ANNUAL REPORT

1 OCTOBER 2023 - 30 SEPTEMBER 2024

Scandinavian Medical Solutions A/S - Gasværksvej 48, 1.TV, 9000 Aalborg - CVR NO. 39901749

THE PURPOSE OF SCANDINAVIAN MEDICAL SOLUTIONS GROUP

THE FUTURE OF HEALTHCARE IS FOR EVERYONE

SCANDINAVIAN MEDICAL SOLUTIONS AIMS TO MAKE DIAGNOSTIC IMAGING EQUIPMENT MORE ACCESSIBLE GLOBALLY. OUR MISSION IS TO PROVIDE RELIABLE AND COST-EFFECTIVE SCANNERS WORLDWIDE, WHICH WILL HELP IMPROVE PATIENT CARE BY ENABLING ACCURATE DIAGNOSES AND TREATMENTS. WE AIM TO BE THE PREFERRED SUPPLIER OF USED IMAGING EQUIPMENT, SPARE PARTS, AND RENTAL SOLUTIONS OF THE HIGHEST QUALITY AND AT AN ATTRACTIVE PRICE POINT.

OUR TEAM AT SCANDINAVIAN MEDICAL SOLUTIONS IS PASSIONATE ABOUT EMPOWERING HEALTHCARE ORGANIZATIONS TO PROVIDE PATIENTS WITH BETTER DIAGNOSTIC AND TREATMENT OPTIONS. WE WORK TIRELESSLY TO MAKE A MEANINGFUL DIFFERENCE IN THE LIVES OF INDIVIDUALS AND COMMUNITIES WORLDWIDE.

COMPANY INFORMATION

Parent Company
Scandinavian Medical Solutions A/S
Gasvaerksvej 48, 1, TV, 9000 Aalborg
CVR no.: 39901749
Registered office: Aalborg, Denmark
Report for the period: 01.10.2023 – 30.09.2024

Subsidiary
Scandinavian Medical Solutions Inc.
221 W Dyer Road, Santa Ana, CA 92707, United States

Executive Board
Jens Hvid Paulsen
Jens Krohn
Kamilla Malmbæk

Board of Directors
Mille Tram Lux, Chairman of the board
Anne Kaptain, Deputy Chairman
Morten Rasmussen, Board member
Jakob Have, Board member

Certified Adviser
Norden CEF A/S
Kongevejen 365, 2840 Holte
CVR no.: 31933048

Financial Calendar

20 November 2024	Annual Financial Report 2023/24
9 December 2024	Annual General Meeting (AGM)
16 May 2025	Half year Financial Report H1 2024/25
20 November 2025	Annual Financial Report 2024/25
9 December 2025	Annual General Meeting (AGM)

SMS
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GROWING SCANDINAVIAN MEDICAL SOLUTIONS

Scandinavian Medical Solutions offers a broad assortment within diagnostic imaging equipment.

It has been an exciting year – not only for Scandinavian Medical Solutions but also for me.

I have taken on the role of CEO for Scandinavian Medical Solutions Group, while Jens Krohn has taken the challenge to establish the foundation for further growth in the US.

JENS HVID PAULSEN
CEO

MANAGEMENT REVIEW

INTRODUCTION & MANAGEMENT LETTER

FROM GRASSROOTS TO GLOBAL IMPACT: **A MILESTONE YEAR OF STRATEGIC INVESTMENTS AND US EXPANSION**

Significant Group Activities

The significant activities within Scandinavian Medical Solutions Group include Rental solutions and buying and selling used medical equipment, along with related activities. As in previous years, Scandinavian Medical Solutions' primary contributor to the financial results remains the resale of used diagnostic equipment, which forms the backbone of the organization.

For the financial year 2023/24, Scandinavian Medical Solutions Group has delivered satisfactory financial results. Revenue increased by 18.6 % to DKK 226.6 million, and EBITDA and bottom line were positive. The continued growth in performance and the EBITDA level of DKK 21 million is to be seen in the light of high levels of investments - in infrastructure, the US subsidiary, and internal employees - throughout the financial year, underscoring our commitment to delivering on our strategic goals and ability to meet the targets we set for ourselves.

Hence, in the financial year, the Trading department accounted for 76.6% of total revenue, while the Aftersales & Parts and Rental departments combined accounted for 23.4%. However, the development of the Aftersales & Parts department and the Rental department has been two significant focus points, and the two business areas have now built solid foundations. They are now ready to support the future growth of Scandinavian Medical Solutions to an even greater extent than in previous years.

Management considers the results for 2023/24 very satisfactory. The organization has taken crucial steps to ensure continued growth for the coming financial year.

Profitable Growth

In the first half of the 2023/24 financial year, Scandinavian Medical Solutions' EBITDA margin was 7.9%, while in the second half, it increased to 10.5%. This rise in EBITDA margin demonstrates improved profitability and efficiency throughout the second half-year. Process optimization and one-off expenses, among other factors, have created value for the organization, and our sales team achieved several strong sales with good margins in the second half. In the last few years, we have continuously built up our inventory capacity, which has impacted our cash flow. While this approach has been very sensible for a period, we have now reached a comfortable level for our inventory and size; we can support our Trading- and Parts departments and the U.S.-based subsidiary. We are now ready to start harvesting on our investments, so we can deliver strong free cash flow from our Trading- and Parts business and hence improve the return on invested capital.

The Rental department expanded its fleet with new assets and developed several projects during the financial year 2023/24. Interest and demand have continuously grown throughout the year, and by the end of the financial year, all rental fleet systems were under contract, covering both short—and long-term rentals. The current focus is on quickly redeploying assets to maintain strong utilization rates.

Since rental operations are asset-heavy and require substantial investment, the Rental department funds growth entirely through external funding from financial institutions. All bank debt and leasing debt on our balance sheet, relates to the Rental business and equals the value of the rental assets, presented under tangible assets. Our Rental business is operating on a break-even level measured by the results after tax. Hence, no cash flow from our profitable Trading and Parts business are deployed to our Rental business, our business model preserves liquidity, allowing the free cash flow to be used for growth initiatives and daily operations rather than being tied up in rental equipment.

We see strong growth potential in our Rental business, and we aim to continue reaching break even on profit after tax for this segment until we reach a point where the volume can grow substantially without adding additional employees and other capacity costs to this segment - that will be the point where we expect a huge uptick in profitability. This strategy supports continued expansion, enabling the department to meet growing demands, attract new customers, and invest in high-demand rental assets to drive revenue growth.

Development Activities

During the financial year, the group invested in improving internal processes and implemented a new ERP system, positioning us for long-term success. We are currently in an S-curve phase, focusing on financial investments and internal development, and will continue to strengthen our resources in the coming year.

The Rental department launched a new "Pay-Per-Scan" product for long-term rental projects, which has been positively received by clients expanding their services.

In the second half of the year, we introduced Trading and Parts initiatives. Our inventory is well-managed, covering various modalities and manufacturers. We are also developing a data-driven model to help departments better plan inventory and meet future customer demands.

Putting Scandinavian Medical Solutions Inc. on the Map

In November 2023, we unveiled Scandinavian Medical Solutions' next great initiative to drive the organization's future growth: the establishment of Scandinavian Medical Solutions Inc. Today, we are excited to share the results of our hard work. The US subsidiary has already yielded positive results within its first year of establishment, which is immensely satisfying.

