

# ZyXEL Networks A/S

Gladsaxevej 378, DK-2860 Søborg

CVR no. 40 40 79 60

## Annual report 2021

Approved at the Company's annual general meeting on 1 July 2022

Chair:



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Torben Thomasen

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### Statement by Management

The Board of Directors and the Executive Board have today discussed and approved the annual report of ZyXEL Networks A/S for the financial year 1 January - 31 December 2021.

The annual report has been 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 of the Company at 31 December 2021 and of the results of its operations and cash flows for the financial year 1 January - 31 December 2021.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, the results for the year and the Company's financial position.

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

Gladsaxe, 1 July 2022  
Executive Board:



Jean-Marc Guignier  
CEO

Board of Directors:



Shun-I Chu  
Chair



Kuo-Long Yang



Torben Thomsen

## **Independent auditor's report**

To the shareholders of ZyXEL Networks A/S

### **Opinion**

We have audited the financial statements of ZyXEL Networks A/S for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

### **Management's responsibilities for the financial statements**

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and 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 the financial statements.

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

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

## Independent auditor's report

- ▶ 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 financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note 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.

### Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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

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

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

København, 1 July 2022  
EY Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28



Rasmus Berntsen  
State Authorised  
Public Accountant  
mne35461



Karsten Bøgel  
State Authorised  
Public Accountant  
mne27849

## Management's review

### Company details

Name	ZyXEL Networks A/S
Address, zip code, city	Gladsaxevej 378, DK-2860 Søborg
Telephone	+45 39 55 07 00
Website	<a href="http://www.zyxel.dk">www.zyxel.dk</a>
E-mail	<a href="mailto:sales@zyxel.dk">sales@zyxel.dk</a>
CVR no.	40 40 79 60
Established	1 April 2019
Registered office	Gladsaxe
Financial year	1 January - 31 December
Board of Directors	Shun-I Chu, Chairman Kuo-Long Yang Torben Thomasen
Executive Board	Jean-Marc Guignier
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36 Postboks 250 DK-2000 Frederiksberg
Annual general meeting	The annual general meeting will be held on 1 July 2022

