Scan-Speak A/S

N C Madsensvej 1
6920 Videbæk
CVR No. 70977311

Annual report 2023

The Annual General Meeting adopted the annual report on 21.02.2024

Colleen Lois Hallam
Chairman of the General Meeting

Contents

Entity details

Entity

Scan-Speak A/S
N C Madsensvej 1
6920 Videbæk

Business Registration No.: 70977311
Registered office: Ringkøbing-Skjern
Financial year: 01.01.2023 - 31.12.2023

Board of Directors

Jenq-Lin Liou, Chairman
Tung-Yi Chang
Chiou-Shiang Teng
Colleen Lois Hallam

Executive Board

Colleen Lois Hallam

Bank

Sydbank
Dalgasgade 22
7400 Herning

Attorney

Kromann Reumert
Rådhuspladsen 3
8000 Aarhus C

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Papirfabrikken 26
8600 Silkeborg

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Scan-Speak A/S for the financial year 01.01.2023 - 31.12.2023.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023.

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

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

Videbæk, 21.02.2024

Executive Board

Colleen Lois Hallam

Board of Directors

Jenq-Lin Liou
Chairman

Tung-Yi Chang

Chiou-Shiang Teng

Colleen Lois Hallam

Independent auditor's report

To the shareholders of Scan-Speak A/S

Opinion

We have audited the financial statements of Scan-Speak A/S for the financial year 01.01.2023 - 31.12.2023, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2023 and of the results of its operations for the financial year 01.01.2023 - 31.12.2023 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of this auditor's report. We are independent of the Entity 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 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the 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 Entity's internal control.

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

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Silkeborg, 21.02.2024

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Peter Mølkjær
State Authorised Public Accountant
Identification No (MNE) mne24821

Lise Hillersborg Madsen
State Authorised Public Accountant
Identification No (MNE) mne49053

Management commentary

Primary activities

As in previous years, the Company´s main activity comprises development, production, and sale of quality loudspeaker units.

Development in activities and finances

This year the Company continued to maintain its market share in the high-end loudspeaker segment that it has historically sold into.

The Company experienced a decline in sales in 2023 which coincides with similar results seen in the rest of our industry. Although this was expected after the unique increase in sales in the aftermath of the COVID-19 closures, the actual decline was larger than expected and the overall sales were considerably below budget.

However, with careful management of operational costs, combined with a substantial drop in inflation and the mix of products sold, the Company ended the year in a profitable position.

This year the Company made a significant investment in a new magnet system machine along with its other capital investments. All these investments will increase overall production efficiency for many years to come.

The Company's cash flow improved significantly this year. Careful management of the company's costs, along with the continued commitment from the Eastech Group that the Company may use all its profits to re-invest in the Company has provided stability.

The Company operates in a long-established stable market with few opportunities for an increase in market share. Thus, it is crucial that the Company strive to maintain its market share to ensure continued success and all long-term strategies are done with that goal in mind.

Events after the balance sheet date

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

Income statement for 2023

	Notes	2023 DKK	2022 DKK
Gross profit/loss		**11,229,307**	**15,742,132**
Research and development costs		(2,333,278)	(2,688,393)
Distribution costs		(2,202,212)	(2,188,994)
Administrative expenses		(4,438,679)	(5,167,969)
Operating profit/loss		**2,255,138**	**5,696,776**
Other financial income		80,821	33,231
Other financial expenses		(331,637)	(271,508)
Profit/loss before tax		**2,004,322**	**5,458,499**
Tax on profit/loss for the year	2	(392,024)	(1,042,946)
Profit/loss for the year		**1,612,298**	**4,415,553**
Proposed distribution of profit and loss			
Retained earnings		1,612,298	4,415,553
Proposed distribution of profit and loss		**1,612,298**	**4,415,553**

