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# *Advalight ApS*

Industriparken 22A, DK-2750 Ballerup

## Annual Report for 2023

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CVR No. 29 93 52 70

The Annual Report was  
presented and adopted  
at the Annual General  
Meeting of the  
company  
on 4/6 2024

Bjarke Sanbeck  
Chairman of the  
general meeting



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# Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Advalight ApS for the financial year 1 January - 31 December 2023.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2023 of the Company and of the results of the Company operations for 2023.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Ballerup, 14 May 2024

## Executive Board

Jacob Lundgreen Philipsen  
CEO

Morten Thorhauge  
Manager

## Board of Directors

Ole Kring  
Chairman

Nis Isak Alstrup

Søren Isaksen

Niels Henrik Findsen

Jesper Liltorp Mortensen

Jacob Kildegaard Larsen

Jeppe Bygholm

# Independent Auditor's report

To the shareholder of Advalight ApS

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Advalight ApS for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

## 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 Financial Statements" section of our report. We are independent of the Company 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.

## Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

## Management's responsibilities for the Financial Statements

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

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

# Independent Auditor's report

## Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Hillerød, 14 May 2024

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Henrik Aslund Pedersen

State Authorised Public Accountant

mne17120

Preben Bøgeskov Eriksen

State Authorised Public Accountant

mne23370

## Company information

### The Company

Advalight ApS  
Industriparken 22A  
DK-2750 Ballerup  
Telephone: 46 96 54 12  
Email: [info@advalight.com](mailto:info@advalight.com)  
Website: [www.advalight.com](http://www.advalight.com)  
CVR No: 29 93 52 70  
Financial period: 1 January - 31 December  
Incorporated: 28 September 2006  
Financial year: 17th financial year  
Municipality of reg. office: Ballerup

### Board of Directors

Ole Kring, chairman  
Nis Isak Alstrup  
Søren Isaksen  
Niels Henrik Findsen  
Jesper Liltorp Mortensen  
Jacob Kildegaard Larsen  
Jeppe Bygholm

### Executive Board

Jacob Lundgreen Philipsen  
Morten Thorhauge

### Auditors

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Milnersvej 43  
DK-3400 Hillerød

# Management's review

## Key activities

The Company's main activity is to develop, manufacture, and sell medical laser equipment to the dermatology and aesthetics markets and other activities related hereto.

## Development in the year

The income statement of the Company for 2023 shows a loss of DKK 16,215,285, and at 31 December 2023 the balance sheet of the Company shows a positive equity of DKK 16,103,492.

Since 2018, the Company has made commercial sales of its dermatological laser equipment, ADVATx®.

## Capital resources

The Company has received an additional DKK 30.M in equity in March 2024. It is the management's expectation that the Company has obtained sufficient liquidity to continue its operations until the operations become liquidity-generating. Based on this, the management has decided to present the annual report under the assumption of going concern.

## Change in Board of Directors

After more than 10 years of loyal service to the Company, Chairman Patrik Olof Dahlén decided to step down from his position towards the end of 2023.

During his tenure, Advalight has transformed from a small laser technology company to a successful and fast-growing supplier of one of the world's most advanced medical laser systems to the global market of dermatology and aesthetics. A journey made possible through Patrik's competent guidance and tireless support.

The Board of Directors and the Executive Board wish to express their gratitude towards Patrik for his invaluable contributions to the Company and wish him good luck in his future endeavours.

## Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

## Income statement 1 January - 31 December

	Note	2023	2022
		DKK	DKK
<b>Gross loss</b>		<b>-3,168,214</b>	<b>-18,280,618</b>
Distribution expenses	1	-7,584,258	-6,585,083
Administrative expenses	1	-4,375,391	-4,290,480
<b>Profit/loss before financial income and expenses</b>		<b>-15,127,863</b>	<b>-29,156,181</b>
Income from investments in subsidiaries		1,085,930	357,765
Financial income	2	1,154,536	2,111,628
Financial expenses	3	-5,228,408	-5,093,914
<b>Profit/loss before tax</b>		<b>-18,115,805</b>	<b>-31,780,702</b>
Tax on profit/loss for the year	4	1,900,520	1,809,464
<b>Net profit/loss for the year</b>		<b>-16,215,285</b>	<b>-29,971,238</b>

