ZyXEL Communications A/S
Generatorvej 8D
2730 Søborg

Telephone +45 39 55 07 00

ZyXEL Communications A/S

Annual report 2015

The annual report was presented and adopted at the Company's annual general meeting

on May 16 2016

chairman

ADVODAN
Adv. Torben Thomasen
Glostrup Torv 6-10 • 2600 Glostrup
Tlf. 46 14 50 00 • www.advodan.dk

CVR no. 21 22 92 37

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of ZyXEL Communications A/S for the financial year 1 January – 31 December 2015.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2015 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2015.

In our opinion, the Management's review includes a fair review of the development in the Group's and the Parent Company's operations and financial matters, of the results for the year and of the Group's and the Parent Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Søborg, 16 May 2016
Executive Board:

Lee Eric Marsden

Board of Directors:

Shun-I Chu Chairman	Kuo-Long Yang	Torben Thomasen

KPMG P/SKPMG P/SKPMG P/SKPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 København Ø
Denmark

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www.kpmg.dk
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Independent auditor's report

To the shareholders of ZyXEL Communications A/S

Independent auditor's report on the consolidated financial statements and the parent company financial statements

We have audited the consolidated financial statements and the parent company financial statements of ZyXEL Communications A/S for the financial year 1 January – 31 December 2015. The consolidated financial statements and parent company financial statements comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes for the Group as well as for the Parent Company and a cash flow statement for the Group. The consolidated financial statements and parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

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

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

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements and the parent company 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 as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and parent company financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and parent company 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 consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements.

Independent auditor's report

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements and parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2015 and of the results of the Group's and the Parent Company's operations and the Group's consolidated cash flows for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

In accordance with the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Copenhagen, 16 May 2016
KPMG
Statsautoriseret Revisionspartnerselskab

Jon Beck	Joakim Juul Larsen
State Authorised	State Authorised
Public Accountant	Public Accountant

Management's review

Company details

ZyXEL Communications A/S
Generatorvej 8D
2730 Søborg

Telephone:	+45 39 55 07 00
Website:	www.zyxel.dk
E-mail:	sales@zyxel.dk
CVR no.:	21 22 92 37
Established:	8 October 1998
Registered office:	Søborg
Financial year:	1 January – 31 December

Board of Directors

Shun-I Chu, Chairman
Kuo-Long Yang
Torben Thomasen

Executive Board

Lee Eric Marsden

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 København Ø
Denmark

Annual general meeting

The annual general meeting will be held on 16 /5 2016.