Balance sheet at 31.12.2023

Assets

	Notes	2023 DKK	2022 DKK
Completed development projects	4	1,829,744	2,393,727
Acquired intangible assets		237,905	180,402
Acquired patents		25,899	31,859
Acquired trademarks		158,394	236,063
Goodwill		0	0
Development projects in progress	4	799,769	255,421
Intangible assets	3	**3,051,711**	**3,097,472**
Land and buildings		2,183,683	2,355,672
Plant and machinery		2,678,225	3,648,006
Other fixtures and fittings, tools and equipment		486,682	565,835
Property, plant and equipment in progress		1,522,009	1,357,459
Property, plant and equipment	5	**6,870,599**	**7,926,972**
Fixed assets		**9,922,310**	**11,024,444**
Raw materials and consumables		9,618,685	14,489,997
Work in progress		1,860,537	2,330,999
Manufactured goods and goods for resale		3,594,147	3,090,426
Inventories		**15,073,369**	**19,911,422**
Trade receivables		3,231,395	5,022,412
Other receivables		276,337	1,095,657
Income tax receivable		89,965	0
Prepayments		236,234	254,299
Receivables		**3,833,931**	**6,372,368**
Cash		**5,998,947**	**455,509**
Current assets		**24,906,247**	**26,739,299**
Assets		**34,828,557**	**37,763,743**

Equity and liabilities

	Notes	2023 DKK	2022 DKK
Contributed capital		1,320,045	1,320,045
Reserve for development expenditure		2,051,020	2,062,251
Retained earnings		22,929,840	21,306,311
Equity		**26,300,905**	**24,688,607**
Deferred tax	6	1,643,000	1,337,000
Provisions		**1,643,000**	**1,337,000**
Lease liabilities		907,661	916,935
Non-current liabilities other than provisions	7	**907,661**	**916,935**
Current portion of non-current liabilities other than provisions	7	1,462,763	1,475,493
Bank loans		0	1,140,973
Prepayments received from customers		296,682	933,309
Trade payables		1,902,513	4,373,652
Income tax payable		0	604,951
Other payables	8	2,315,033	2,292,823
Current liabilities other than provisions		**5,976,991**	**10,821,201**
Liabilities other than provisions		**6,884,652**	**11,738,136**
Equity and liabilities		**34,828,557**	**37,763,743**
Staff costs	1		
Contingent liabilities	9		
Assets charged and collateral	10		
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Statement of changes in equity for 2023

	Contributed capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	1,320,045	2,062,251	21,306,311	24,688,607
Transfer to reserves	0	(11,231)	11,231	0
Profit/loss for the year	0	0	1,612,298	1,612,298
Equity end of year	**1,320,045**	**2,051,020**	**22,929,840**	**26,300,905**

The share capital consists of 1.320.045 shares of a nominal value of DKK 1. No shares carry any special rights.

Notes

1 Staff costs

Average number of full-time employees in 2023 was 37 (2022: 44)

2 Tax on profit/loss for the year

	2023 DKK	2022 DKK
Current tax	86,035	1,204,951
Change in deferred tax	306,000	(162,000)
Adjustment concerning previous years	(11)	(5)
	392,024	**1,042,946**

3 Intangible assets

	Completed development projects DKK	Acquired intangible assets DKK	Acquired patents DKK	Acquired trademarks DKK	Goodwill DKK
Cost beginning of year	9,819,060	2,387,447	134,287	852,072	3,043,382
Transfers	44,380	148,143	0	0	0
Additions	286,457	57,370	0	37,147	0
Cost end of year	**10,149,897**	**2,592,960**	**134,287**	**889,219**	**3,043,382**
Amortisation and impairment losses beginning of year	(7,425,333)	(2,207,045)	(102,428)	(616,009)	(3,043,382)
Amortisation for the year	(894,820)	(148,010)	(5,960)	(114,816)	0
Amortisation and impairment losses end of year	**(8,320,153)**	**(2,355,055)**	**(108,388)**	**(730,825)**	**(3,043,382)**
Carrying amount end of year	**1,829,744**	**237,905**	**25,899**	**158,394**	**0**

	Development projects in progress DKK
Cost beginning of year	255,421
Transfers	(44,380)
Additions	588,728
Cost end of year	**799,769**
Amortisation and impairment losses beginning of year	0
Amortisation for the year	0
Amortisation and impairment losses end of year	**0**
Carrying amount end of year	**799,769**

4 Development projects

The Company's development projects consist of a number of customised projects for which the completed project has already been or is expected to be commercially used within a period of 1 to 2 years. The commercial use takes place through the sale of products based on development projects to OEM customers in the high-end audio market.

