Corning Optical Communications ApS

Industriparken 10, DK-4760 Vordingborg

Annual Report for 1 January - 31 December 2016

CVR No 17 37 66 32

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 11/5 2017

Ralf Heinz
Chairman

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Corning Optical Communications ApS for the financial year 1 January - 31 December 2016.

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 2016 of the Company and of the results of the Company operations for 2016.

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.

Vordingborg, 11 May 2017

Direktion

Peter Spangaard Rasmussen

Bestyrelse

Ralf Heinz Chairman	Stefan Trebels	Peter Spangaard Rasmussen

Timothy Daniel Leonard

Independent Auditor's Report

To the Shareholder of Corning Optical Communications ApS

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Corning Optical Communications ApS for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Financials 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 Statement Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

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.

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 judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

Independent Auditor's Report

- 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.

Hellerup, 11 May 2017
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jan Wright	Thomas Lauritsen
State Authorised Public Accountant	State Authorised Public Accountant

Company Information

The Company	Corning Optical Communications ApS Industriparken 10 DK-4760 Vordingborg CVR No: 17 37 66 32 Financial period: 1 January - 31 December Municipality of reg. office: Vordingborg
Board of Directors	Ralf Heinz, Chairman Stefan Trebels Peter Spangaard Rasmussen Timothy Daniel Leonard
Executive Board	Peter Spangaard Rasmussen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup
Lawyers	Kromann Reumert

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2016	2015	2014	2013	2012
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	37.788	57.890	48.382	36.970	36.896
Profit/loss before financial income and expenses	5.958	27.783	26.107	13.521	1.582
Net financials	-1.224	-52	614	-507	-1.325
Net profit/loss for the year	3.831	20.890	20.124	10.151	194
Balance sheet					
Balance sheet total	118.873	134.331	110.836	127.589	126.120
Equity	76.338	72.507	51.617	96.493	86.341
Investment in property, plant and equipment	1.633	7.742	2.242	1.956	5.065
Number of employees	86	86	87	92	106
Ratios					
Return on assets	5,0 %	20,7 %	23,6 %	10,6 %	1,3 %
Solvency ratio	64,2 %	54,0 %	46,6 %	75,6 %	68,5 %
Return on equity	5,1 %	33,7 %	27,2 %	11,1 %	0,2 %

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Financial Statements of Corning Optical Communications ApS for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

Market overview

The Company is engaged in the development, manufacturing and sale of connectors for the cable television and telecommunications industries. The Company's products are primarily sold within the European market.

Earnings for the year

During 2016 the Company did not meet the expected business growth forecasted at the end of 2015.

2016 started very well off with good January revenue. For the remaining of Q1, throughout Q2 and Q3 order intake and order backlog decreased due to inventory levels being stocked up throughout the distribution channels. During Q4 some recovery happened as inventories emptied and more projects were initiated. Total revenue did not meet budget for the year due to this delay of projects. A certain reluctance to invest could be referred to the business environment after the Brexit vote in the UK.

With decrease of revenue in 2016 earnings decreased accordingly due to lower volume, change of product mix and the influence of continued consolidation amongst distributors and operators.

As was the case during previous years this consolidation among the operators continued to put pressure on sales prices.

The Company utilized cost reduction programs, supply chain optimization and continuous process improvement efforts to eliminate some of this price pressure impact on profitability.

The increase of distribution and administration expenses compared to 2015 is reflecting increased activity level in APAC and extended use of global functions within the group.

The Company had a positive cash flow in 2016 mainly based on significant decrease of inventory levels. Management considers the result fair and reflecting actual business circumstances.

Expectations for the coming year

The Company expects a demand for 2017 at a higher level than in 2016. This is based on expectations that 2017 will initiate more project rollouts than what was the case in 2016. In 2017 the company will continue to focus on new business development optimizing the service to the existing customer base and secure a high delivery performance.

Management's Review

Research and development

The company has maintained its 2016 level of development in order to penetrate new markets, partly as current product customization, which is normal for the industry, partly through the optimization of products, both in terms of technology and complexity.

Environment, Health and Safety

Since 2002, the Company has been certified according to the ISO 14001 standard. In addition, the Company complies with all established Corning standards which in many areas are beyond local law. The Company is dedicated to improving the health and safety standards within the company and significant improvements were achieved again during 2016.