Management's review

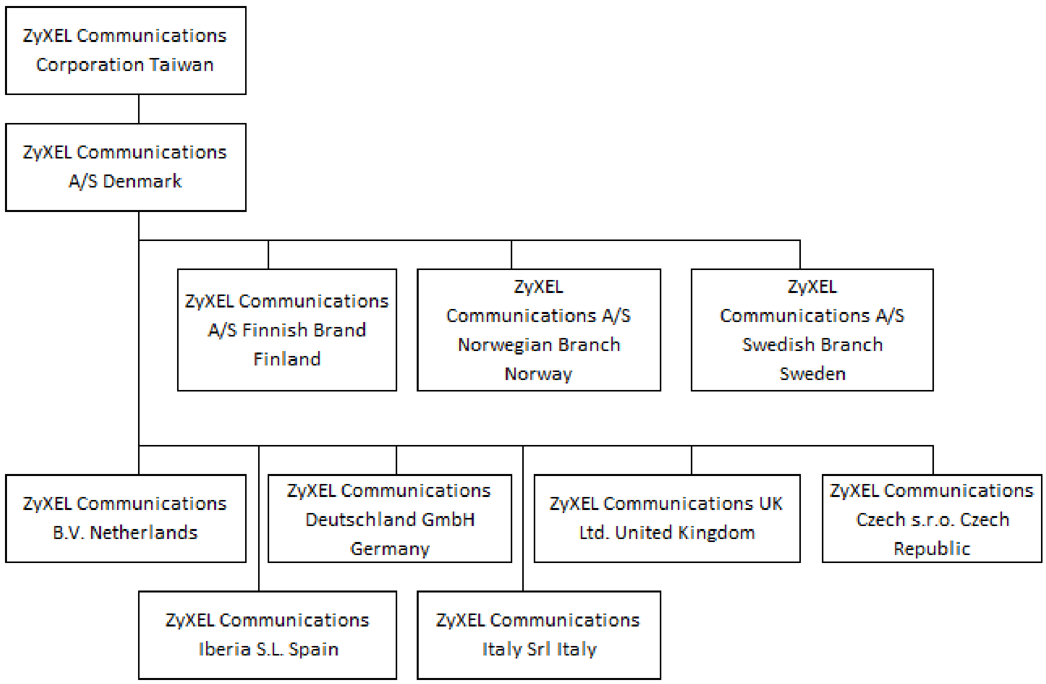
Financial highlights for the Group

kEUR	2015	2014	2013	2012	2011
Key figures					
Revenue	165,300	128,618	107,414	94,159	95,504
Gross profit	30,548	26,466	20,241	18,240	15,967
Ordinary operating profit	7,499	5,561	3,315	2,744	1,783
Profit/loss from financial income and expenses	-38	-162	253	83	69
Profit for the year	**5,350**	**4,209**	**2,859**	**2,127**	**1,839**
Total assets	71,168	64,778	53,387	52,654	52,157
Investment in property, plant and equipment	249	103	126	73	523
Equity	**23,228**	**17,778**	**13,472**	**10,616**	**5,148**
Gross margin	18.5%	20.6%	18.4%	19.3%	16.7%
Operating margin	4.5%	4.4%	3.1%	2.2%	1.9%
Return on equity	26.0%	27.0%	23.7%	26.9%	43.5%
Solvency ratio	33.4%	27.4%	25.2%	20.2%	10.6%
Average number of full-time employees	145	140	152	150	145

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.

Management's review

Group chart



Management's review

Operating review

Principal activities

The Group's primary activities consist of trading ZyXEL branded IT network products in Denmark, Norway, Sweden, Finland, Iceland, Estonia, Latvia, Lithuania, Germany, the Netherlands, Poland, the Czech Republic, Spain, Italy, Austria, England, Hungary, Romania, Greeze and Ireland.

All sales take place via the parent company as is the case for the major part of the administrative functions. Offices in Finland, Norway, Sweden and the subsidiaries provide sales and technical support, etc., locally.

Development in activities and financial position as well as outlook

The Group realised an increase in revenue of 28.5 % from EUR 128,618 thousand in 2014 to EUR 165,300 thousand in 2015. The Group realised a profit of EUR 5,841 thousand against a profit of EUR 4,209 thousand in 2014.

The development in revenue and the profit for the year is satisfactory, and higher than the expectations expressed in the Annual report for 2014.

In 2015 the company expanded its activities to Italy by purchasing the ZyXEL activities from its former Italien agent.

The Group expects activities and a result for 2016 at the same level as for 2015.

Events after the balance sheet date

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

General risks

ZyXEL Communications A/S is a trading company that sells products for the Company's owner to a limited number of customers in the countries where the Company is represented and on this background the Company does not have any specific general risks.

Financial risks

ZyXEL Communications A/S invoices its subsidiaries for purchase of goods in EUR. Moreover, the majority of sales are also invoiced in EUR. A minor risk of exchange rate fluctuations exists in England, Norway and the Czech Republic. In the other countries, the risk is minimal.

Intellectual capital

It is necessary that our employees are updated on the development within our business areas and complementary areas as well. This is made via education, exhibitions, net working, etc.

Environmental issues

ZyXEL Communications A/S is conscious about the responsibility to ensure that the Company is doing business in an environmentally correct way. The Company observes and acts in accordance with local laws and regulations as well as EU's environmental requirements, and reports the quantities of sold electronic equipment according to those rules and regulations.

