

# ***OFS Fitel Denmark ApS***

Priorparken 611, DK-2605 Brøndby

## **Annual Report for 1 April 2020 – 31 March 2021**

CVR No. 25 30 56 39

The Annual Report was  
presented and adopted at the  
Annual General Meeting of the  
Company on 17/6 2021

  
Lene Kalhøj

Chairman of the General Meeting

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## Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of OFS Fitel Denmark ApS for the financial year April 1, 2020 - March 31, 2021.

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 as of March 31, 2021 of the Company and of the results of the Company operations for 2020/21.

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.

Brøndby, June 17, 2021

### Executive Board

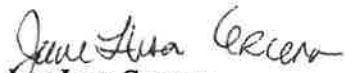


Christian Larsen  
CEO



Jan Strauss Sogaard  
Executive Officer

### Board of Directors



Jane Lusa Cercena  
Chairman

Toshio Kimura

Andrew Oliviero



Michael F. Pedersen  
Staff Representative



Tommy Geisler  
Staff Representative

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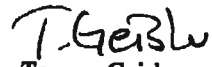


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Brøndby, June 17, 2021

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Andrew Oliviero

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Staff Representative

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Staff Representative

## **Independent Auditor's Report**

### **To the Shareholders of OFS Fitel Denmark ApS**

#### **Opinion**

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the financial position of the Company at March 31, 2021 and of the results of the Company's operations for the financial year 1 April 2020 – 31 March 2021 in accordance with the Danish Financial Statements Act.

We have audited the consolidated financial statements and the parent financial statements of OFS Fitel Denmark ApS for the financial year 1 April 2020 – 31 March 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies (the Financial Statements”).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the “Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements” section of our report. We are independent of the Company in accordance with the International Ethics Standards Board of 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 the Management's Review.

Our opinion on the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

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

#### **Management's Responsibilities for the consolidated financial statements and the parent financial statements**

Management is responsible for the preparation of consolidated financial statements and parent 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

consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent 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 for using the going concern basis of accounting in preparing the consolidated financial statements and the parent 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 consolidated financial statements and the parent 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 consolidated financial statements and parent financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent 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 consolidated financial statements and the parent 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 consolidated financial statements and the parent 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.

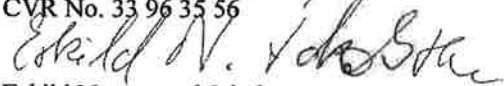
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 17 June 2021

**Deloitte**

Statsautoriseret Revisionspartnerselskab

CVR No. 33 96 35 56



Eskild Nørregaard Jakobsen

State Authorised Public Accountant

Identification No. (MNE) mne11681



## Company Information

### **The Company**

OFS Fitel Denmark ApS  
Priorparken 611  
DK-2605 Brøndby

CVR No. 25 30 56 39

Financial period: 1 April – 31 March

Municipality of reg. office: Brøndby

### **Board of Directors**

Jane Lusa Cercena, Chairman  
Toshio Kimura  
Andrew Oliviero  
Michael F. Pedersen  
Tommy Geisler

### **Executive Board**

Carl Christian Larsen  
Jan Strauss Søgaard

### **Auditors**

Deloitte  
Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
DK-2300 København S

## Financial Highlights

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

	<u>2020/21</u> <u>Mill. DKK</u>	<u>2019/20</u> <u>Mill. DKK</u>	<u>2018/19</u> <u>Mill. DKK</u>	<u>2017/18</u> <u>Mill. DKK</u>	<u>2016/17</u> <u>Mill. DKK</u>
<b>Key Figures</b>					
<b>Profit/Loss</b>					
Revenue	545	637	568	795	761
Gross profit/loss	137	144	93	197	243
Operating profit/loss	91	92	48	155	174
Profit/loss before financial income and expenses	102	94	42	170	149
Net financials	(2)	(22)	3	(47)	24
Net profit/loss for the year	99	90	44	122	161
<b>Balance Sheet</b>					
Balance sheet total	622	543	498	382	531
Equity	447	348	258	214	408
Investment in property, plant and equipment	5	20	91	174	17
Number of employees	217	219	219	188	170

	<u>2020/21</u>	<u>2019/20</u>	<u>2018/19</u>	<u>2017/18</u>	<u>2016/17</u>
<b>Key Figures in %</b>					
Gross margin	25.1%	22.6%	16.4%	24.8%	31.9%
Profit margin	18.7%	14.8%	7.4%	21.4%	19.6%
Return on assets	16.4%	17.3%	8.4%	44.5%	28.1%
Solvency ratio	71.9%	64.1%	51.8%	56.0%	76.8%
Return on equity	25.6%	29.7%	18.6%	39.2%	49.2%

## Management's Review

Financial Statements of OFS Fitel Denmark ApS for 2020/21 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The Annual Report has been prepared under the same accounting policies as last year.