Knowledge resources

The strong segment position of the Company is a result of the total knowledge resources in the organisation. It is a management objective that knowledge about products, manufacturing and market conditions are shared across the organisation. An additional management objective is to continuously ensure a high degree of quality awareness in all processes.

Subsequent events

No events have occurred after year-end that materially affects the financial position of the Company at 31 December 2016.

Income Statement 1 January - 31 December

	Note	2016	2015
		TDKK	TDKK
Gross profit/loss		**37.788**	**57.890**
Distribution expenses	1	-16.494	-15.130
Administrative expenses	1	-15.336	-14.977
Operating profit/loss		**5.958**	**27.783**
Profit/loss before financial income and expenses		**5.958**	**27.783**
Financial income	2	108	46
Financial expenses	3	-1.332	-98
Profit/loss before tax		**4.734**	**27.731**
Tax on profit/loss for the year	4	-903	-6.841
Net profit/loss for the year		**3.831**	**20.890**

Balance Sheet 31 December

Assets

	Note	2016	2015
		TDKK	TDKK
Software		222	377
Intangible assets	5	**222**	**377**
Land and buildings		8.361	9.502
Plant and machinery		8.574	11.196
Other fixtures and fittings, tools and equipment		2.482	3.060
Property, plant and equipment in progress		521	0
Property, plant and equipment	6	**19.938**	**23.758**
Fixed assets		**20.160**	**24.135**
Inventories	7	**36.367**	**45.292**
Trade receivables		49.235	57.412
Receivables from group enterprises		878	0
Other receivables		1.701	1.253
Corporation tax		2.172	0
Prepayments	8	772	402
Receivables		**54.758**	**59.067**
Cash at bank and in hand		**7.588**	**5.837**
Currents assets		**98.713**	**110.196**
Assets		**118.873**	**134.331**

Balance Sheet 31 December

Liabilities and equity

	Note	2016	2015
		TDKK	TDKK
Share capital		500	500
Retained earnings		40.838	72.007
Proposed dividend for the year		35.000	0
Equity		**76.338**	**72.507**
Provision for deferred tax	9	902	1.204
Other provisions		73	73
Provisions		**975**	**1.277**
Trade payables		15.483	21.118
Payables to group enterprises		10.282	22.207
Corporation tax		0	3.605
Other payables		15.795	13.617
Short-term debt		**41.560**	**60.547**
Debt		**41.560**	**60.547**
Liabilities and equity		**118.873**	**134.331**
Contingent assets, liabilities and other financial obligations	10		
Related parties	11		
Transactions with related parties	12		
Distribution of profit	13		

Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	500	72.007	0	72.507
Net profit/loss for the year	0	-31.169	35.000	3.831
Equity at 31 December	**500**	**40.838**	**35.000**	**76.338**

The share capital consists of 5,000 shares of a nominal value of DKK 100. No shares carry any special rigths.

Notes to the Financial Statements

		2016	2015
		TDKK	TDKK
1	**Staff**		
	Wages and Salaries	40.772	46.129
	Pensions	3.067	3.103
	Other social security expenses	2.204	2.271
		46.043	**51.503**
	Wages and Salaries, pensions and other social security expenses are recognised in the following items:		
	Cost of sales	37.684	43.000
	Distribution expenses	5.561	5.705
	Administrative expenses	2.798	2.798
		46.043	**51.503**
	Average number of employees	**86**	**86**

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

		2016	2015
2	**Financial income**		
	Interest received from group enterprises	11	10
	Other financial income	0	3
	Exchange gains	97	33
		108	**46**

		2016	2015
3	**Financial expenses**		
	Interest paid to group enterprises	36	45
	Other financial expenses	29	0
	Exchange adjustments, expenses	1.267	53
		1.332	**98**

Notes to the Financial Statements

4 Tax on profit/loss for the year

	2016	2015
	TDKK	TDKK
Current tax for the year	1.322	6.916
Deferred tax for the year	-302	-404
Adjustment of tax concerning previous years	-117	329
	903	**6.841**

5 Intangible assets

	Software
	TDKK
Cost at 1 January	3.235
Cost at 31 December	3.235
Impairment losses and amortisation at 1 January	2.858
Amortisation for the year	155
Impairment losses and amortisation at 31 December	3.013
Carrying amount at 31 December	**222**