Corporate social responsibility

ZyXEL Communications A/S have not implemented separate policies on corporate social responsibilities including policies for human rights and climate.

ZyXEL Communications Group's policies on corporate social responsibility is available at the following link:

http://www.zyxel.com/about_zyxel/green_social_responsibility_csr_commitment.shtml.

Gender distribution in management

The Board of ZyXEL Communications A/S has three representatives who have been chosen in relation to their professional experience, where two also are senior managers of the ZyXEL Group. None of the Board members are female. It is the goal to change one of the Board members to a woman before the end of 2019.

The senior management team included 7 persons in 2015 all of which have been chosen with due respect to their professional experience. One of the senior managers is female.

ZyXEL Communications A/S has acknowledged the changes in the Danish Financial Statements Acts regarding an equal distribution of gender among the senior management, and will take it into consideration, in addition to the professional experience of a candidate, when a position becomes available. The aim will be to increase the female representation to a more equal distribution within the next 3 years.

Consolidated financial statements and parent company financial statements 1 January – 31 December 2015

Accounting policies

The annual report of ZyXEL Communications A/S for 2015 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the consolidated financial statements and parent company financial statements are consistent with those of last year.

Recognition and measurement

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

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

In recognizing and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortized cost. Equally, costs incurred to generate the year's earnings are recognised, including depreciation, amortization, impairment and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement.

Consolidated financial statements

The consolidated financial statements comprise the Parent Company, ZyXEL Communications A/S, and subsidiaries in which ZyXEL Communications A/S directly or indirectly holds more than 50% of the votes or in some other way exercises control. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends and realised and unrealised gains and losses on intra-group transactions are eliminated.

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

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Consolidated financial statements and parent company financial statements 1 January – 31 December 2015

Accounting policies

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Upon recognition of foreign subsidiaries which are independent entities, the income statements are translated into EUR at average exchange rates for the month, and balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising upon translation of foreign subsidiaries' opening equity and results at the exchange rates at the balance sheet date are recognised directly in equity.

Income statement

Revenue

Income from the sale of goods for resale is recognised in the income statement provided that delivery and transfer of risk to the buyer have taken place before year end, the income may be reliably measured and is expected to be received. Revenue is measured excluding VAT and taxes charged on behalf of third parties. The date for the transition of the most important advantages and risks is determined using standard incoterms ® 2010.

Revenue is measured at fair value of the agreed remuneration excluding VAT and taxes charged on behalf of third parties. All forms of discounts granted are recognised in revenue.

Distribution costs

Costs incurred in distributing goods sold during the year and in conducting sales campaigns, etc. are recognised as distribution costs. Also, costs relating to sales staff and depreciation are recognised.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for management and administration of the Group, including expenses for administrative staff, management, office premises, office expenses and depreciation.

Income from subsidiaries

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

Consolidated financial statements and parent company financial statements 1 January – 31 December 2015

Accounting policies

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Intangible assets

Goodwill

Goodwill is amortised on a straight-line basis over the estimated useful lives determined on the basis of Management's experience within the individual business areas. The maximum amortisation period is 20 years and longest for strategically acquired enterprises with a strong market position and long-term earnings profile.

Rights

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Amortisation is provided on a straight-line basis over the expected useful lives of the assets which are 5-7 years.

Gains and losses on the disposal of intangible assets are determined as the difference between the sales price less disposal costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as operating income or operating costs, respectively.

Consolidated financial statements and parent company financial statements 1 January – 31 December 2015

Accounting policies

Property, plant and equipment

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

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use.

The basis of depreciation, which is calculated as cost less any projected residual values after the end of the useful life, is depreciated on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Leasehold improvements	5 years
Tools and equipment	2-5 years

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Investments in subsidiaries

Investments in subsidiaries are measured according to the equity method.

Investments in subsidiaries are measured at the proportionate share of the subsidiaries' net asset values calculated in accordance with the Group's accounting policies minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the purchase method.