### **Key activities**

The objects for which the Company is established are to develop, produce and market high technology products within the fields of telecommunication and data transfer, and carry on all such other business activities as the board of directors deems to the attainment of such objects.

### **Development in the year**

The income statement of the company for 2020/21 shows a profit of TDKK 98.918, and as of 31 March 2021 the balance sheet of the company shows equity of TDKK 446.653. The result for the year includes an income of TDKK 16.693 which can be attributed to a ruling on overpaid rent previous years and interest hereof.

Covid-19 has not had significant impact on this year's financial statement.

### **The past year and follow-up on development expectations from last year**

The financial statements show a profit of TDKK 98.918, which is considered being satisfying.

### **Special risks – operating risks and financial risks**

#### ***Foreign exchange risks***

The majority of the sales in the company is affected in foreign currencies, and especially the development of the USD has an effect on sales and earnings.

This risk is primarily covered by making counter purchases in USD, but it is not possible to break-even.

### **Targets and expectations for the year ahead**

We expect the revenue level measured in USD to be constant in 2021/22 compared with 2020/21.

The result for 2021/22 is expected to be in line this year's result reduced by the rent adjustment for prior years. The result is expected to amount around 70 m DKK. No significant impact is expected due to Covid-19 in the coming financial year, assuming continued unrestricted supply of raw materials from suppliers.

### **Research and development**

Research and development activities are primarily focused on product and process development within the Company's existing product areas. Efforts are being made at improving existing products and developing new ones to maintain or strengthen our strong market position. Projects are in many cases carried out in cooperation with other OFS and Furukawa companies as well as various universities.

## **Intellectual capital resources**

The mission of the company is: To be our customers' preferred supplier of high-quality optical fiber and related optical products to be used in communications systems. To be a high performance, technologically innovative and responsible company, which attracts and retains excellent people and ensures sustained shareholder and customer value.

The Company has a global leading position in respect of both delivery time/ability and product quality. This obviously entails that it is important to retain qualified and innovative employees. The Company has succeeded in maintaining the critical knowledge in the Company and to keep the turnover of staff at a lower level.

## **Statement of corporate social responsibility**

### *Business Model*

The objects for which the Company is established are to develop, produce and market high technology products within the fields of telecommunication and data transfer. The products are produced in Denmark and sold both in Denmark and abroad.

### *Social conditions, employee relations and respect for human rights*

Reference is made to the OFS Group's website that describes the policies and guidelines for social conditions, employee conditions and respect for human rights that also apply to OFS Fitel Denmark ApS. The policies cover risk areas such as maintaining a safe working environment and working for equality and against discrimination.

Using biannual employee satisfaction surveys and annual employee interviews the company interacts with the employees to work for equality and against discrimination. The company will continue this work in the future.

<https://www.ofsoptics.com/wp-content/uploads/OFS-Corporate-Social-Responsibility-Policy.pdf>

The company and its activities are in Denmark. The Company is therefore regularly monitoring Danish and EU legislation as part of the normal compliance procedures and obligations. When new applicable legislation is identified, the QHSE department will start the procedures in order to obtain the necessary level of compliance.

The environmental and safety system in the Company is based on the ISO 9000 standard and is extended to cover work environment and safety as well.

Emergency plans and similar have been updated in 2020/21.

The number of industrial injuries is low, which is attributable to preventive environmental and safety work carried out in the Company.

The Company believes that the measures that were taken in 2020 have contributed to a safe working environment and will maintain a focus on safe working environment in the future. The Company is not aware of violations regarding human rights in OFS Fitel Denmark ApS in 2020.

