Equity and liabilities		**611.498**	**616.616**
Contingent liabilities	6		
Assets charged and collateral	7		
Related parties with controlling interest	8		

Parent statement of changes in equity for 2018/19

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	100.000	157.504	257.504
Profit/loss for the year	0	(26.596)	(26.596)
Equity end of year	**100.000**	**130.908**	**230.908**

Notes to parent financial statements

1. Other external expenses

	2018/19 DKK'000	2017/18 DKK'000
Statuory audit services	275	375
Other services	50	0
	325	**375**

2. Tax on profit/loss for the year

	2018/19 DKK'000	2017/18 DKK'000
Current tax	(3.262)	(3.256)
Change in deferred tax	14.330	0
Adjustment concerning previous years	702	0
	11.770	**(3.256)**

3. Proposed distribution of profit/loss

	2018/19 DKK'000	2017/18 DKK'000
Ordinary dividend for the financial year	0	28.500
Retained earnings	(26.596)	463
	(26.596)	**28.963**

4. Fixed asset investments

	Investments in group enterprises DKK'000
Cost beginning of year	603.767
Cost end of year	**603.767**
Carrying amount end of year	**603.767**

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

Notes to parent financial statements

	2018/19 DKK'000
5. Deferred tax	
Other taxable temporary differences	14.330
	14.330
Changes during the year	
Recognised in the income statement	14.330
End of year	**14.330**

6. Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

7. Assets charged and collateral

There are no assets charged and collateral.

8. Related parties with controlling interest

No transactions on non-arm's length are disclosed in the financial statements.

Controlling interest

	Basis
Altaris Capital Partners, LLC 10 East 53rd Street, 31st Floor New York, NY 10022 USA	Ultimate parent company
BK Medical Luxembourg S.a.r.1. 5 rue Guillaume Kroll 1882 Luxembourg	Intermediate parent company

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).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last 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 acquisition date, with net assets having been calculated at fair value.

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.

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.

Accounting policies

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.

Production costs

Production cost 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.

Research and development costs

Research and development costs include 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 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.

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 as well as 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 as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Accounting policies

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 is 20 years.

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. For development projects protected by intellectual property rights, the maximum amortisation period 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 as well as 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.

Accounting policies

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.

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.

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

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

Cash
Cash comprises cash in hand and bank deposits.

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 or the planned settlement of each liability. 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.

Accounting policies

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.

Income tax receivable or payable

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

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as 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 income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as 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 as well as the raising of loans, inception of finance leases, instalments on 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.