## Management's review

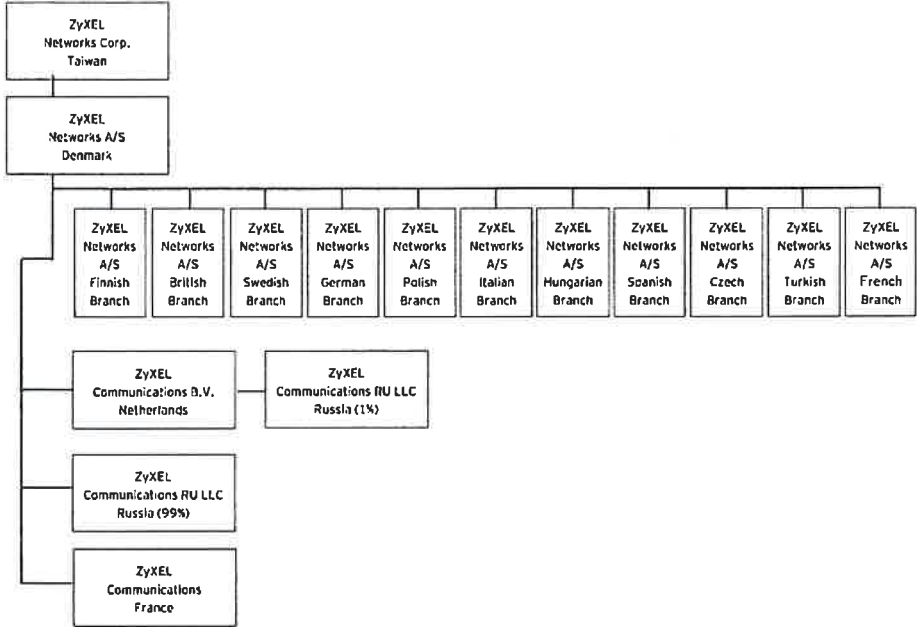
### Financial highlights

EUR'000	2021	2020	(9 months) 2019
<b>Key figures</b>			
Revenue	91,801	81,361	61,058
Gross profit/loss	23,364	20,937	11,147
Ordinary operation profit/loss	3,066	1,836	319
Profit/loss from financial income and expenses	130	-391	61
Profit/loss for the year	2,556	1,023	-283
<b>Balance sheet</b>			
Total assets	52,368	52,389	52,883
Investment in property, plant and equipment	9	-	-
Equity	14,391	11,849	10,763
<b>Financial ratios</b>			
Operating margin	3,3%	2,3%	0,5%
Gross margin	25,5%	25,7%	18,3%
Return on equity	17,8%	8,6%	-2,6%
Solvency ratio	27,5%	22,6%	20,4%
<b>Other</b>			
Average number of full-time employees	117	140	9

Financial ratios are calculated in accordance with the guidelines "Recommendations & Ratios" issued by the Danish Society of Financial Analysts. For terms and definitions, please see the accounting policies.

Management's review

Group chart



The subsidiaries and branches are 100% owned by ZyXEL Networks A/S, except for ZyXEL Communications RU LLC, Russia which is 99% owned, although the remaining 1% is owned by ZyXEL Communications B.V. (ZyBNL)



## Management's review

### Operation review

#### Principal activities

The Company's primary activities consist of trading ZyXEL branded IT network products in several countries across EMEA, with key countries in reported regions such as Italy, France, Spain, Germany, Switzerland, the Nordics, various Central European countries, the UK and Ireland, Russia, Turkey, Middle East, Greece and South Africa.

The Company operates in the business segment Channel (Distribution). The products sold via distributors are mostly generic products.

All sales take place via the parent company as is the case for the most part of the administrative functions. Offices located in Finland, Sweden, France, Italy, Spain, UK, Germany, Turkey, Russia, Poland, Hungary and Czech Republic provide sales and technical support, etc., locally.

#### Development in activities and financial position as well as outlook

The outbreak of COVID-19 in 2020 was likely to have an impact on the Company's business activities for 2021. In particular the business experienced a shortage in certain products due to a worldwide chip-set shortage brought on by the COVID-19 pandemic. In addition to product shortages the industry was also impacted by a high demand in freighting services for products by sea, therefore alternative means of freight was sought at a higher cost to the business to meet the high demands of customers for products.

Overall, the repercussions of COVID-19 in 2021 had a minor impact on the business year, despite product shortages the phasing of sales was pushed towards the end of the year and demand is still very high, delivering a strong result at the end of the year.

As a group in 2022 our outlook is still uncertain in H1 due to continuing supply shortages and stock availability in Europe. However, we still anticipate on delivering Sales in the range of EUR 100,000-110,000 thousand along with a profit in excess of EUR 2,700-3,000 thousand.

#### Events after the balance sheet date

No events have occurred from the balance sheet date to this date that may affect the Company's financial position.

#### General risks

ZyXEL Networks 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.

ZyXEL Networks A/S operates in the British market but does not expect any significant financial impact related to Brexit.

#### Financial risks

ZyXEL Networks A/S invoices and purchases goods mainly in EUR, however we also trade in GBP and USD. An exchange rate risk exists in the UK, Turkey and Russia where we trade in either GBP or USD. The risks are not hedged in financial instruments. The exchange risk related to sales in the other countries 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, networking, etc.

#### **Other Risks (Russia)**

At the end of 2021, prior to the official start of the Russian invasion of Ukraine, Zyxel Networks A/S had limited exposure in terms of assets or unpaid debts owed by our Russian customers.

In 2022, post the invasion, banking sanctions were put in place on our banks to restrict any payments or receivables from Russian banks, which initially left us exposed to an accounts receivable risk.

Fortunately, several of our Russian customers have banks based in countries outside of Russia, therefore we were able to recover a large proportion of our outstanding debt. For customers that have banks based in Russia we have created an agency agreement to make our Zyxel Russia company act as an agent on behalf of Zyxel Networks A/S to recover debts directly from Customers, who will pay directly into our Russian bank in Local currency. This will also have the benefit of covering our operating costs within Russia, such as our employee salaries and other minor expenses. As a company we are committed to ensuring that our local employees are still covered in these times of uncertainty, even if we are re-evaluating how or if we will continue to do business in the region.