### *Environment and climate*

Company policies in this area are based on the overall guidelines for OFS, supplemented with local aspects. The policies cover, among other things, continuous replacement of existing production equipment for more environmentally friendly machines and furnaces, and by reprocessing the elements in the waste materials and reusing elements from the production, including Germanium.

The company has assessed that the main risk is the company's CO2 emissions.

The company is actively working on reducing CO2 emissions. During this fiscal year the company has made an agreement with our supplier that all electricity will be supplied as renewable from July 2022. We will continue to work with improving our processes to reduce the CO2 emissions.

Manufacturing the Company's products does not require special environmental approval.

The Quality Management System is certified against ISO9001 (re-certification in 2022). The Health, Safety & Environmental Management System is based on Danish and European legislation and inspired by ISO14001 and ISO45001. The past years The Company has been trying to continuously improve processes and procedures to become in compliance with ISO14001 and ISO45001.

### *Anti-corruption and bribery*

There may be a risk that employees unjustifiably give gifts or other means to unjustly influence a stakeholder. This can have consequences for the Company's reputation.

The Company has a zero-tolerance policy on corruption and bribery and works actively to counter this.

The Company issues its guidelines to employees regarding corruption and organizes an information meeting where the rules on areas are reviewed.

The Company is not aware of any violations regarding corruption and bribery in OFS Fitel Denmark ApS in 2020.

### **Statement on gender composition**

The company does not have guidelines on the gender composition. However, it has the focus of the company, and we do an annual evaluation of the gender composition with the aim to ensure equality between men and women.

#### **Top management:**

The gender distribution among the Company's 3 board members elected on the General Meeting totaled March 31, 2021 as follows: 67% men and 33% women. We strived to keep this distribution going forward.

#### **Other management:**

The gender distribution among our other layers of management is today 80/20. We strive to change it to 70/30 by 2022. We encourage women to network and participate in educational programs but will continue to recruit on basis of objective criteria.

The Company has not in 2020/21 achieved the objective when they have not received applications that met the objective criteria.

**Uncertainty relating to recognition and measurement**

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

**Unusual events**

The financial position at 31 March, 2021 of the Company and the results of the activities of the Company for the financial year for 2020/21 have not been affected by any unusual events.

**Subsequent events**

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

## Income Statement for 2020/21

	<u>Notes</u>	<u>2020/21 DKK'000</u>	<u>2019/20 DKK'000</u>
Revenue	1	545,236	636,667
Cost of sales	2	-408,268	-493,132
<b>Gross profit/loss</b>		<b>136,968</b>	<b>143,535</b>
Distributions expenses	2	-12,529	-10,949
Administrative expenses	2	-33,628	-40,762
<b>Operating profit/loss</b>		<b>90,811</b>	<b>91,824</b>
Other operating income	3	10,946	2,588
<b>Profit/loss before financial income and expenses</b>		<b>101,757</b>	<b>94,412</b>
Financial income	4	14,860	8,657
Financial expenses	5	-16,699	-30,959
<b>Profit/loss before tax</b>		<b>99,918</b>	<b>72,110</b>
Tax on profit/loss for the year	6	-1,000	18,000
<b>Net Profit/loss for the year</b>		<b>98,918</b>	<b>90,110</b>

## Balance Sheet 31 March

### Assets

	<u>Notes</u>	<u>2021 DKK'000</u>	<u>2020 DKK'000</u>
Land and buildings		99,112	110,621
Plant and machinery		101,202	117,723
Other fixtures and fittings, tools and equipment		4,915	8,085
Leasehold improvements		0	0
Property, plant and equipment in progress		1,586	105
<b>Property, plant and equipment</b>	<b>7</b>	<b>206,815</b>	<b>236,534</b>
<b>Fixed assets</b>		<b>206,815</b>	<b>236,534</b>
<b>Inventories</b>	<b>8</b>	<b>89,534</b>	<b>69,283</b>
Trade receivables		48,925	85,235
Receivables from group enterprises		230,370	90,435
Other receivables		0	3,637
Deferred tax asset	12	25,000	25,000
Corporation tax		0	3,572
Prepayments	9	4,675	2,575
<b>Receivables</b>		<b>308,970</b>	<b>210,454</b>
<b>Cash at bank and in hand</b>		<b>16,929</b>	<b>26,577</b>
<b>Current assets</b>		<b>415,433</b>	<b>306,314</b>
<b>Assets</b>		<b>622,248</b>	<b>542,848</b>