Notes to the Financial Statements

6 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	31.473	60.250	12.379	0
Additions for the year	0	0	0	1.633
Disposals for the year	-23	-446	-139	0
Transfers for the year	330	112	671	-1.112
Cost at 31 December	31.780	59.916	12.911	521
Impairment losses and depreciation at 1 January	21.971	49.055	9.319	0
Depreciation for the year	1.463	2.661	1.245	0
Impairment and depreciation of sold assets for the year	-15	-374	-135	0
Impairment losses and depreciation at 31 December	23.419	51.342	10.429	0
Carrying amount at 31 December	**8.361**	**8.574**	**2.482**	**521**

	2016	2015
	TDKK	TDKK

7 Inventories

	2016	2015
Raw materials and consumables	4.009	3.194
Work in progress	9.384	11.707
Finished goods and goods for resale	22.974	30.391
	36.367	**45.292**

8 Prepayments

Prepayments consist of prepaid expenses concerning insurance premiums, edb service and exhibitions etc.

Notes to the Financial Statements

9 Provision for deferred tax

	2016 TDKK	2015 TDKK
Provision for deferred tax at 1 January	1.204	1.608
Amounts recognised in the income statement for the year	-302	-404
Provision for deferred tax at 31 December	**902**	**1.204**
Intangible assets	49	83
Property, plant and equipment	791	1.175
Inventories	68	-47
Trade receivables	-6	-7
	902	**1.204**

Deferred tax has been provided at the tax rate at which tax is expected to be utilised.

10 Contingent assets, liabilities and other financial obligations

	2016 TDKK	2015 TDKK
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	219	333
Between 1 and 5 years	162	443
After 5 years	0	0
	381	**776**
The Company has entered into a rental agreement with a total obligation as at 31 December 2016 of:	31	31
Other contingent liabilities		
The Company as entered into a service and support agreement with a total obligation as at 31 December 2016 of:	115	114

11 Related parties

Consolidated Financial Statements

The Company is a wholly owned subsidiary of Corning Finance BV, The Netherlands.

The Company and the parent company are part of the consolidated accounts of the ultimative parent company Corning Inc. The consolidated accounts for this company can be obtained by written application to Corning Inc., One Riverfront Plaza, Corning, New York 14831, USA or www.corning.com

Name	Place of registered office
Corning Inc.	One Riverfront Plaza, New York 14831, USA

12 Transactions with related parties

	2016 TDKK	2015 TDKK
Purchase of services from parent	5.912	5.274
Sale of services to parent	1.385	1.727
Interest received from parent	11	10
Interest paid to parent	36	45
Purchase of goods from other related parties	70.976	94.148
Sale of goods to other related parties	9.707	15.902
Purchase of services from other related parties	6.894	8.786
Cost of management fee to other related parties	11.140	10.295
Salaries and renumeneration to other related parties	6.511	6.706
	112.572	**142.893**

13 Distribution of profit

Proposed dividend for the year	35.000	0
Retained earnings	-31.169	20.890
	3.831	**20.890**

Notes, Accounting Policies

Basis of Preparation

The Annual Report of Corning Optical Communications ApS for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

Financial Statements for 2016 are presented in TDKK.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Corning Inc., the Company has not prepared a cash flow statement.

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.

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.

Leases

All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences 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.

Notes, Accounting Policies

Income Statement

Gross profit/loss

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

Revenue

Revenue from sale of goods for resale and finished goods is recognised in the income statement when delivery and transfer of risk has been made before year end.

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Cost of sales

Cost of sales comprises 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.

Cost of sales also includes research and development costs that do not qualify for capitalisation as well as amortisation of capitalised development costs.

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.

Administrative expenses

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

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.

Notes, Accounting Policies

Balance Sheet

Intangible assets

Intangible assets is measured at cost less accumulated amortisation. Intangible assets is amortised on a straight-line basis over its useful life, which is assessed at 5 years.

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.In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

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:

Production buildings	10-25	years
Other fixtures and fittings, tools and equipment	3-8	years
Plant and machinery	3-12	years

Impairment of fixed assets

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

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

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. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, 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. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Prepayments

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

Equity

Dividend

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

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 debts

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

Notes, Accounting Policies

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$