Establishing a U.S.-based subsidiary was a natural progression in expanding our Trading business. The North American market is one of our largest export regions, accounting for 47.7% of the global market for refurbished medical equipment in 2023. The market for refurbished and used diagnostic imaging equipment is estimated to be worth USD 4.39 billion this year. Furthermore, forecasts suggest that this market will continue to grow, with an estimated compound annual growth rate (CAGR) of 10.4% from 2024 to 2030.

We believe having a physical presence in the heart of the growth area is crucial to gaining a larger market share in this fast-growing sector. The synergies between the parent company and the subsidiary are immensely valuable. We are currently experiencing the positive effects of having a local presence, which allows us to connect directly with an established customer network. This proximity helps us understand local preferences better and builds trust more effectively.

We have sent our founding father, Jens Krohn, to build the business in the same spirit as the parent company. Now, we are on the verge of taking significant next steps. We are ready to hire our first employees in the U.S. The Danish parent company will continue to support the subsidiary in various tasks.

Intellectual Capital

The Scandinavian Medical Solutions Group's biggest asset is our employees. To remain an attractive employer, we prioritize education and process improvement.

Market Trends: On-demand and cost-optimization

Despite navigating a world undergoing significant upheavals, including rising interest rates and changes in our supply chain, including procurement and sales, we achieved a satisfactory gross margin of 25.0% for the financial year 2023/24, aligning with our historical results.

We generally observe that our partners are taking longer to make decisions, and this remains the case. The procurement team is experiencing many hospitals and clinics being more hesitant to replace their equipment. Across Europe, there is a waiting period for the rollout of healthcare reforms, new super hospitals, and budgeting processes. Specifically, this means that hospitals keep their equipment for more extended periods due to budget uncertainties, leading to delays in tender periods. As a result, the period from our commitment to deinstallation of the used systems has slightly increased. This requires our procurement team to work faster and to think creatively. Analyzing tenders and maintaining continuous and close communication with original equipment manufacturers (OEMs) and hospitals are critical, as sourcing is crucial to ensure that we can continue to offer our buyers a wide range of high-quality systems in the future.

On the other end of our supply chain, we have noticed a shift in our customers' purchasing behavior. They are now buying based on immediate needs rather than stocking up as they did in the past. This change has led to more frequent deliveries of systems that need to be installed immediately. Our customers are ready to install the systems directly at the end user's location and are timing their pickups with specific projects.

Financial risks

The used medical equipment market is generally sensitive to price and interest development globally. Scandinavian Medical Solutions attempts to counter this risk by providing higher-ranging equipment and having other inventory options if it becomes less attractive on the market.

Moreover, we do not see the American election as a threat, as embargoes seldom affect medical equipment, and we are present in the U.S. with our subsidiary.

The Group's results, cash flows, and equity are affected by exchange rate and interest rate fluctuations, especially in USD, as we purchase and sell globally. However, hedging the currency risks would not be optimal due to the expenses involved. Instead, currency accounts are established with the bank to avoid exchanging the currency needlessly.

Outlook: Ongoing Growth and Focus on Profit Performance

We anticipate revenue and profitability growth while investing in ongoing structural improvements, including internal processes and Quality Management.

For 2024/25, we expect DKK 240 - 270 million revenue and EBITDA of DKK 24 - 29 million.

In the 2024/25 financial year, we will focus on driving growth more profitably. Management will emphasize topline growth, but focusing on profitability, working capital and improve free cash flow from Trading and Parts. In recent years, we have invested in and built up our inventory. We are comfortable with the inventory value and size, which will support growth in the coming year for Trading, Parts, and our US-based subsidiary. In short, we will continue prioritizing growth this next financial year with an even stronger focus on profitability.

Subsequent events:
In the period between the end of the financial year and the Board of Directors' approval of the Annual Report, Scandinavian Medical Solutions has incurred additional leasing debt amounting to DKK 17.9 million, which replaces the temporary credit.

JENS HVID PAULSEN
CEO

KEY FIGURES & PERFORMANCE INDICATORS
FOR SCANDINAVIAN MEDICAL SOLUTIONS GROUP

tDKK	2023/24	2022/23	2021/22	2020/21	2019/20
Net revenue	226,682	191,192	110,530	71,638	41,949
Cost of goods sold	169,910	141,804	80,383	54,300	32,717
Gross profit before other external costs	56,772	49,388	30,147	17,338	9,232
Capacity costs	35,759	28,306	14,797	6,440	3,243
Operating profit before interest, tax, depreciations and amortisation (EBITDA)	21,013	21,082	15,350	10,898	5,989
Earnings before interest and tax (EBIT)	13,751	16,627	14,741	10,873	5,965
Net financial items	-3,683	-834	-30	-333	-147
Earnings before tax (EBT)	10,068	15,794	14,712	10,540	5,818
Net profit	7,786	12,224	11,373	8,157	4,511
Total Assets	174,115	163,964	106,125	44,644	17,061
Investment in tangible fixed assets	18,469	40,820	13,757	-	-
Ending cash balance	10,806	459	27,763	25,401	10,662
Equity	82,483	74,451	62,186	24,110	4,880
Weighted average of outstanding shares (in 1.000 units)	27,456	27,300	26,708	3,307	100
Closing number of outstanding shares (in 1.000 units)	27,502	27,317	27,250	21,250	100
Earnings per share (DKK)	0.28	0.45	0.43	2.47	45.11
EBITDA margin (%)	9.27%	11.03%	13.89%	15.21%	14.28%
Solvency ratio (%)	47.37%	45.41%	58.60%	54.00%	28.60%

Key figures and performance indicators are as follows:

Earnings per share DKK
Net profit / closing number of shares

EBITDA margin (%)
EBITDA*100/ Net revenue

Solvency ratio (%)
Equity * 100 / Total assets

Capacity costs
Other external costs + staff costs

SCANDINAVIAN MEDICAL SOLUTIONS

"Establishing our U.S. subsidiary was a significant step for us. We've always known that expanding to the U.S. would require tremendous effort, but our team's hard work and dedication have made the transition smooth.

We're prepared to accelerate growth and expand our capabilities, particularly in the Parts business, where we see immense growth potential."

JENS KROHN
CEO US & Founder

MANAGEMENT REVIEW

BUSINESS & STRATEGY

SCANDINAVIAN MEDICAL SOLUTIONS INC. 2023/24: THE AMERICAN DREAM

A year ago, we proudly announced the establishment of our U.S. subsidiary, Scandinavian Medical Solutions Inc. We are deeply grateful for the warm reception from our investors, partners, and customers. We are pleased to report numerous positive developments over the past financial year.

In January 2024, Jens Krohn traveled to the U.S. with a mission to establish a strong local presence. The initial focus was securing office space and warehouse facilities. Starting with temporary arrangements, we soon found the ideal location, and SMS Inc. has since relocated to offices with a 10,000-square-meter warehouse, including cold storage capabilities. This location is strategically situated near the airport and seaport, enhancing our mission to be agile and flexible. With only an 8-minute drive to John Wayne Airport, we can ensure fast and efficient overnight shipping of parts across the U.S. The American subsidiary is now seeing efficient parts deliveries, with initial challenges resolved, paving the way for accelerated growth and expansion. Additionally, we can now clear large systems directly through our facilities on the Pacific side, thanks to FDA clearance, enabling faster and more secure customs processes. This optimization of routes, especially reducing transport time, is crucial for ensuring a steady flow of systems to our American customers.