Investments in subsidiaries with negative net asset values are measured at EUR 0 (nil), and any amounts owed by such subsidiaries are written down if the amount owed is irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

Net revaluation of investments in subsidiaries is recognised in the reserve for net revaluation according to the equity method in equity to the extent that the carrying amount exceeds cost. Dividends from subsidiaries which are expected to be adopted before the approval of the annual report of ZyXEL Communications A/S are not recognised in the reserve for net revaluation.

Consolidated financial statements and parent company financial statements 1 January – 31 December 2015

Accounting policies

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

Inventories are measured at cost, comprising purchase price plus delivery costs, in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost. Write-down is made for bad debt losses based on an individual assessment of receivables.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, a write-down is made.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The objective indicators used in relation to portfolios are determined on the basis of past payment default.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Consolidated financial statements and parent company financial statements 1 January – 31 December 2015

Accounting policies

Equity

Reserve for net revaluation according to the equity method

Reserve for net revaluation according to the equity method comprises net revaluation of investments in subsidiaries in proportion to cost.

The reserve can be eliminated by loss, realisation of investments or by change of accounting estimates.

The reserve cannot be recognised with a negative amount.

Dividends

Proposed dividends are recognised as a liability at the date on which they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year (declaration date) is disclosed as a separate item under equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognised on the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-deductible for tax purposes and on other items where the temporary differences arise at the date of acquisition without affecting either profit/loss for the year or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the income statement and equity.

Consolidated financial statements and parent company financial statements 1 January – 31 December 2015

Accounting policies

Other provisions

Provisions comprise anticipated costs of warranties. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation.

Provisions are measured at net realisable or fair value if the obligation is expected to be settled in the distant future.

Warranties comprise obligations to make good any defects on goods sold. Provisions are measured at net realisable value and recognised on the basis of the Company's past record with warranties. Provisions expected to be maintained for more than one year from the balance sheet date are discounted at a rate reflecting risk and the due date for payment.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost.

Other liabilities are measured at net realisable value.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less, which are easily convertible into cash, and which are subject to only an insignificant risk of changes in value.

Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and divestment of entities is shown separately in cash flows from investing activities. Cash flows relating to acquired entities are recognised in the cash flow statement from the date of acquisition, and cash flows relating to divested entities are recognised up to the date of divestment.

Cash flows from operating activities

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Consolidated financial statements and parent company financial statements 1 January – 31 December 2015

Accounting policies

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities, intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise purchase and sale of treasury shares, payments relating to increases or reductions in capital and related costs as well as payment of dividends to shareholders and raising and repayment of interest-bearing debt.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are easily convertible into cash and which are subject to only an insignificant risk of changes in value.

Segment information

Segment information is provided on business segments and geographical markets. The segment information is in line with the Group's accounting policies, risks and internal financial management.

Consolidated financial statements and parent company financial statements 1 January – 31 December 2015

Accounting policies

Financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios have been calculated as follows:

Gross margin $$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$$

Operating margin $$\frac{\text{Operating profit/loss x 100}}{\text{Revenue}}$$

Return on equity $$\frac{\text{Profit/loss from ordinary activities after tax x 100}}{\text{Average equity}}$$

Solvency ratio $$\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$$

Consolidated financial statements and parent company financial statements 1 January – 31 December 2015

Income statement

EUR'000	Note	Group 2015	Group 2014	Parent Company 2015	Parent Company 2014
Revenue	1	165,300	128,618	151,760	118,873
Cost of goods sold		-134,752	-102,152	-132,383	-103,104
Gross profit		30,548	26,466	19,377	15,769
Distribution costs	2, 10	-16,045	-15,919	-6,610	-6,977
Administrative expenses	2, 10	-7,004	-4,986	-7,670	-4,782
Operating profit		7,499	5,561	5,097	4,010
Income from subsidiaries	3	0	0	1,720	1,187
Other financial income	4	82	192	58	6
Financial expenses	5	-120	-354	-111	-214
Profit before tax		7,461	5,399	6,764	4,989
Tax on profit for the year	6	-2,111	-1,190	-1,414	-780
Profit for the year		5,350	4,209	5,350	4,209