### Distribution of profit

	2023	2022
	DKK	DKK
<b>Proposed distribution of profit</b>		
Other statutory reserves	0	4,234,445
Retained earnings	-16,215,285	-34,205,683
	<b>-16,215,285</b>	<b>-29,971,238</b>

## Balance sheet 31 December

### Assets

	Note	2023	2022
		DKK	DKK
Completed development projects		25,950,942	27,463,570
Acquired patents		645,616	488,312
Development projects in progress		2,603,280	0
<b>Intangible assets</b>	5	<b>29,199,838</b>	<b>27,951,882</b>
Other fixtures and fittings, tools and equipment		380,727	516,270
Leasehold improvements		5,657	127,322
<b>Property, plant and equipment</b>	6	<b>386,384</b>	<b>643,592</b>
Investments in subsidiaries	7	0	0
Receivables from group enterprises	8	21,080,023	16,613,500
Deposits	8	638,515	528,309
<b>Fixed asset investments</b>		<b>21,718,538</b>	<b>17,141,809</b>
<b>Fixed assets</b>		<b>51,304,760</b>	<b>45,737,283</b>
Raw materials and consumables		6,285,915	5,802,665
Work in progress		2,528,668	436,613
Finished goods and goods for resale		3,117,261	1,929,819
<b>Inventories</b>		<b>11,931,844</b>	<b>8,169,097</b>
Trade receivables		1,200,162	2,761,375
Other receivables		586,003	537,286
Corporation tax		1,900,520	1,809,464
Prepayments		1,449,191	295,268
<b>Receivables</b>		<b>5,135,876</b>	<b>5,403,393</b>
Cash at bank and in hand		6,291,197	3,364,097
<b>Current assets</b>		<b>23,358,917</b>	<b>16,936,587</b>
<b>Assets</b>		<b>74,663,677</b>	<b>62,673,870</b>

## Balance sheet 31 December

### Liabilities and equity

	Note	2023	2022
		DKK	DKK
Share capital		4,921,613	4,387,806
Share premium account		0	0
Reserve for development costs		17,882,810	14,761,147
Retained earnings		-6,700,931	-16,830,129
<b>Equity</b>		<b>16,103,492</b>	<b>2,318,824</b>
Other provisions	9	8,868,630	6,409,946
<b>Provisions</b>		<b>8,868,630</b>	<b>6,409,946</b>
Other payables		32,726,723	38,462,953
Deferred income		2,993,309	3,392,416
<b>Long-term debt</b>	10	<b>35,720,032</b>	<b>41,855,369</b>
Credit institutions		861	33,214
Trade payables		5,751,756	6,025,854
Other payables	10	7,819,799	5,631,556
Deferred income	10	399,107	399,107
<b>Short-term debt</b>		<b>13,971,523</b>	<b>12,089,731</b>
<b>Debt</b>		<b>49,691,555</b>	<b>53,945,100</b>
<b>Liabilities and equity</b>		<b>74,663,677</b>	<b>62,673,870</b>
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## Statement of changes in equity

	Share capital	Share premium account	Reserve for development costs	Retained earnings	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	4,387,806	0	14,761,147	-16,830,129	2,318,824
Cash capital increase	533,807	29,466,146	0	0	29,999,953
Development costs for the year	0	0	3,121,663	-3,121,663	0
Net profit/loss for the year	0	0	0	-16,215,285	-16,215,285
Transfer from share premium account	0	-29,466,146	0	29,466,146	0
<b>Equity at 31 December</b>	<b>4,921,613</b>	<b>0</b>	<b>17,882,810</b>	<b>-6,700,931</b>	<b>16,103,492</b>

# Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	DKK	DKK
<b>1. Staff</b>		
Wages and salaries, pensions, other social security expenses and other staff expenses are recognised in the following items:		
Production expenses	20,643,076	15,057,219
Distribution expenses	3,330,279	2,791,576
Administrative expenses	1,139,680	1,911,612
	<u>25,113,035</u>	<u>19,760,407</u>
Average number of employees	<u>35</u>	<u>28</u>
	<u>2023</u>	<u>2022</u>
	DKK	DKK
<b>2. Financial income</b>		
Other financial income	254,091	17,373
Exchange adjustments	290,796	2,094,255
Exchange gains	609,649	0
	<u>1,154,536</u>	<u>2,111,628</u>
	<u>2023</u>	<u>2022</u>
	DKK	DKK
<b>3. Financial expenses</b>		
Other financial expenses	3,972,161	3,186,754
Exchange adjustments, expenses	1,256,247	1,907,160
	<u>5,228,408</u>	<u>5,093,914</u>
	<u>2023</u>	<u>2022</u>
	DKK	DKK
<b>4. Income tax expense</b>		
Current tax for the year	<u>-1,900,520</u>	<u>-1,809,464</u>
	<u>-1,900,520</u>	<u>-1,809,464</u>

## Notes to the Financial Statements

### 5. Intangible fixed assets

	Completed development projects	Acquired patents	Develop- ment projects in progress
	DKK	DKK	DKK
Cost at 1 January	49,640,661	2,428,439	0
Additions for the year	0	344,883	6,054,722
Transfers for the year	3,451,442	0	-3,451,442
Cost at 31 December	<u>53,092,103</u>	<u>2,773,322</u>	<u>2,603,280</u>
Impairment losses and amortisation at 1 January	22,177,094	1,940,127	0
Amortisation for the year	4,964,067	187,579	0
Impairment losses and amortisation at 31 December	<u>27,141,161</u>	<u>2,127,706</u>	<u>0</u>
<b>Carrying amount at 31 December</b>	<b><u>25,950,942</u></b>	<b><u>645,616</u></b>	<b><u>2,603,280</u></b>

Development projects relate to the development of the dermatological laser equipment ADVATx®. The company launched the first generation of the ADVATx® in 2018, and new generations were launched in 2020, 2021, and 2022.

Since the launch of ADVATx v1.4 in 2022, there has been a steep increase in the demand for the product, which has confirmed the management's expectations. A budget and business plan have been prepared for the coming years, which form the basis for the continued recognition and valuation of the completed development projects.

Additions to development projects in 2023 relate to the development of improved power supply electronics to be able to address the Japanese and Korean markets, which both carry big potential going forward, and the development of a new accessory to the ADVATx®.

Management has continued positive expectations of the market potential for ADVATx®.

# Notes to the Financial Statements

## 6. Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improve- ments
	DKK	DKK
Cost at 1 January	1,547,073	2,573,288
Additions for the year	128,873	3,962
Cost at 31 December	<u>1,675,946</u>	<u>2,577,250</u>
Impairment losses and depreciation at 1 January	1,030,803	2,445,966
Depreciation for the year	264,416	125,627
Impairment losses and depreciation at 31 December	<u>1,295,219</u>	<u>2,571,593</u>
<b>Carrying amount at 31 December</b>	<b><u>380,727</u></b>	<b><u>5,657</u></b>
	<u>2023</u>	<u>2022</u>
	DKK	DKK

## 7. Investments in subsidiaries

Cost at 1 January	<u>1,164,743</u>	<u>1,164,743</u>
Cost at 31 December	<u>1,164,743</u>	<u>1,164,743</u>
Value adjustments at 1 January	-6,690,625	-7,048,393
Exchange adjustment	816,969	-644,607
Net profit/loss for the year	2,190,226	1,834,078
Change in intercompany profit on inventories	-1,921,265	-831,703
Value adjustments at 31 December	<u>-5,604,695</u>	<u>-6,690,625</u>
Equity investments with negative net asset value amortised over receivables	<u>4,439,952</u>	<u>5,525,882</u>
<b>Carrying amount at 31 December</b>	<b><u>0</u></b>	<b><u>0</u></b>

Investments in subsidiaries are specified as follows:

Name	Place of registered office
Advalight Corp	300 Enterprise Street, Suite G, CA-92029 Escondido