## Balance Sheet 31 March

### Liabilities and Equity

	Notes	2021 DKK'000	2020 DKK'000
Share capital		26,000	26,000
Retained earnings		420,653	321,735
<b>Equity</b>	<b>10</b>	<b>446,653</b>	<b>347,735</b>
Other provisions	13	34,119	34,119
<b>Provisions</b>		<b>34,119</b>	<b>34,119</b>
Lease debt		462	0
<b>Long-term debt</b>		<b>462</b>	<b>0</b>
Trade payables		27,162	33,812
Payables to group enterprises		65,915	74,708
Lease Debt short term		119	0
Other payables		47,819	52,474
<b>Short-term debt</b>		<b>141,015</b>	<b>160,994</b>
<b>Debt</b>		<b>141,477</b>	<b>160,994</b>
<b>Liabilities and equity</b>		<b>622,248</b>	<b>542,848</b>
Proposed distribution of profit	11		
Contingent liabilities, liabilities and other financial obligations	14		
Related parties	15		
Fee to auditor appointed at the general meeting	16		
Accounting Policies	17		

## Statement of Changes in Equity

	<b>Share Capital DKK'000</b>	<b>Retained earnings DKK'000</b>	<b>Total DKK'000</b>
Equity at 1 April	26,000	321,735	347,735
Net profit/loss for the year	0	98,918	98,918
<b>Equity at 31 March</b>	<b>26,000</b>	<b>420,653</b>	<b>446,653</b>

## Notes to the Financial Statements

	<b>2021</b>	<b>2020</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>1. Revenue</b>		
<b>Geographical segments</b>		
Revenue, Denmark	486	669
Revenue, exports	544,750	635,998
	<b>545,236</b>	<b>636,667</b>
<b>Business segments</b>		
Goods for resale	46,678	124,871
Own production	498,578	511,796
	<b>545,236</b>	<b>636,667</b>

## Notes to the Financial Statements

	<b>2021</b> <b>DKK'000</b>	<b>2020</b> <b>DKK'000</b>
<b>2. Staff</b>		
Wages and Salaries	122.730	132,711
Pensions	21.928	21,169
Other social security expenses	1.368	1,324
	<b>146.026</b>	<b>155,204</b>
Wages and Salaries, pensions and other social expenses are recognized in the following items:		
Cost of sales	118.097	122,426
Distribution expenses	11.605	11,138
Administrative expenses	16.324	21,640
	<b>146.026</b>	<b>155,204</b>
<b>Including remuneration to the Executive Board</b>	<b>3,471</b>	<b>3,597</b>
<b>Average number of employees</b>	<b>217</b>	<b>219</b>

## Notes to the Financial Statements

	<b>2021</b>	<b>2020</b>
	<b><u>DKK'000</u></b>	<b><u>DKK'000</u></b>

### 3. Other operating income

In 2020/21 the other operating income consist mainly of refund of rent for prior years.

### 4. Financial income

Other financial income	3,057	287
Exchange gains	11.803	8,370
	<b><u>14.860</u></b>	<b><u>8,657</u></b>

	<b>2021</b>	<b>2020</b>
	<b><u>DKK'000</u></b>	<b><u>DKK'000</u></b>

### 5. Financial expenses

Interest paid to group enterprises	232	3,235
Other interest	42	0
Exchange loss	16.424	27.724
	<b><u>16.699</u></b>	<b><u>30,959</u></b>

## Notes to the Financial Statements

	<b>2021</b> <b>DKK'000</b>	<b>2020</b> <b>DKK'000</b>
<b>6. Tax on profit/loss for the year</b>		
Current tax for the year	1,000	0
Deferred tax for the year	0	-18,000
Adjustment of tax concerning previous years	0	0
	<b>1,000</b>	<b>-18,000</b>
 Tax on profit/loss for the year is calculated as follows:		
Calculated 22% tax on profit/loss for the year before tax	21,981	15,864
 Tax effect of:		
Tax on non-deductible expenses and non-taxable income	-2,720	29
Non-capitalised deferred tax	-18,261	-15,893
Adjustment of tax concerning previous years	0	0
	<b>1,000</b>	<b>0</b>