Proposed profit appropriation

	Parent Company 2015	Parent Company 2014
Retained earnings	5,350	4,209
	5,350	4,209

Consolidated financial statements and parent company financial statements 1 January – 31 December 2015

Balance sheet

		Group		Parent Company	
EUR'000	Note	2015	2014	2015	2014
ASSETS					
Non-current assets					
Intangible assets	7				
Goodwill		0	246	0	246
Rights		2,317	1,425	1,045	1,425
		2,317	1,671	1,045	1,671
Property, plant and equipment	8				
Property, plant and equipment		321	217	89	69
		321	217	89	69
Investments					
Investments in subsidiaries	9	0	0	8,206	4,884
		0	0	8,206	4,884
Receivables					
Other receivables		110	132	57	60
		110	132	57	60
Total non-current assets		2,748	2,020	9,397	6,684
Current assets					
Inventories					
Goods for resale		21,072	21,172	21,072	21,172
Prepayments for goods		637	417	324	417
		21,709	21,589	21,396	21,589
Receivables					
Trade receivables		37,262	29,465	11,511	9,503
Amounts owed by group enterprises		103	193	21,395	18,049
Deferred tax assets		398	236	318	77
Other receivables		6	210	14	4
		37,769	30,104	33,238	27,633
Cash at bank and in hand		8,942	11,065	3,929	6,642
Total current assets		68,420	62,758	58,563	55,864
TOTAL ASSETS		71,168	64,778	67,960	62,548

Consolidated financial statements and parent company financial statements 1 January – 31 December 2015

Balance sheet

		Group		Parent Company	
EUR'000	Note	2015	2014	2015	2014
EQUITY AND LIABILITIES					
Equity					
Share capital	11	5,496	5,496	5,496	5,496
Retained earnings		17,732	12,282	17,732	12,282
Total equity		23,228	17,778	23,228	17,778
Provisions					
Warranty provisions	12	2,186	1,742	2,186	1,742
Total provisions		2,186	1,742	2,186	1,742
Liabilities other than provisions					
Current liabilities other than provisions					
Trade payables		2,190	2,085	1,199	1,251
Amounts owed to group enterprises		35,826	37,550	37,811	39,182
Corporation tax		1,408	962	685	692
Other payables		6,330	4,661	2,851	1,903
Total current liabilities other than provisions		45,754	45,258	42,546	43,028
TOTAL EQUITY AND LIABILTIES		71,168	64,778	67,960	62,548

Surety, contractual commitments, contingent liabilities	13
Other notes	14-16

Consolidated financial statements and parent company financial statements 1 January – 31 December 2015

Statement of changes in equity

	Consolidated		
EUR'000	Share capital	Retained earnings	Total
Equity at 1 January 2014	5,496	7,976	13,472
Profit for the year	0	4,209	4,209
Foreign exchange adjustment, foreign subsidiary	0	97	97
Equity at 1 January 2015	5,496	12,282	17,778
Profit for the year	0	5,350	5,350
Foreign exchange adjustment, foreign subsidiary	0	99	99
Equity at 31 December 2015	5,496	17,785	23,228

	Parent company		
EUR'000	Share capital	Retained earnings	Total
Equity at 1 January 2014	5,496	7,976	13,472
Profit for the year	0	4,209	4,209
Foreign exchange adjustment, foreign subsidiary	0	97	97
Equity at 1 January 2015	5,496	12,282	17,778
Profit for the year	0	5,350	5,350
Foreign exchange adjustment, foreign subsidiary	0	99	99
Equity at 31 December 2015	5,496	17,732	23,228

Consolidated financial statements and parent company financial statements 1 January – 31 December 2015