Scandinavian Medical Solutions Inc. – The American Dream in Action

The vision to establish a business in the U.S. dates to 2018, but we waited until the Danish organization was ready to embark on this ambitious journey, requiring significant effort from the entire team. Conducting business in the U.S. differs greatly from Denmark, and while we anticipated these challenges, our organization successfully navigated a demanding administrative year. Throughout the 2023/24 financial year, we focused on improving internal processes to maximize cooperation between the two companies. Efforts have also been made to determine how new hires in the U.S. can best support continued growth. The first American employee specializing in warehouse operations and the Parts business is set to be onboarded to enhance the quality and speed of parts transactions. While the Danish parent company will continue to support many tasks, the gradual rollout of U.S. hires will allow for greater agility, especially in expanding the Parts business.

Early Launch of SMS Rental Solutions in the U.S.

Initially, the Rental Solutions division was not expected to launch in the U.S. until late 2025. However, in the spring of 2024, SMS Inc. secured its first rental agreement with an American client needing a long-term solution. The Danish parent company has fully supported this project, offering valuable insights for future rental ventures. We take pride in the early interest in our Rental business, which has already shown a significantly different approach compared to the U.S. market standard. Our method has been well-received, and in the upcoming financial year, we will continue to support the natural growth of the Rental Solutions business in the U.S.

A Market with Vast Growth Potential

The U.S. market has always been a key focus for our organization. The Danish parent company has long-standing relationships with American customers, and the market offers significant opportunities. Industry analyses indicate substantial potential, with North America leading the market for used diagnostic imaging equipment in 2023—a trend expected to continue with an estimated compound annual growth rate (CAGR) of 10.4% through 2030.

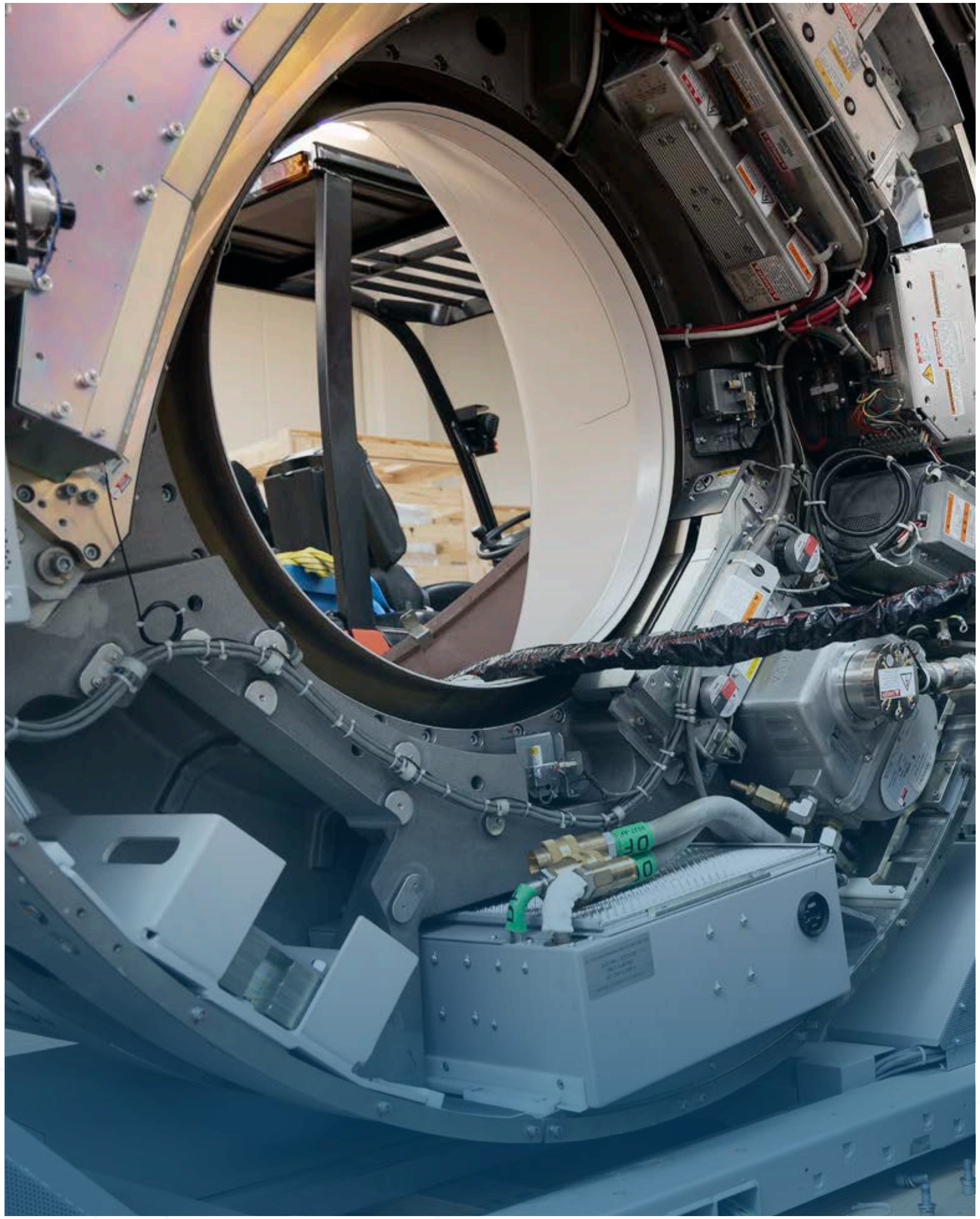
Our approach remains unchanged from six years ago: learning, adapting, high quality, and hard work have paved the way to success. This mentality will continue to guide the American subsidiary's development, and we are well on our way. In the 2024/25 financial year, we will strongly emphasize growing the Parts division to support system sales in the U.S.

AFTERSALES & PARTS 2023/24: STRENGTHENING OUR FOUNDATION

In the financial year 2023/24, we saw significant progress in our Aftersales and Parts business. We were able to sustain our momentum while also expanding our team. When we initially set up the Aftersales and Parts business in 2021, our main challenge was to establish the Parts division from scratch. Our Head of Aftersales, took on this responsibility alone and concentrated exclusively on sales. In the spring of 2024, the Aftersales team welcomed a highly qualified Key Account Manager focused on the Middle Eastern and Asian markets. He has made a strong start, and we anticipate growth in these new regions. However, we know that the Aftersales and Parts markets in these areas feature competitors who often differentiate themselves based on price. At Scandinavian Medical Solutions, quality and integrity have always been non-negotiable priorities. We are known for our commitment to delivering top-quality products and exceptional customer service, and we are willing to go the extra mile to ensure customer satisfaction.