Completed development projects are depreciated over 4 years. Management assesses the value of the completed development project's lifetime remaining based on the actual realized sales during 2023 and prior years of the applicable products.

5 Property, plant and equipment

	Land and buildings DKK	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Property, plant and equipment in progress DKK
Cost beginning of year	8,245,546	14,836,737	2,111,685	1,357,459
Transfers	0	219,955	39,198	(407,296)
Additions	2,470,933	136,163	57,815	571,846
Disposals	(1,079,231)	0	0	0
Cost end of year	**9,637,248**	**15,192,855**	**2,208,698**	**1,522,009**
Depreciation and impairment losses beginning of year	(5,889,874)	(11,188,731)	(1,545,850)	0
Depreciation for the year	(1,563,691)	(1,325,899)	(176,166)	0
Depreciation and impairment losses end of year	**(7,453,565)**	**(12,514,630)**	**(1,722,016)**	**0**
Carrying amount end of year	**2,183,683**	**2,678,225**	**486,682**	**1,522,009**
Recognised assets not owned by entity	2,117,944	0	230,609	0

6 Deferred tax

	2023 DKK	2022 DKK
Intangible assets	671,000	682,000
Property, plant and equipment	(131,000)	(48,000)
Inventories	1,058,000	659,000
Receivables	50,000	49,000
Liabilities other than provisions	(5,000)	(5,000)
Deferred tax	**1,643,000**	**1,337,000**

Changes during the year	2023 DKK	2022 DKK
Beginning of year	1,337,000	1,499,000
Recognised in the income statement	306,000	(162,000)
End of year	**1,643,000**	**1,337,000**

7 Non-current liabilities other than provisions

	Due within 12 months 2023 DKK	Due within 12 months 2022 DKK	Due after more than 12 months 2023 DKK
Lease liabilities	1,462,763	1,475,493	907,661
	1,462,763	**1,475,493**	**907,661**

There are no liabilities with due after more than 5 years.

8 Other payables

	2023 DKK	2022 DKK
Wages and salaries, personal income taxes, social security costs, etc. payable	2,108,735	1,867,334
Other costs payable	206,298	425,489
	2,315,033	**2,292,823**

9 Contingent liabilities

There are provided usual warranties on products.

The company has entered into a contractual obligation related to the purchase of production equipment of DKK 900.000.

10 Assets charged and collateral

Bank debt is secured by way of a company's mortgage deed of DKK 9.900.000 nominal, providing security in goodwill and over other fixtures and fittings, tools and equipment.

Bank debt is secured by way of a letter of indemnity of DKK 13.500.000 providing a floating charge in trade debtors, inventories, goodwill, other fixtures and fittings, tools and equipment, and rights under section 47c under the Danish Land Registration Act.

11 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Eastech Holding Limited, Cayman Island

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of a few provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

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

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

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

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

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

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

Income statement
Gross profit or loss
Gross profit or loss comprises revenue, production costs and other operating income.

Revenue
Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the annual report.

Production costs
Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

Cost of sales
Cost of sales comprises goods consumed in the financial year measured at standard cost.

Research and development costs
Research and development costs comprise research costs, costs of development projects that do not meet the criteria for recognition in the balance sheet.

Distribution costs
Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc.

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

Other operating income
Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Other financial income
Other financial income comprises interest income, etc.

Other financial expenses
Other financial expenses comprise interest expenses, etc.