## Notes to the Financial Statements

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve- ments DKK'000	Property, plant and equipment in progress DKK'000	Total DKK'000
<b>7. Property, plant and equipment</b>						
Cost at 1 April	233,354	657,262	18,564	200,636	105	1,109,921
Adjustment to opening balance		-2,724	-59			-2,783
Additions for the year		2,395			2,879	5,274
Disposals for the year		-18	-59			-77
Transfers for the year		1,398			-1,398	0
Cost at 31 March	233,354	658,313	18,446	200,636	1,586	1,112,335
Impairment losses and depreciation at 1 April	122,733	539,539	10,479	200,636	0	873,387
Depreciation for the year	11,509	17,590	3,111			32,210
Impairment and depreciation of sold assets for the year	0	-18	-59			-77
Impairment losses and depreciation at 31 March	134,242	557,111	13,531	200,636		905,520
<b>Carrying amount at 31 March</b>	99,112	101,202	4,915	0	1,586	206,815
Leased assets	0	612	0	0	0	612
Depreciated over	19 years	3-10 years	3-5 years	15 years		

	<b>2021 DKK'000</b>	<b>2020 DKK'000</b>
Depreciation and impairment of property, plant and equipment are recognized in the following items:		
Cost of sales	32,210	40,699
	<b>32,210</b>	<b>40,699</b>

## Notes to the Financial Statements

	<b>2021</b> <b>DKK'000</b>	<b>2020</b> <b>DKK'000</b>
<b>8. Inventories</b>		
Raw materials and consumables	64,735	37,629
Work in progress	800	1,105
Finished goods and goods for resale	23,999	30,549
	<b>89,534</b>	<b>69,283</b>

## 9. Prepayments

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

## 10. Equity

The share capital consists of 26,000 shares of a nominal value of TDKK 1,000. No shares carry any special rights.

	<b>2021</b> <b>DKK'000</b>	<b>2020</b> <b>DKK'000</b>
<b>11. Proposed distribution of profit</b>		
Retained earnings	98,918	90,110
	<b>98,918</b>	<b>90,110</b>



## Notes to the Financial Statements

	<b>2021</b> <b>DKK'000</b>	<b>2020</b> <b>DKK'000</b>
<b>12. Deferred tax asset</b>		
Deferred tax asset at 1 April	25,000	7,000
Amounts recognized in the income statement for the year	0	18,000
<b>Deferred tax asset at 31 March</b>	<b>25,000</b>	<b>25,000</b>

## 13. Other provisions

At the balance sheet date, the restoration obligation according to the lease of the premises amounts to TDKK 34,119.

Other provisions	34,119	34,119
	<b>34,119</b>	<b>34,119</b>

## **Notes to the Financial Statements**

### **14. Contingent assets, liabilities and other financial obligations**

#### **Other contingent liabilities**

In addition to the provisions mentioned in note 12, the Company has contractual commitments amounting to TDKK 10,849 (2020: TDKK 16,652). They relate to tenancy agreements entered into with the residual terms of up to 12 months, as well as leasing commitments.

The Company has provided bank guarantees in favor of 3<sup>rd</sup> parties for total TDKK 43,519(2020: TDKK 43,436).

## Notes to the Financial Statements

### 15. Related parties

Controlling interest	Basis
Furukawa Electric Co., Tokyo, Japan	Ultimate controlling shareholder
OFS Fitel, LLC, Norcross, USA	Immediate controlling shareholder

#### Other related parties

Jane Lusa Cercena	Chairman of the Supervisory Board
Andrew Oliviero	Member of the Supervisory Board
Toshio Kimura	Member of the Supervisory Board
Tommy Geisler	Member of the Supervisory Board
Michael F. Pedersen	Member of the Supervisory Board

#### Transactions

During the year, the Company had the following transactions with its ultimate Parent Company and its subsidiaries:

Corporate allocation fee for the year amounts to TDKK 14,330 (2020: TDKK 14,605).