Our strategy focuses on long-term relationships, and we have made substantial efforts to build and expand these partnerships. With our new Key Account Manager on board, the Aftersales and Parts division is strong. Managing an Aftersales and Parts business involves handling numerous daily product inquiries, but our team is equipped to collaborate closely with customers and partners. We have also seen a growing demand for MRI scanner spare parts, which led us to expand our inventory during the financial year. This includes brand-new parts and components harvested from used scanners that are no longer to be sold as complete systems.

In addition to our plans for expanding our customer base in the Middle East and Asia, we have an important task on the horizon. Our Danish team will focus on supporting the Aftersales and Parts business in the U.S. over the coming years. Further details about the development of the American Parts division can be found in the section on Scandinavian Medical Solutions Inc. (see page 12).We are also developing a data-driven model to help us better plan inventory and anticipate future customer demand. This model will enable us to predict which parts are needed, ensuring they are packed and ready to meet our customers' strict delivery deadlines. We have high expectations for implementing this system, as its potential impact on our operations is significant.



RENTAL SOLUTIONS 2023/24: EXPANDING CAPABILITIES

It has been an exciting year for our Rental division. In January 2024, we welcomed our new Head of Rental, whose clinical and commercial expertise has significantly advanced the development of our rental business. He took on the task of increasing the utilization rate of our existing fleet. By the end of the financial year, all rental fleet systems were under contract, including both short-term and long-term rental agreements. While this achievement is a positive snapshot, it's just a starting point. We are now focused on proactive follow-up and outreach to ensure that upon contract expirations, rental solutions are quickly redeployed to boost scan capacity and maintain the utilization rates as healthy as they currently are.

Beyond utilization improvements, our division has streamlined internal processes, clarified strategy, and expanded awareness of our solutions among European customers. Reaching a point where we can balance these three priorities internally has been crucial. During the financial year, we also onboarded a highly skilled Head of Operations who has greatly enhanced the completion of our projects. Delivering systems to our rental clients has been a pleasure, and professionalism and precision have become hallmarks of our business approach. Additionally, interest in our rental solutions has reached the U.S., where demand already exceeds our initial expectations. We aim to shape the Rental business in our American subsidiary to meet its own unique needs, using insights from current U.S. rental agreements to refine the strategy for the continued growth of Scandinavian Medical Solutions Inc.

A Multi-Faceted Strategy to Meet Diverse Rental Needs

We recognize the importance of offering a range of products that cater to different customer requirements. This includes solutions for both short-term and long-term rentals, making it essential to provide options that address both needs. In line with our strategy, we have taken significant steps forward by launching a new product designed for long-term rental projects. Our innovative "Pay-Per-Scan" concept has been well received, offering customers a flexible model during the initial phase of their rental agreements. This approach allows clients to access Scandinavian Medical Solutions' high-tech equipment for a set period, paying per scan performed. This model enables customers to validate their business strategies while we support a solid start. The concept is specifically tailored for clients in the early stages of expanding their services and who meet strict qualification criteria. We know that long-term partnerships are vital for our future growth, and by establishing a solid foundation with this customer segment, we can grow our Rental business.

Expanding the Rental Fleet to Include PET/CT Scanners

The global growth in nuclear medicine is evident across Scandinavian Medical Solutions, prompting us to expand our rental fleet to include PET/CT solutions alongside MRI and CT scanners. PET/CT operations are more complex than traditional imaging methods due to the scanning process's distinct nature. PET scanning involves injecting a radioactive tracer into the patient before the scan, and combining PET and CT images provides detailed insights into cancer presence and location. As a result, PET/CT rental solutions must accommodate additional requirements beyond those of MRI and CT, such as a streamlined patient flow with dedicated preparation rooms.
Although managing PET/CT rentals is more demanding, the potential profitability is significantly higher. These solutions are expected to be utilized for both short-term and long-term rentals. Short-term rentals typically cover periods when hospitals or clinics replace equipment, ensuring continued patient scanning and stable patient flow. Additionally, with nuclear technology primarily concentrated in metropolitan and university hospitals, mobile solutions can help reduce wait times in areas with longer delays.

Strategic Equipment Upgrades and Fleet Expansion

In the financial year 2024/25, we will focus on potential equipment replacements—upgrading or expanding systems to meet our customers' evolving needs. This expansion will be project-based, with a commitment to quality over quantity. By securing a strong foothold, we will prioritize careful, steady growth over committing to more projects than feasible.

SYSTEM SALES & PROCUREMENT 2023/24: EXPANDING SYSTEM OFFERINGS

The sale and procurement of used diagnostic systems have been the cornerstone of the Scandinavian Medical Solutions' business, driving consistent growth. Synergies between procurement and sales have been essential, and this integration continued to be a key focus throughout the 2023/24 financial year.

Adapting to Market Changes and Procurement Trends

During the first half of 2023/24, SMS emphasized maintaining a diverse inventory encompassing various modalities, brands, and software specifications. This diversity is crucial for a trading company like SMS, particularly as customer behavior shifts due to socio-economic changes. Where customers previously bought inventory consistently, many now wait until they have a firm commitment from end-users before purchasing equipment. This shift places greater importance on maintaining a broad range of available systems, which drives the need for thorough analysis in both procurement and sales to ensure the right products are always accessible.

Several overarching trends have shaped the procurement market. Many European countries, including their healthcare systems, face challenges related to budget constraints, delays, and political decisions that impact when hospitals and clinics can invest in new equipment. A few years ago, Nordic hospitals could replace their high-quality equipment almost every eight years. However, more hospitals now upgrade equipment lifespans to enhance performance and extend utility. In contrast, hospitals in certain Southern European regions experience a different trend. Investments in healthcare have increased significantly, providing access to newer, high-quality equipment due to growing public demands for faster diagnostic scanning and treatment capabilities.

Shifting Procurement Strategy

Historically, SMS's procurement strategy focused primarily on larger systems such as MRI, CT, and PET/CT scanners, which aligns with the sales department's priorities. However, this approach has evolved significantly in the past financial year. The procurement department has broadened its scope to include smaller equipment types, recognizing the value of expanding offerings to meet hospitals' needs, mainly when simultaneously replacing multiple systems. This diversification benefits hospitals and SMS by streamlining the replacement process and optimizing time and costs by offering a more comprehensive range of modalities.

FINANCIAL GUIDANCE 2024/2025

As Scandinavian Medical Solutions enters the 2024/25 financial year, we are poised for growth with a focus on profitability. We project the following financial guidance for the financial year of 2024/25:

Revenue between DKK 240 and DKK 270 million.

EBITDA between DKK 24 and DKK 29 million.

Key factors supporting our projections include effective management of working capital and enhancing cash flow stability while prioritizing growth initiatives. Our U.S. subsidiary, Scandinavian Medical Solutions Inc., has exceeded expectations in its first year and aims to capture a larger share of the North American market, which accounts for nearly 50% of the global market for refurbished medical equipment, valued at USD 4.39 billion in 2023 and expected to grow at a CAGR of 10.4% through 2030.

While our Trading business remains our main revenue source, we anticipate increased contributions from our Rental and Aftersales and Parts departments.

The Rental department will focus on quickly redeploying assets to enhance utilization, while the Aftersales and Parts department will target growth in the Middle East, Asia, and U.S. markets.

To support profitable growth, we will invest in process improvements and quality management. As we progress through 2024/25, Scandinavian Medical Solutions remains dedicated to strong financial performance, brand value enhancement, and disciplined capital management to create sustainable value for our investors, customers, and stakeholders.

