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# ***Corning Optical Communications ApS***

Industriparken 10, DK-4760 Vordingborg

## **Annual Report for 1 January - 31 December 2015**

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CVR No 17 37 66 32

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
13/04 2016

Ralf Heinz  
Chairman

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# **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 2015.

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 2015 of the Company and of the results of the Company operations for 2015.

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, 13 April 2016

## **Executive Board**

Peter Spangaard Rasmussen

## **Board of Directors**

Ralf Heinz  
Chairman

Stefan Trebels

Peter Spangaard Rasmussen

# **Independent Auditor's Report on the Financial Statements**

To the Shareholder of Corning Optical Communications ApS

## **Report on the Financial Statements**

We have audited the Financial Statements of Corning Optical Communications ApS for the financial year 1 January - 31 December 2015, which comprise income statement, balance sheet, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

### **Management's Responsibility 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

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

Our audit has not resulted in any qualification.

### **Opinion**

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2015 and of the results of the Company operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

# **Independent Auditor's Report on the Financial Statements**

## **Statement on Management's Review**

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements.

Hellerup, 13 April 2016

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Jan Wright  
State Authorised Public Accountant

Thomas Lauritsen  
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

### **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:

	2015 TDKK	2014 TDKK	2013 TDKK	2012 TDKK	2011 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Gross profit/loss	57.890	48.382	36.970	36.896	57.428
Profit/loss before financial income and expenses	27.783	26.107	13.521	1.582	24.273
Net financials	-52	614	-507	-1.325	-1.764
Net profit/loss for the year	20.890	20.124	10.151	194	15.884
<b>Balance sheet</b>					
Balance sheet total	134.331	110.836	127.589	126.120	123.558
Equity	72.507	51.617	96.493	86.341	86.147
Investment in property, plant and equipment	7.742	2.242	1.956	5.065	11.448
Number of employees	86	87	92	106	105
<b>Ratios</b>					
Return on assets	20,7 %	23,6 %	10,6 %	1,3 %	19,6 %
Solvency ratio	54,0 %	46,6 %	75,6 %	68,5 %	69,7 %
Return on equity	33,7 %	27,2 %	11,1 %	0,2 %	20,3 %

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 2015 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 2015 the Company did very well and the growth was significantly higher than the expected business growth forecasted at the end of 2014.

2015 started at the same high level as 2014 ended and with peaks during Q2 and Q3 2015. Total revenue exceeded budget throughout the year, and all product groups also exceeded budget. The growth was mainly due to a brighter look at the general economy causing larger distributors of cable systems to initiate upgrades of their network installations. During Q4 2015 a starting weakness became apparent with a slowdown of order intake.

Whereas 2015 revenue was exceptionally high for the company the earnings did not match the growth of revenue. This was mainly due to a change of product mix and the influence of consolidation amongst distributors and operators.

As was the case during previous years this consolidation among the operators and offerings from new entrants 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 2014 is reflecting the higher activity level and some changes to the system environment.

Even with significant investments in plant equipment the Company had a positive cash flow in 2015. Management considers the result as good but not satisfactory as some of the 2015 goal-settings were not achieved.

### **Expectations for the coming year**

The Company expects a demand for 2016 at a lower level than in 2015. This is based on expectations that segment share will not change. In 2016 the company will continue to focus on new business development and optimize the service to the existing customer base and secure a high delivery performing.



# **Management's Review**

## **Research and development**

The company has maintained its 2015 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 2015.

## **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 2015.

## Income Statement 1 January - 31 December

	<u>Note</u>	<u>2015</u> TDKK	<u>2014</u> TDKK
<b>Gross profit/loss</b>		<b>57.890</b>	<b>48.382</b>
Distribution expenses		-15.130	-12.282
Administrative expenses		-14.977	-9.993
<b>Operating profit/loss</b>		<b>27.783</b>	<b>26.107</b>
<b>Profit/loss before financial income and expenses</b>		<b>27.783</b>	<b>26.107</b>
Financial income	1	46	910
Financial expenses	2	-98	-296
<b>Profit/loss before tax</b>		<b>27.731</b>	<b>26.721</b>
Tax on profit/loss for the year	3	-6.841	-6.597
<b>Net profit/loss for the year</b>		<b>20.890</b>	<b>20.124</b>