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

Balance sheet

Goodwill
Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. The useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 10 years.
Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc.
Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

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

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

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. The amortisation periods used are 4-8 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents and Trademarks are amortised on a straight-line basis over their remaining duration, but no more than 20 years.

Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount.

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

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

See separate section for recognition and measurement of leasing assets.

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

	Useful life
Buildings	40 years
Plant and machinery	3-5 years
Other fixtures and fittings, tools and equipment	3-5 years

Estimated useful lives and residual values are reassessed annually.
Items of property, plant and equipment are written down to the lower of recoverable amount and carrying

amount.

Leasing assets

Leasing assets shall be measured at initial recognition to an amount equal to the sum of the accumulated leasing obligation, payments made before the start of the lease period, minus the incentive benefits from the lessor, and direct costs incurred in connection with the conclusion of the lease agreement.

Expected costs for the decommissioning or disposal of leasing assets or the restoration of the underlying assets are recognised as a separate provision. Costs shall be attributed to the cost of the leasing assets unless the obligation arises as a result of the production of inventories where the cost is included in the cost of the produced goods. Leasing assets are subsequently measured at cost less depreciation and amortisation.

Leasing assets are depreciated over the lease term or the useful life of the underlying assets if they are shorter. For leases where the ownership of leasing assets is transferred at maturity or a purchase option is expected to be used, the lease assets are depreciated over the period of use of the leasing assets. Depreciation starts at the start of the lease period.

Leasing assets are written down if the value is lower than the carrying amount.

Leasing assets are regulated by remeasurement of lease liabilities as defined in the section "Leasing liabilities".

Leasing assets are recognised under fixed assets in the items to which the underlying assets of the leasing agreements would be presented if they were owned by the company .

Inventories

Inventories are measured at the lower standard cost net realisable value.

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

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale in the process of normal operations. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales sum.

Receivables

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

Tax payable or receivable

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

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years, e.g. insurance premiums and subscriptions, etc. Prepayments are measured at cost.

Cash
Cash comprises cash in hand and bank deposits.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

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

Deferred tax 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 deferred tax is expected to crystallise as current tax. Any change in deferred tax due to change to tax rates are recognised in the income statement.

Lease liabilities
Leasing liabilities are measured at initial recognition to the present value of the leasing payments not paid at the beginning of the lease period, discounted with the internal rate of the lease agreement. If this rate cannot be determined, the company's marginal borrowing rate is applied.

Leasing services included in the measurement of leasing liabilities include:
- Fixed lease payments less incentive benefits from the lessor to the lessee.
- Variable lease payments based on an index or a percentage. On initial recognition of the commitment, this is measured on the basis of the index or percentage at the start of the lease period.
- The amount that is expected to be paid according to residual value guarantees.
- The exercise price for purchase options, if utilisation of the option is considered reasonably secure.
- The price for the use of option on early termination of the lease agreement if the lease period reflects the expected utilisation of the option.

Variable lease payments, which do not depend on an index or a percentage, are recognised in the income statement in the accounting records "cost of production" or "administrative costs" in the period during which the event or relationship triggering the payments in question occurs.

In subsequent measurement, the lease obligations for accrued interest and repayments are adjusted based on the effective interest method.

Lease liabilities are remeasured and an equivalent adjustment is made to the related leasing assets when:
- The lease period is changed, for example as a result of a change in the assessment of whether an extension option or a purchase option will be used. Remeasurement is done by discounting the changed lease payments with a discount rate that is updated at the time of the lease agreement change.
- Lease payments are modified as a result of changes in indices or percentages or in the expected payment according to a residual value guarantee. Remeasurement is done by discounting the changed lease payments at the initial discount rate, however, an updated discount rate is applied if the change is due to a change in the variable interest rate.
- There is a modification of the lease agreement which will not be accounted for as a separate lease agreement. The remeasurement is by discounting the changed lease payments by applying an updated discount rate.

If the remeasurement results in a reduction of a leasing obligation exceeding the book value of the related lease asset, the excess amount is recognised in the income statement.

Other financial liabilities

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

Prepayments received from customers

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