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ESG AT SCANDINAVIAN MEDICAL SOLUTIONS - DRIVING SUSTAINABLE GROWTH

Scandinavian Medical Solutions has evolved significantly over the years, transforming from a small reseller of diagnostic imaging equipment into a company that operates seamlessly across borders, with substantial growth in both size and revenue. Our commitment to customers and the entire ecosystem surrounding used diagnostic imaging equipment remains at the heart of our business. We go the extra mile to extend the life of scanners and enhance public health worldwide. Our customers trust us to deliver safe, quality-tested products, and we work tirelessly to meet and exceed these expectations.

We recognize the impact of our operations on society and are dedicated to creating value through continuous improvement. By embracing sustainability, we aim to generate long-term benefits for our stakeholders and make a meaningful difference in the communities where we operate.This is the second year that Scandinavian Medical Solutions Group is reporting on three key areas: helium recycling, recycling of system components, and the sale of systems or parts to customers in developing countries.

Helium Recycling – Implementing New Procedures

Helium is a scarce resource that we aim to use responsibly. In our financial report for 2022/23, we noted that 17 MRI scanners benefited from 3,522 liters of helium harvested from systems that were transported uncooled to their destination. In the current financial year, we harvested and reclaimed a lower volume of helium—four systems in our inventory were refilled using helium harvested from other systems, totaling 1,000 liters.

This decrease is attributed to two main factors. First, our previous helium supplier and collaborative partner imposed significant price increases in the first half of the financial year for harvesting and reclamation services, prompting us to think creatively. To address this, we ensured that our technical staff gained the skills necessary for internal helium reclamation. They began handling strategic helium reclamation tasks in the second half of the financial year. The most significant development, however, was the technological advancement we implemented for transporting MRI magnets. Previously, we transported many MRI magnets in a powered-down state, which required removing helium before transportation. This year, we introduced our cryo-solution, which allows us to transport magnets while maintaining power and cooling. By transporting the system with helium cooling, we reduce refilling costs for our customers and ensure that the magnet is ready for installation upon arrival.

Recycling of System Components

In our Aftersales and Parts business this year, we focused on expanding our inventory of high-quality used spare parts. Notably, the parts we source for our business are compatible with the most popular used systems, enabling us to support customers who have previously purchased complete systems. Components from systems that have reached their end of life referred to as "legacy systems," continue to hold value for many customers. By recycling components from these systems, we extend their lifecycle, allowing otherwise discarded parts to be reused, which saves time and money.

In the financial year 2023/24, the Aftersales and Parts department of Scandinavian Medical Solutions Group sold and distributed 13,932 kg of new and used parts to customers worldwide. Of this total, 8,648 kg were used spare parts sent to customers for repairs and servicing needs, meaning that 62 percent of all parts sold were reused components. This highlights the growth journey of our parts business in recent years. Additionally, the Aftersales and Parts department sold three magnets, with a combined weight of 12,000 kg to a recycling company. These magnets were stripped of reusable components in-house, and the remaining material was passed on to a specialized company for safe and environmentally responsible recycling and disposal. Given the condition of the magnets, proper recycling was the optimal solution in these cases.

Systems Sold to Customers in Developing Countries

Scandinavian Medical Solutions' core mission has been to deliver used imaging solutions to customers worldwide. We are incredibly proud of each sale, as each contributes to reusing functional systems and solutions. We know that we are helping to improve imaging capacity in regions with a substantial need. We rarely sell directly to hospitals and clinics; instead, we supply resellers, and we often know the end destination as our customers increasingly purchase systems to meet specific requirements from end-users.

We reviewed our sales breakdown for systems and spare parts at the closing of this financial year. During this period, we sold one system to a low-income country (GNI per capita of $1,145 or less) and 65 systems to customers in lower-middle-income countries (GNI per capita between $1,146 and $4,515).

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STATEMENTS

STATEMENT BY THE BOARD OF DIRECTORS & EXECUTIVE BOARD

The Board of Directors and the Executive Board have today discussed and approved the annual report of Scandinavian Medical Solutions A/S for the financial year 1 October 2023 – 30 September 2024. The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company's financial statements give an accurate and fair view of the Group's and the Parent Company's assets, liabilities, and financial position at 30 September 2024 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 October 2023 – 30 September 2024.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's activities and financial matters, of the results for the year and of the Group's and the Parent Company's financial position. We recommend that the annual report be approved at the annual general meeting.

Aalborg, 20 November 2024

Executive Board

JENS HVID PAULSEN
CEO

JENS KROHN
CEO US

KAMILLA MALMBÆK
CLAO

Board of Directors

MILLE TRAM LUX
Chairman

ANNE KAPTAIN
Deputy Chairman

MORTEN RASMUSSEN
Board Member

JAKOB HAVE
Board Member

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Scandinavian Medical Solutions A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Scandinavian Medical Solutions A/S for the financial year October 2023 – 30 September 2024 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the Parent Company and a cash flow statement for the Group. The consolidated financial statements and parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 30 September 2024 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 October 2023 – 30 September 2024 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 company financial statements" section of our report.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the consolidated financial statements and the parent company financial statements

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

In preparing the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Company 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 company financial statements

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements and the parent company 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made on the basis of these consolidated financial statements and parent company 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

INDEPENDENT AUDITOR'S REPORT

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

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

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent company 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 Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company 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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements and the parent company financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the consolidated financial statements or the parent company financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

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

Aalborg, 20 November 2024

STEFFEN S. HANSEN
KPMG
State Authorised
Public Accountant
mne#32737

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

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SCANDINAVIAN MEDICAL SOLUTIONS

FINANCIAL STATEMENTS

PROFIT & LOSS STATEMENT 2023/24

tDKK		GROUP		PARENT COMPANY	
	NOTES	2023/24	2022/23	2023/24	2022/23
Net revenue		226,682	191,192	226,123	191,192
Cost of goods sold		-169,910	-141,804	-169,288	-141,804
Other external costs		-16,649	-14,659	-19,301	-14,659
Gross profit		**40,123**	**34,729**	**37,534**	**34,729**
Staff costs	**1**	-19,110	-13,647	-17,220	-13,647
Depreciation		-7,262	-4,455	-7,159	-4,455
Operating profit		**13,751**	**16,627**	**13,155**	**16,627**
Income from subsidiaries		0	0	179	0
Financial income		1,547	144	1,547	144
Financial expenses		-5,230	-978	-4,882	-978
Profit before tax		**10,068**	**15,793**	**9,998**	**15,793**
Tax on profit for the year	**2**	-2,281	-3,569	-2,211	-3,569
Net profit	**3**	**7,787**	**12,224**	**7,787**	**12,224**

FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 SEPTEMBER 2024

Assets tDKK		GROUP		PARENT COMPANY	
	NOTES	30 September 2024	30 September 2023	30 September 2024	30 September 2023
Operating equipment and fixtures		2,570	588	1,876	588
Leasehold improvements		853	798	655	798
Rental assets		37,792	46,886	37,792	46,886
Rental assets under construction		10,639	0	10,587	0
Tangible fixed assets	**4**	**51,854**	**48,272**	**50,910**	**48,272**
Deposits		1,110	595	810	595
Equity investments in subsidiaries		0	0	179	0
Financial assets	**5**	**1,110**	**595**	**989**	**595**
Non-current assets		**52,964**	**48,867**	**51,899**	**48,867**
Trading goods		80,606	83,196	80,319	83,196
Prepayments for goods		3,974	2,730	3,974	2,730
Inventories		**84,580**	**85,926**	**84,293**	**85,926**
Trade receivables		21,163	14,969	20,823	14,969
Receivable from subsidiaries		0	0	4,880	0
Deferred tax	**2**	0	235	0	235
Other receivables		3,007	5,923	2,609	5,923
Prepaid expenses	**6**	1,404	126	1,203	126
Receivables		**25,573**	**21,253**	**29,515**	**21,253**
Cash and cash equivalents		**10,997**	**7,918**	**8,320**	**7,918**
Total current assets		**121,151**	**115,097**	**122,128**	**115,097**
TOTAL ASSETS		**174,115**	**163,964**	**174,027**	**163,964**

FINANCIAL STATEMENTS FOR THE PERIOD ENDING 30 SEPTEMBER 2024

Liabilities tDKK		GROUP		PARENT COMPANY	
	NOTES	30 September 2024	30 September 2023	30 September 2024	30 September 2023
Share capital		1,100	1,093	1,100	1,093
Reserve according to equity method		0	0	179	0
Retained earnings		81,383	73,358	81,204	73,358
Equity		**82,483**	**74,451**	**82,483**	**74,451**
Deferred tax provisions	**2**	947	0	947	0
Provisions		**947**	**0**	**947**	**0**
Lease liabilities		13,351	17,690	13,351	17,690
Non-current liabilities other than provisions	**7**	**13,351**	**17,690**	**13,351**	**17,690**
Short-term lease liabilities		4,030	3,454	4,030	3,454
Debt to financial institutions	**7**	21,863	7,460	21,863	7,460
Prepayments from customers		7,705	16,525	7,687	16,525
Trade payables		40,602	33,682	40,603	33,682
Income tax		1,110	6,874	1,040	6,874
Other liabilities		2,024	3,828	2,023	3,828
Current liabilities other than provisions		**77,334**	**71,823**	**77,247**	**71,823**
TOTAL LIABILITIES OTHER THAN PROVISIONS		**90,685**	**89,513**	**90,597**	**89,513**
TOTAL EQUITY AND LIABILITIES		**174,115**	**163,964**	**174,027**	**163,964**
Non-recognized lease and rental liabilities	**8**				
Contingent liabilities	**9**				
Pledges and collateral	**10**				
Related parties	**11**				

STATEMENT OF CHANGES IN EQUITY 2023/24

tDKK	GROUP		
	Share capital	Retained earnings	In total
Equity 1 October 2023	1,093	73,359	74,452
Capital injection	7	237	244
Transferred over the profit appropriation	0	7,787	7,787
Equity 30 September 2024	**1,100**	**81,383**	**82,483**

tDKK	PARENT COMPANY			
	Share capital	Reserve according to equity method	Retained earnings	In total
Equity 1 October 2023	1,093	0	73,359	74,452
Capital injection	7	0	237	244
Transferred over the profit appropriation	0	179	7,608	7,787
Equity 30 September 2024	**1,100**	**179**	**81,204**	**82,483**

CASH FLOW STATEMENT 2023/24

tDKK		GROUP	
	NOTES	2023/24	2022/23
Operating proflt		13,751	16,627
Depreciation		7,262	4,455
Change in net working capital		-6,912	-26,384
Cash generated from operations		**14,101**	**-5,302**
Financial income recieved		1,547	144
Financial expenses paid		-5,230	-719
Paid tax		-7,025	-2,489
Cash flow from operating activties		**3,392**	**-8,366**
Purchase of tangible fixed assets		-18,469	-40,820
Sale of tangible fixed assets		7,643	1,241
Addition of financial assets		-300	-287
Cash flow from investing activities		**-11,126**	**-39,866**
Free cash flow generated by operations and investments before financing		**-7,734**	**-48,232**

CASH FLOW STATEMENT 2023/24

tDKK		GROUP	
	NOTES	2023/24	2022/23
Capital increase		244	67
Costs associated with changes in capital increase		0	-25
Proceeds from new debt		21,671	22,735
Repayments leasing debt		-3,763	-1,591
Cash flows from financing activities		**18,152**	**21,186**
Change in cash and cash equivalents		**10,418**	**-27,046**
Cash and cash equivalents beginning of year		459	27,763
Foreign currency adjustment		-71	-258
Cash and cash equivalents end of year		**10,806**	**459**
Cash and Cash Equivalents		10,997	7,918
Short-Term Bank Debt		-192	-7,460
Ending Cash Balance		**10,806**	**459**

NOTES & ACCOUNTING POLICIES

NOTES

1. STAFF COSTS

tDKK	GROUP		PARENT COMPANY	
	2023/24	2022/23	2023/24	2022/23
Wages and salaries	16,667	11,881	14,741	11,881
Pension (defined contribution)	2,158	1,475	2,158	1,475
Other costs social security	285	291	321	291
	19,110	**13,647**	**17,220**	**13,647**
Average number of full-time employees	**26**	**20**	**26**	**20**
Remuneration of the Executive Board and Board of Directors				
Executive Board including 10 % pension			5,191	2,363
Board of Directors			700	350
			5,891	**2,713**

Salary compensation are off set in the wages and salary with 183 tDKK.

WARRANT PROGRAM	Warrants granted 2022/23	Warrants granted 2021/22
Outstanding warrants 1 October 2023	356,000	133,334
Granted	-	-
Exercised	118,666	66,667
Expired	-	-
Outstanding warrants per 30 September 2024	237,334	66,667
Strike price	1.5 DKK	1 DKK
Residual exercising period	37 months	25 months

Share options has been granted in accordance with clause 4.6 in the company articles of association. The specifics of the program can be found in appendix 1 to the articles of association.

556,000 warrants, equal to 2% of all shares, have been granted exclusively to the sales organization in two separate grants during the on-boarding process for the sales employees.

The warrants will vest in 3 portions and can be exercised over 4 year from the beginning of each program. At the end of the financial year 23/24 all vested warrants in that year was exercised. Further programs have not been issued by the board.

2.TAX

Income Tax tDKK	GROUP		PARENT COMPANY	
	2023/24	2022/23	2023/24	2022/23
Current tax	1,151	3,602	1,081	3,602
Prior year adjustment	-52	106	-52	106
Adjustment of deferred tax	1,182	-139	1,182	-139
	2,281	**3,569**	**2,211**	**3,569**

Deferred tax includes tangible fixed assets and leasing debt.