## Notes to the Financial Statements

### 8. Other fixed asset investments

	Receivables from group enterprises	Deposits
	DKK	DKK
Cost at 1 January	31,811,786	528,309
Additions for the year	-6,291,811	110,206
Cost at 31 December	<u>25,519,975</u>	<u>638,515</u>
Impairment losses at 1 January	5,525,882	0
Impairment losses for the year	-1,085,930	0
Impairment losses at 31 December	<u>4,439,952</u>	<u>0</u>
<b>Carrying amount at 31 December</b>	<b><u>21,080,023</u></b>	<b><u>638,515</u></b>
	<u>2023</u>	<u>2022</u>
	DKK	DKK

### 9. Other provisions

The Company provides warranties on some of its products and is therefore obliged to repair or replace goods which are not satisfactory. Other provisions of tDKK 8,869 have been recognised for expected warranty claims. The amount is subject to uncertainty, as no or limited historical data is available as a basis for the assessment.

Other provisions	8,868,630	6,409,946
	<u>8,868,630</u>	<u>6,409,946</u>
The provisions are expected to mature as follows:		
Provisions falling due after 5 years	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>

## Notes to the Financial Statements

2023	2022
DKK	DKK

### 10. Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

#### Other payables

After 5 years	0	0
Between 1 and 5 years	32,726,723	38,462,953
Long-term part	32,726,723	38,462,953
Within 1 year	5,385,765	3,066,684
Other short-term payables	2,434,034	2,564,872
	<b>40,546,522</b>	<b>44,094,509</b>

#### Deferred income

After 5 years	1,396,874	1,795,981
Between 1 and 5 years	1,596,435	1,596,435
Long-term part	2,993,309	3,392,416
Within 1 year	399,107	399,107
	<b>3,392,416</b>	<b>3,791,523</b>

2023	2022
DKK	DKK

### 11. Contingent assets, liabilities and other financial obligations

#### Charges and security

The following assets have been placed as security with bankers:

Other fixtures and fittings, patents and completed development projects, inventories, receivables with a total carrying amount of	45,556,489	40,069,600
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The company has pledged a corporate mortgage in the above assets for TDKK 23,250

## Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	DKK	DKK
<b>11. Contingent assets, liabilities and other financial obligations</b>		
<b>Rental and lease obligations</b>		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	<u>0</u>	<u>17,400</u>
	<u><b>0</b></u>	<u><b>17,400</b></u>
Lease obligations, period of non-terminability 12 months	1,745,493	3,283,719

# Notes to the Financial Statements

## 12. Accounting policies

The Annual Report of Advalight ApS for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2023 are presented in DKK.

### Consolidated financial statements

With reference to section 110 of the Danish Financial Statements Act, no consolidated financial statements are prepared.

### Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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

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

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

### Translation policies

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

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

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

## Income statement

### Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

# Notes to the Financial Statements

## Production expenses

Production expenses comprise costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

Production expenses also include research and development costs that do not qualify for capitalisation as well as amortisation of capitalised development costs. Furthermore, amortisation of goodwill is included to the extent that goodwill relates to production activities. Finally, provisions for losses on contract work are recognised.

## Gross loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, production expenses and other operating income.

## Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to distribution activities.

## Administrative expenses

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

## Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

## Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

## Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

## Tax on profit/loss for the year

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

## Balance sheet

### Intangible fixed assets

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 8 year.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition. Development costs are amortised over 10 years.

# Notes to the Financial Statements

## Property, plant and equipment

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

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

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

Other fixtures and fittings, tools and equipment	3 - 5 years
Leasehold improvements	5 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

## Impairment of fixed assets

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

If so, the asset is written down to its lower recoverable amount.

## Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

## Other fixed asset investments

Other fixed asset investments consist of deposits.

## Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

## Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

## Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

# Notes to the Financial Statements

## Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of 1-5 years. Provisions are measured and recognised based on experience with guarantee work.

## Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

## Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

## Financial liabilities

Debts are measured at amortised cost, substantially corresponding to nominal value.

## Deferred income

Deferred income comprises payments received in respect of income in subsequent years.