Acquisition of goods from associates, TDKK 92.051. (2020: TDKK 201.772)

Sales of goods to group enterprises, TDKK 274.000. (2020: TDKK 284.148)

Receivables from group enterprises, TDKK 55,741. (2020: TDKK 90.435)

Payables to group enterprises, TDKK 65.915. (2020: TDKK 74.708)

## Notes to the Financial Statements

### 15. Related parties (continued)

#### Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

Name	Place of registered office
Furukawa Electric Co., Ltd.	Japan
OFS Fitel, LLC, Norcross, USA	USA

The Group Annual Report of Furukawa Electric Co., Ltd. May be obtained at following address:

Furukawa Electric Co., Ltd.

6-1, Marunouchi, 2-chome, Chiyoda-ku

Tokyo 10-8322

Japan

The Group Annual Report of OFS Fitel, LLC, Norcross, USA may be obtained at the following address:

OFS Fitel, LLC

200 Northeast Expressway

Norcross, GA 30071

USA

### 16. Fee to auditors appointed at the general meeting

#### Deloitte

	2021 DKK'000	2020 DKK'000
Audit fee	480	480
Adjustment of audit fees relating to previous years	0	75
	<b>480</b>	<b>555</b>

## **Notes to the Financial Statements**

### **17. Accounting Policies**

The Annual Report of OFS Fitel Denmark ApS for 2020/21 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year, but we have reclassified amounts on prior year balance sheet and income statement none of which has any effect on profit or equity.

The Financial Statements for 2020/21 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 Furukawa Electric Co., Ltd., Japan, the Company has not prepared a cash flow statement.

### **Recognition and measurement**

The Financial Statements have been prepared under the historical cost method.

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

Assets are recognized 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 recognized 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.

Certain financial assets and liabilities are measured at amortized cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortized cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortization of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement consider predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

### **Leases**

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognized in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are

## **17. Accounting Policies (continued)**

depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalized and recognized in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

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

### **Translation policies**

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

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 recognized in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognized directly in equity.

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 recognized in financial income and expenses in the income statement.

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

### **Hedge accounting**

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognized asset or a recognized liability are recognized in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

instruments that are designated and qualify as hedges of expected future transactions are recognized in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognized in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognized in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognized. The amount is recognized in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognized directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognized in the income statement.

### **Segment information on revenue**

Information on business segments and geographical segments based on the Company's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

## **17. Accounting Policies (continued)**

### **Income Statement**

#### **Revenue**

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

Services are recognized at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognized 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 labor 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 capitalization as well as amortization of capitalised development costs. Furthermore, amortization of goodwill is included to the extent that goodwill relates to production activities. Finally, provisions for losses on contract work are recognized.

#### **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. Amortization of goodwill is also included to the extent that goodwill relates to distribution activities.

#### **Administrative expenses**

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc. Amortization of goodwill is also included to the extent that goodwill relates to administrative activities.

#### **Other operating income and expenses**

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

## **17. Accounting Policies (continued)**

### **Financial income and expenses**

Financial income and expenses are recognized 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 recognized in the income statement, whereas the tax attributable to equity transactions is recognized directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

## **Balance Sheet**

### **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 labor, materials, components and sub-suppliers.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognized in cost over the period of construction. All indirectly attributable borrowing expenses are recognized in the income statement.

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	19 years
Plant and machinery	3-15 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	7-15 years

Depreciation period and residual value are reassessed annually.

Assets costing less than USD 25,000 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 amortization and depreciation.

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



## **17. Accounting Policies (continued)**

### **Inventories**

Inventories are measured at the lower of cost under the FIFO method and net realizable 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 realizable 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 labor with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labor 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 recognized in the balance sheet at amortized cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

### **Prepayments**

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

### **Provisions**

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

### **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 based on the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realized, 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 based on 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 crystallize as current tax. Any changes in deferred tax due to changes to tax rates are recognized in the income statement or in equity if the deferred tax relates to items recognized in equity.

## **17. Accounting Policies (continued)**

### **Current tax receivables and liabilities**

Current tax liabilities and receivables are recognized 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 recognized in the income statement in financial income and expenses.

### **Financial debts**

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

## 17. Accounting Policies (continued)

### Financial Highlights

#### Explanation of financial ratios

Gross margin

$$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$$

Profit margin

$$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$$

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

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