Deferred Tax tDKK	GROUP		PARENT COMPANY	
	2023/24	2022/23	2023/24	2022/23
Deferred tax at beginning of period	235	96	235	96
Adjustment of deferred tax for the year	-1,182	139	-1,182	139
Deferred tax at end of year	**-947**	**235**	**-947**	**235**

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3. NET PROFIT

Proposed profit appropriation tDKK	PARENT COMPANY	
	2023/24	2022/23
Retained earnings	7,608	12,224
Allocated to reserves	179	0
Profit appropriation	7,787	12,224

4. TANGIBLE FIXED ASSETS

tDKK	Group				Parent Company			
	Operating Equipment & fixtures	Leasehold improvements	Rental Assets	Rental assets under construction	Operating Equipment & fixtures	Leasehold improvements	Rental Assets	Rental assets under construction
Cost price beginning of year	788	1,050	51,567	0	788	1,050	51,567	0
Additions	2,377	232	5,221	10,639	1,583	30	5,221	10,587
Disposals	0	0	-10,331	0	0	0	-10,331	0
Cost price end of year	**3,165**	**1,282**	**46,457**	**10,639**	**2,371**	**1,080**	**46,457**	**10,587**
Depreciation beginning of year	201	252	4,681	0	201	252	4,681	0
Depreciation for the year	394	177	6,672	0	294	174	6,672	0
Reversed depreciation on dis-posals	0	0	-2,687	0	0	0	-2,687	0
Depreciation end of year	**595**	**429**	**8,665**	**0**	**495**	**426**	**8,665**	**0**
Carryng amount end of year	**2,570**	**853**	**37,792**	**10,639**	**1,876**	**655**	**37,792**	**10,587**
Of which, leased assets			12,846				12,846	

SCANDINAVIAN MEDICAL SOLUTIONS

5. FINANCIAL ASSETS

tDKK	GROUP	
	Deposits	Deposits
Cost per beginning of year	595	595
Additions	515	215
Cost per end of year	**1,110**	**810**
Carrying amount end of year	**1,110**	**810**

tDKK	Equity investments in subsidaries
Cost per beginning of year	0
Additions	0
Cost per end of year	**0**
Profit/loss for the year	179
Revaluation at end year	**179**
Carrying amount end of year	**179**

Investment in subsidiaries include 100% owned Scandinavian Medical Solutions, Inc. (USA), which had an equity of DKK 179 thousand and a result in 2023/24 of DKK 179 thousand.

6. PREPAID EXPENSES

Prepaid expenses consist of prepaid insurances, licenses etc.

7. NON-CURRENT LIABILITIES

Lease liabilities amount to DKK 17,381thousand, of which DKK 0 thousand is due after five years.

Of debt to financial institutions, DKK 21,671 thousand is temporary loan to fund rental assets which will be converted to long-term leasing debt after the balance sheet date.

8. NON-RECOGNIZED LEASE & RENTAL LIABILITIES

Parent company

The parent company has entered into operating leasing agreements with a contractual obligation of DKK 364 thousand. Of the contractual obligation, DKK 364 thousand falls due within 1 year from the balance sheet date.

The parent company has entered into rent obligations with an contractual obligation 1,415 thousand. Of the contractual obligation, DKK 1,328 thousand falls due within 1 year from the balance sheet date.

Group

The group has entered into operating leasing agreements with a contractual obligation of DKK 364 thousand. Of the contractual obligation, DKK 364 thousand falls due within 1 year from the balance sheet date.

The group has entered into rent obligations with an contractual obligation 3,056 thousand. Of the contractual obligation, DKK 2,554 thousand falls due within 1 year from the balance sheet date.

9. CONTINGENT LIABILITIES

The Group was, until 21 November 2022, jointly taxed with all Danish-affiliated companies, but is hereafter independently taxed due to changes in the ownership structure. The Danish entities were jointly and severally liable for tax on the Group's jointly taxed income until the end of the joint taxation. The jointly taxed entities' total net liability to SKAT amounted to DKK 0 thousand on 30 September 2024. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may increase the entities' liability. The Group is not liable to any other parties.

10. PLEDGES & COLLATERAL

Parent

As collateral towards financial institutions with a net liability DKK 13,543 thousand as of 30 September 2024, there is placed a company pledge of DKK 1,500 thousand and DKK 14,000 thousand with collaterals in operating equipment and fixtures, leasehold improvements, rental assets, inventories, and trade receivables. The carrying value of the pledged assets amounts to DKK 141,277 thousand as of 30 September 2024.

Rental assets financed under finance lease with a carrying amount of DKK 12,847 thousands are pledged towards the leasing company with leasing liabilities of DKK 17,381 thousand as of 30 September 2024.

Group

As collateral towards financial institutions with a liability of DKK 13,543 thousand as of 30 September 2024, there is placed a company pledge of DKK 1,500 thousand and DKK 14,000 thousand with collaterals in operating equipment and fixtures, leasehold improvements, rental assets, inventories, and trade receivables. The carrying value of the pledged assets amounts to DKK 142,847 thousand as of 30 September 2024.

Rental assets financed under finance lease with a carrying amount of DKK 12,847 thousands are pledged towards the leasing company with leasing liabilities of DKK 17,381 thousand as of 30 September 2024.

11. RELATED PARTIES

Related parties comprise the Board of Directors, Executive Board, their close family members and companies.

No owners has exercising control.

Through holding-companies CEO Jens Krohn has a ownership stake of 35.27% of the company and thereby significant influence. The company has chosen to only disclose transactions that have not been carried out undernormal market conditions in accordance with section 97 c, subsection of the Annual Accounts Act. 7. No such transactions have taken place.

ACCOUNTING **POLICIES**

The annual report has been prepared in accordance with Danish financial statements legislation and generally accepted accounting principles. It has also been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act. The accounting policies used in the preparation of the consolidated financial statements and the parent company financial statements are consistent with those of last year.

RECOGNITION & MEASUREMENT

Assets are recognized in the balance sheet when, because of a past event, it is probable that future economic benefits will flow to the company and when the asset's value can be reliably measured. Liabilities are recognized in the balance sheet when, because of a past event, the company has a legal or actual obligation, and it is probable that future financial benefits will flow from the company. The value of the obligation can be measured reliably. On initial recognition, assets and liabilities are measured at cost price. Measurement after initial recognition is done as described for each accounting item below. On recognition and measurement, anticipated losses and risks that appear before the annual report's presentation and confirm or invalidate conditions existing at the balance sheet date are considered. The income is recognized in the income statement as earned. Furthermore, all costs incurred to earn the profit for the year have been recognized in the income statement.

FOREIGN CURRENCY TRANSLATION

The Company uses DKK as its functional and presentation currency. Transactions in foreign currency will be translated upon initial recognition at the exchange rate on the day of the transaction. Receivables, liabilities, and other monetary items in foreign currency that have not been settled on the balance sheet date are converted at the balance sheet date's exchange rate. Exchange rate differences that arise between the exchange rate on the day of the transaction and the exchange rate on the payment date and the balance sheet date are recognized in the income statement as financial items. Tangible and intangible fixed assets, inventories, and other non-monetary assets purchased in foreign currency are converted at historical rates.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the Parent Company, Scandinavian Medical Solutions A/S, and the 100% owned US subsidiary Scandinavian Medical Solutions Inc.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends and realised and unrealised gains and losses on intra-group transactions are eliminated.

Equity investments in subsidiaries are set off against the proportionate share of subsidiaries' fair value of net assets and liabilities at the date of acquisition.

NET REVENUE

The income statement recognizes net revenue from selling parts and equipment when delivery and risk transfer to the buyer has occurred. Net revenue from service is recognized over time. Lease income from rental assets is recognized in the income statement ratably over the term of the agreements. Net revenue is recognized excluding VAT, taxes, and discounts in connection with the sale and is measured at the fair value of the fixed consideration.