Cash flow statement

EUR'000	Note	2015	2014
Profit before tax		8,039	5,399
Depreciation, amortisation and impairment losses		839	700
Other adjustments of non-cash operating items		482	308
Cash generated from operations before changes in working capital		9,360	6,407
Changes in working capital		-7,930	-1,329
Cash generated from operations before tax		1,430	5,078
Corporation tax paid		-1,827	-921
Cash flows from operating activities		-397	4,157
Acquisition of intangible assets		-1,440	0
Acquisition of property, plant and equipment		-248	-103
Disposal of property, plant and equipment		0	5
Cash flows from investing activities		-1,688	-98
Cash flows from financing activities			
Financial income		82	192
Financial expense		-120	-354
Cash flows from financing activities		38	-162
Cash flows for the year			
Cash and cash equivalents at the beginning of the year		11,065	7,168
Net cash flow for the year		-2,123	3,897
Cash and cash equivalents at year end		8,942	11,065

Consolidated financial statements and parent company financial statements 1 January – 31 December 2015

Notes

		Consolidated		Parent Company	
	EUR'000	2015	2014	2015	2014
1	**Revenue**				
	Denmark	25,025	27,414	25,025	27,414
	The Nordic countries	36,732	34,740	36,732	34,740
	Europe	103,543	66,464	90,003	56,719
		165,300	128,618	151,760	118,873
2	**Depreciation/amortisation and impairment**				
	Goodwill	246	243	246	243
	Rights	548	380	380	380
	Software	0	71	0	36
	Fixtures and fitting, tools and equipment	155	203	45	123
		949	897	671	782
	Depreciation and amortisation are recognised as follows in the consolidated financial statements and parent company financial statements:				
	Administration	155	215	45	123
	Distribution	794	682	626	659
		949	897	671	782
3	**Income in subsidiaries**				
	Share of profit			1,720	1,187
				1,720	1,187
4	**Other financial income**				
	Interest income on cash at bank	11	8	9	4
	Foreign exchange gains	21	166	0	2
	Other financial income	50	18	49	0
		82	192	58	6
5	**Financial expenses**				
	Foreign exchange losses	17	322	16	203
	Other financial expenses	103	32	95	11
		120	354	111	214

Consolidated financial statements and parent company financial statements 1 January – 31 December 2015

Notes

	Group		Parent Company	
EUR'000	2015	2014	2015	2014
6 Tax on profit for the year				
Current tax for the year	1,804	1,144	1,510	816
Deferred tax adjustment for the year	162	40	-241	-42
Withholding taxes	-8	-13	-8	-13
Adjustment regarding previous years	153	19	153	19
	2,199	1,190	1.414	780

7 Intangible assets

	Consolidated		
EUR'000	Rights	Goodwill	Software
Cost at 1 January 2015	1,900	1,219	996
Additions	1,440	0	0
Cost at 31 December 2015	3,340	1,219	996
Amortisation at 1 January 2015	475	973	996
Amortisation	548	246	0
Amortisation and impairment at 31 December 2015	1,023	1219	996
Carrying amount at 31 December 2015	2,317	0	0

	Parent company		
EUR'000	Rights	Goodwill	Software
Cost at 1 January 2015	1,900	1,219	996
Additions	0	0	0
Cost at 31 December 2015	1,900	1,219	996
Amortisation at 1 January 2015	475	973	996
Amortisation for the year	380	246	0
Amortisation and impairment at 31 December 2015	855	1219	996
Carrying amount at 31 December 2015	1,045	0	0

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Notes

8 Property, plant and equipment

	Consolidated	Parent company
EUR'000	Property, plant and equipment	Property, plant and equipment
Cost at 1 January 2015	1,117	616
Additions	249	65
Disposals	-20	-8
Exchange rate adjustment	38	0
Cost at 31 December 2015	1,384	673
Impairment and depreciation at 1 January 2015	900	547
Depreciation for the year	155	45
Disposals	-19	-8
Exchange rate adjustment	27	0
Impairment and depreciation at 31 December 2015	1,063	584
Carrying amount at 31 December 2015	321	89