## Distribution of profit

### Proposed distribution of profit

Retained earnings		20.890	20.124
		<b>20.890</b>	<b>20.124</b>

## Balance Sheet 31 December

### Assets

	Note	2015 TDKK	2014 TDKK
Software		377	835
<b>Intangible assets</b>	4	<b>377</b>	<b>835</b>
Land and buildings		9.502	9.831
Plant and machinery		11.196	8.339
Other fixtures and fittings, tools and equipment		3.060	3.536
Property, plant and equipment in progress		0	262
<b>Property, plant and equipment</b>	5	<b>23.758</b>	<b>21.968</b>
<b>Fixed assets</b>		<b>24.135</b>	<b>22.803</b>
<b>Inventories</b>	6	<b>45.292</b>	<b>32.407</b>
Trade receivables		57.412	48.402
Receivables from group enterprises		0	2.869
Other receivables		1.253	1.121
Prepayments	7	402	698
<b>Receivables</b>		<b>59.067</b>	<b>53.090</b>
<b>Cash at bank and in hand</b>		<b>5.837</b>	<b>2.536</b>
<b>Currents assets</b>		<b>110.196</b>	<b>88.033</b>
<b>Assets</b>		<b>134.331</b>	<b>110.836</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2015 TDKK	2014 TDKK
Share capital		500	500
Retained earnings		72.007	51.117
<b>Equity</b>	8	<b>72.507</b>	<b>51.617</b>
Provision for deferred tax	9	1.204	1.608
Other provisions		73	608
<b>Provisions</b>		<b>1.277</b>	<b>2.216</b>
Trade payables		21.118	13.674
Payables to group enterprises		22.207	29.842
Corporation tax		3.605	1.447
Other payables		13.617	12.040
<b>Short-term debt</b>		<b>60.547</b>	<b>57.003</b>
<b>Debt</b>		<b>60.547</b>	<b>57.003</b>
<b>Liabilities and equity</b>		<b>134.331</b>	<b>110.836</b>
Staff	10		
Contingent assets, liabilities and other financial obligations	11		
Related parties and ownership	12		
Transactions with related parties	13		

## Notes to the Financial Statements

	2015 <u>TDKK</u>	2014 <u>TDKK</u>
<b>1 Financial income</b>		
Interest received from group enterprises	10	4
Other financial income	3	11
Exchange gains	33	895
	<u><b>46</b></u>	<u><b>910</b></u>
<b>2 Financial expenses</b>		
Interest paid to group enterprises	45	28
Other financial expenses	0	4
Exchange adjustments, expenses	53	264
	<u><b>98</b></u>	<u><b>296</b></u>
<b>3 Tax on profit/loss for the year</b>		
Current tax for the year	6.916	6.733
Deferred tax for the year	-404	-68
Adjustment of tax concerning previous years	329	-68
	<u><b>6.841</b></u>	<u><b>6.597</b></u>

## Notes to the Financial Statements

### 4 Intangible assets

	Software TDKK
Cost at 1 January	3.404
Disposals for the year	-182
Transfers for the year	13
Cost at 31 December	<u>3.235</u>
Impairment losses and amortisation at 1 January	2.569
Amortisation for the year	389
Reversal of amortisation of disposals for the year	-100
Impairment losses and amortisation at 31 December	<u>2.858</u>
<b>Carrying amount at 31 December</b>	<b><u>377</u></b>

### 5 Property, plant and equipment

	Land and buildings TDKK	Plant and machinery TDKK	Other fixtures and fittings, tools and equipment TDKK	Property, plant and equipment in progress TDKK
Cost at 1 January	30.646	58.554	11.754	262
Additions for the year	0	0	0	7.442
Disposals for the year	0	-4.212	-329	0
Transfers for the year	827	5.909	954	-7.704
Cost at 31 December	<u>31.473</u>	<u>60.251</u>	<u>12.379</u>	<u>0</u>
Impairment losses and depreciation at 1 January	20.815	50.215	8.218	0
Depreciation for the year	1.156	2.395	1.342	0
Impairment and depreciation of sold assets for the year	0	-3.555	-241	0
Impairment losses and depreciation at 31 December	<u>21.971</u>	<u>49.055</u>	<u>9.319</u>	<u>0</u>
<b>Carrying amount at 31 December</b>	<b><u>9.502</u></b>	<b><u>11.196</u></b>	<b><u>3.060</u></b>	<b><u>0</u></b>