COST OF GOODS SOLD

The cost of goods sold includes the financial years' sales, which are measured at cost price and adjusted for usual inventory write-downs.

OTHER EXTERNAL COSTS

Other external costs include costs related to the company's primary activities, including premises, office maintenance, sales, promotion, etc.

STAFF COSTS

Staff costs include wages, salaries, social security, pensions, etc., for the company's employees.

WARRANTS

Warrants granted free of charge to the Company's employees, management, and board of directors are considered transactions among shareholders. They are, therefore, not recognized in the financial statements when granted. When warrants are exercised, the proceeds are recognized in equity as capital contribution.

INCOME FROM EQUITY INVESTMENTS IN SUBSIDIARIES

The proportionate share of the individual subsidiaries' profit/loss after tax is recognised in the Parent Company's income statement after full elimination of intra-group gains/losses and amortisation of goodwill.

FINANCIAL INCOME

Financial income consists of interest income, including net exchange rate gains relating to transactions in foreign currency.

FINANCIAL EXPENSES

Financial expenses consist of interest costs from financial institutions and leasing liabilities, including net exchange rate losses relating to transactions in foreign currency and additional interest costs.

TAX

The financial year's tax, which consists of the year's current tax and changes to deferred tax, is recognized in the income statement with the part that can be attributed to the financial year's result and directly in equity with the part that can be attributed to entries directly in the equity. Until 21 November 2022, the company was jointly taxed with all Danish-affiliated companies but is hereafter independently taxed. The current Danish corporation tax in the joint taxation period is distributed between the jointly taxed companies in proportion to their taxable income (full distribution with refund regarding tax losses). Joint tax contributions between the jointly taxed companies that have not been settled at the balance sheet date are classified as joint tax contributions in receivables or liabilities.

TANGIBLE FIXED ASSETS

Tangible fixed assets are measured at cost price with accumulated depreciation and write-down deductions. The cost price includes the acquisition price, costs directly associated with the acquisition, and costs for preparing the asset until the asset is ready to be used. The depreciation basis is cost price with a deduction of expected residual value after the end of the useful life. Straight-line depreciation is carried out based on the following assessment of the assets' expected valuable lives:

- **Operating equipment and fixtures**
  3 - 5 years
- **Leasehold improvements**
  5 – 7 years
- **Rental assets**
  4 -10 years

Estimated useful lives and residual values are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognized prospectively. Rental assets under construction are recognized and measured at cost at the balance sheet date. When the asset is available for use, the cost is transferred to the relevant class of assets, and depreciation begins. Rental assets that cease to be rented and are available for sale to others during the ordinary business are transferred to inventories at their carrying amount when they become held for sale. Proceeds from the sale of such assets are recognized as revenue. Gains and losses on the disposal of other tangible assets are determined as the difference between the net disposal proceeds and the carrying amount of the item at the date of disposal. Gains and losses are recognized in the income statement as other operating income or other operating costs, respectively.

LEASES

On initial recognition, leases of tangible assets with the Company as lessee that transfer substantially all risks and rewards incident to ownership to the Company (finance leases) are recognized in the balance sheet at the lower fair value and the net present value of future lease payments. When the net present value is calculated, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Company's other fixed assets. The capitalized lease obligation is recognized in the balance sheet as a liability at amortized cost, allowing the interest element of the lease payment to be recognized in the income statement over the lease term. All other leases are operating leases. Payments relating to operating and other leases are recognized in the income statement over the lease term. The Company's total obligation relating to operating and other leases is disclosed as contractual obligations, contingencies, etc. Sale-and-finance-leaseback transactions are recognized as financing transactions with security in the underlying asset, which is not derecognized. The finance lease liability is recognized at the received net proceeds and measured at amortized cost. For leasing contracts for rental assets with the Company as a lessor, it is determined at initial recognition whether the contract is a finance or an operating lease. Finance leases are recognized as a sale of the underlying asset. For operating leases, the underlying asset is presented as rental assets, and rental income is recognized straight-line over the rental period.

FINANCIAL ASSETS

Lease deposits are measured at amortised cost price.

Equity investments in subsidiaries are measured at the proportionate share of the entities' net asset value calculated in accordance with the Parent Company's accounting policies plus or minus unrealised intra-group gains or losses and plus or minus the residual value of positive and negative goodwill calculated in accordance with the acquisition method.

Equity investments in subsidiaries with negative net asset values are measured at DKK 0, and any receivables from these entities are written down to the extent that the receivables are deemed irrecoverable. To the extent that the Parent Company has a legal or constructive obligation to cover a negative balance exceeding the receivable, the residual amount is recognised as provisions.

IMPAIRMENT OF FIXED ASSETS

The carrying amount of property, plant and equipment as well as equity investments in subsidiaries is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised write-downs are reversed when the basis for the write-down no longer exists. Write-down of goodwill is not reversed.

INVENTORY

Inventory and payments for goods is measured at cost price or net realizable value if this is lower. The cost price includes the acquisition price with the addition of purchase costs, helium, delivery costs, and packaging materials. The net realizable value of inventories is calculated as the sales amount minus costs of completion and costs necessary to make the sale. It is determined considering marketability, obsolescence, and development in expected selling price.

RECEIVABLES

Receivables are measured at amortized cost price, which usually corresponds to nominal value, with a deduction of write-downs to cover expected losses.

DEFERRED TAX

Deferred tax is measured according to the liability method. Provision has been made for deferred tax by 22% on all temporary differences between the carrying amount and tax-based value of assets and liabilities. Deferred tax is also measured for the planned use of the asset and the settlement of the liability.

PREPAYMENTS

Prepayments comprise prepayments of costs incurred relating to subsequent financial years.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash deposits.

EQUITY

Net revaluation reserve according to the equity method comprises net revaluation of equity investments in subsidiaries and participating interests (including associates) in proportion to cost.

Dividends that are expected to be received before the balance sheet date are not tied to the reserve.

The reserve can be eliminated in case of loss, realisation of equity investments or changes to accounting estimates.

The reserve cannot be recognised at a negative amount.

PREPAYMENTS FROM CUSTOMERS

Customer prepayments received from customers include amounts received from customers prior to the time of delivery.

OTHER LIABILITIES

Other liabilities are measured at amortized cost, which typically corresponds to nominal value.

CASH FLOW STATEMENT

The cash flow statement shows cash flows relating to operations, investments, and financing, as well as cash and cash equivalents at the beginning and end of the year. Cash flows relating to operating activities are presented using the indirect method. They are calculated as the operating result adjusted for non-cash operating items, change in working capital, paid financial income, financial expenses, and corporation tax. Cash flows relating to investment activities include payments concerning the purchase and sale of non-current assets. Cash flows relating to financing activities include changes in the size or composition of the company's capital and the costs associated with this, as well as the taking out of loans, repayment of interest-bearing debt, leasing debt, purchase of treasury shares, and payment of dividends. Cash and cash equivalents include cash holdings, fewer overdraft facilities when they are repayable on demand, form an integral part of the Company's cash management, and frequently fluctuate from positive to overdrawn.

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