9 Equity investments in group entities

	Parent Company	
EUR'000	2015	2014
Cost at 1 January	8,619	8,619
Additions	1,450	0
Cost at 31 December	10,069	8,619
Net revaluation at 1 January	-3,735	-5,019
Foreign exchange adjustment	152	97
Net share of profit for the year	1,720	1,187
Net revaluation at 31 December	1,863	-3,735
Carrying amount at 31 December	8,206	4,884

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Notes

Name/legal form	Registered office	Voting rights and ownership interest	Equity	Profit/ loss for the year
			EUR'000	EUR'000
ZyXEL Deutschland GmbH	Germany	100%	3,194	1,039
ZyXEL Communications UK Ltd	England	100%	1,827	508
ZyXEL Communications Czech s.r.o	Czech Republic	100%	455	204
ZyXEL Communications B.V.	The Netherlands	100%	1,277	51
ZyXEL Communications Iberia S.L.	Spain	100%	114	31
ZyXEL Communications Italy Srl.	Italy	100%	65	55
Amortization of rights in Italy				-168
				1,720

	Consolidated		Parent Company	
EUR'000	2015	2014	2015	2014
10 Staff costs				
Selling and distribution cost	10,410	9,070	2,994	2,430
Administrative expenses	1,669	2,068	785	1,405
	12,079	11,138	3,779	3,835
Total staff can be specified as follows:				
Salaries and remunerations, etc.	10,419	9,820	3,314	3,526
Pensions	1,315	995	295	174
Other social security costs	345	323	170	135
	12,079	11,138	3,779	3,835
Average number of full-time employees	145	140	37	36

In accordance with section 98b of the Danish Financial Statements Act, remunerations to the Executive Board is not disclosed.

11 Share capital

The share capital consists of 1 share of tEUR 5,496.

The shares have not been divided into classes.

The share capital has been increased with the amount of 3,350 tEUR in 2012, otherwise it has remained unchanged for the last 5 years.

Consolidated financial statements and parent company financial statements 1 January – 31 December 2015

Notes

12 Warranty provisions

Warranty provisions comprise commitments relating to warranties on sold products.

13 Surety, Contractual obligations and contingent liabilities, etc.

Parent company

The Company has rental and lease commitments of EUR 1,183 thousand (2014: EUR 307 thousand) at the balance sheet date. EUR 1,175 thousand is due within the next 5 years. EUR 8 thousand is due after 5 years.

The Company has pledged bank deposits of EUR 13 thousand as security.

The Company is party to a few disputes. The expected outcome of the cases has been recognised in the financial statements. None of these cases are deemed material for the evaluation of the Company's financial position.

Group

The Group has rental and lease commitments of EUR 1,937 (2014: EUR 1,412 thousand) thousand at the balance sheet date. EUR 1,929 thousand is due within the next 5 years. EUR 8 thousand is due after 5 years.

The Group has pledged bank deposits of EUR 140 thousand as security.

The Group is party to a few disputes. The expected outcome of the cases has been recognised in the financial statements. None of these cases are deemed material for the evaluation of the Group's financial position.

14 Related parties

Related parties with a controlling interest

The following related parties have a controlling interest in the ZyXEL Communications A/S Group:

Name	Registered office	Basis of influence
ZyXEL Communications Corporation	Taiwan	Parent company at 31 December 2015

15 Consolidation

ZyXEL Communications A/S and its subsidiaries are included in the consolidated financial statements of ZyXEL Communications Corporation, Taiwan (immediate and ultimative parent).

The consolidated financial statements of ZyXEL Communications Corporation can be obtained by contacting the Company.

Consolidated financial statements and parent company financial statements 1 January – 31 December 2015

Notes

16 Fee to statutory audit

EUR'000

	Consolidated	
	2015	2014
Total fees to KPMG	185	158
Fee regarding statutory audit	105	84
Other assurance engagements	28	22
Tax assistance	31	11
Other assistance	21	41
	185	158