## Notes to the Financial Statements

	2015	2014
	<u>TDKK</u>	<u>TDKK</u>
<b>6 Inventories</b>		
Raw materials and consumables	3.194	2.621
Work in progress	11.707	8.525
Finished goods and goods for resale	30.391	21.261
	<u><b>45.292</b></u>	<u><b>32.407</b></u>

### 7 Prepayments

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

### 8 Equity

	Share capital	Retained earnings	Total
	<u>TDKK</u>	<u>TDKK</u>	<u>TDKK</u>
Equity at 1 January	500	51.117	51.617
Net profit/loss for the year	0	20.890	20.890
<b>Equity at 31 December</b>	<u><b>500</b></u>	<u><b>72.007</b></u>	<u><b>72.507</b></u>

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

	2015	2014
	<u>TDKK</u>	<u>TDKK</u>
<b>9 Provision for deferred tax</b>		
Intangible assets	83	184
Property, plant and equipment	1.175	1.233
Inventories	-47	196
Trade receivables	-7	-5
	<u><b>1.204</b></u>	<u><b>1.608</b></u>

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

## Notes to the Financial Statements

	2015	2014
	TDKK	TDKK
<b>10 Staff</b>		
Wages and Salaries	46.129	42.086
Pensions	3.103	2.923
Other social security expenses	2.271	1.904
	<b>51.503</b>	<b>46.913</b>
Wages and Salaries, pensions and other social security expenses are recognised in the following items:		
Cost of sales	43.000	37.952
Distribution expenses	5.705	6.201
Administrative expenses	2.798	2.760
	<b>51.503</b>	<b>46.913</b>
<b>Average number of employees</b>	<b>86</b>	<b>87</b>

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

## 11 Contingent assets, liabilities and other financial obligations

### Other

The Company has entered into leases with a total obligation as at 31 December 2015 of TDKK 776.

The Company has entered into a rental agreement with a total obligation as at 31 December 2015 of TDKK 31.

The Company as entered into a service and support agreement with a total obligation as at 31 December 2015 of TDKK 114.

## 12 Related parties and ownership

### *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 ultimate 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](http://www.corning.com) Corning Inc..



## Notes to the Financial Statements

	<u>2015</u> TDKK	<u>2014</u> TDKK
<b>13 Transactions with related parties</b>		
Purchase of services from parent	5.274	1.302
Sale of services to parent	1.727	1.752
Interest received from parent	10	4
Interest paid to parent	45	28
Purchase of goods from other related parties	94.148	48.114
Sale of goods to other related parties	15.902	1.260
Purchase of services from other related parties	8.786	7.792
Cost of management fee to other related parties	10.295	2.954
Salaries and remuneration to other related parties	6.706	12.794
	<u><b>142.893</b></u>	<u><b>76.000</b></u>

## **Accounting Policies**

### **Basis of Preparation**

The Annual Report of Corning Optical Communications ApS for 2015 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 2015 are presented in TDKK.

### **Changes in accounting policies**

The company has as a result of Law no. 738 of 1 June 2015 (amendment to the Danish Financial Statements Act) changed the accounting policy for the transactions with related parties.

The change does not have an effect on the result for 2015, but is purely for information purpose.

### **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.

# Accounting Policies

## 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.

## 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.

## **Accounting Policies**

### **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 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

Assets costing less than DKK 12,800 are expensed in the year of acquisition.

### **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.

## **Accounting Policies**

### **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.

# **Accounting Policies**

## **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.

# Accounting Policies

## Financial Highlights

### Explanation of financial ratios

Return on assets

$$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$$

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$$

Return on equity

$$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$$