It is also worth noting that in Zyxel Networks A/S we have supported a Ukrainian customer, who wanted to return some stock they had purchased, due to issues with storing goods safely during the war. We arranged and delivered the stock back to our warehouse in NL at our expense to support our customer in these challenging times, and hopefully maintain a working relationship once the situation has settled.

#### **Corporate social responsibility**

The Company's primary activities consist of trading ZyXEL branded IT network products in several countries across EMEA, with key countries in reported regions such as Italy, France, Spain, Germany, Switzerland, the Nordics, various Central European countries, the UK and Ireland, Russia, Turkey, Middle East, Greece and South Africa.

The Company operates in the business segment Channel (Distribution). The products sold via distributors are mostly generic products.

All sales take place via the parent company as is the case for the most part of the administrative functions. Offices located in Finland, Sweden, France, Italy, Spain, UK, Germany, Turkey, Russia, Poland, Hungary and Czech Republic provide sales and technical support, etc., locally.

Based on the performed internal risk assessment, and considering the countries in which we operate, it is our understanding that the risks to environment, climate, human rights, social and staff matters, and anti-corruption and bribery are limited. Therefore, the Group does not have individual policies.

## Management's review

### Operation review

#### Gender distribution in Management

The Board of Directors of ZyXEL Networks A/S has three representatives who have been chosen in relation to their professional experience, of which two are also senior managers of the ZyXEL Group. None of the board members are female. It is the goal that before the end of 2022, the Board should have a female board member. Taking the industry into consideration, we might encounter challenges in achieving our target within the defined timeframe.

The senior management team included seven persons in 2021, all of whom have been chosen with due respect to their professional experience. Two of the senior managers are female.

ZyXEL Networks A/S has acknowledged the changes in the Danish Financial Statements Act regarding an equal gender distribution 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 two years.

#### Board of Directors

In 2021, there were no changes to the Board of Directors which is why we did not achieve the target figure. Taking the industry into consideration, we might encounter challenges in achieving our target within the defined timeframe.

#### Other Managerial Positions

ZyXEL Networks A/S aspires to have one of each gender in the final stage of the hiring processes. In 2022 we will continue to work towards making changes to the gender distribution in senior management roles to increase female representation to a more equal distribution. In 2022 we can already demonstrate this with one new female senior management role increasing current female roles in these positions by 50%.

#### Report on data ethics

ZyXel Networks A/S is committed to following best practice when it comes to data and the ongoing management of our customer data, to ensure that we are adhering to ethical guidelines. Currently as a company the amount of exposure we have to customer data is limited, due to the type of data we have on customers and personal data within our customer relationship management tool and other data tools. Therefore, as a company we are still in transition to fully uphold the guidelines on ethical policies implemented in 2021, alongside our data protection policy that already fulfils GDPR compliance. ZyXel plans to implement the new data ethics policy in 2022 to support and complement our current data protection policy.

## Financial statements 1 January - 31 December

### Income statement

Note	EUR	2021	2020
2	Revenue	91,800,928	81,360,799
	Cost of goods sold	-68,436,810	-60,423,491
	<b>Gross profit</b>	<b>23,364,118</b>	<b>20,937,308</b>
3,4,5	Distribution costs	-12,522,207	-11,619,299
3,4,5	Administrative expenses	-7,775,940	-7,482,454
	<b>Operating profit</b>	<b>3,065,971</b>	<b>1,835,555</b>
6	Income from subsidiaries	-32,269	-131,122
	Other non-operating income	1,746	0
7	Financial income	765,393	70,828
8	Financial expenses	-635,581	-461,839
	<b>Profit before tax</b>	<b>3,165,259</b>	<b>1,313,422</b>
9	Tax for the year	-609,191	-290,898
10	<b>Profit for the year</b>	<b>2,556,068</b>	<b>1,022,524</b>

## Financial statements 1 January - 31 December

### Balance sheet

Note	EUR	<u>2021</u>	<u>2020</u>
	<b>ASSETS</b>		
	<b>Non-current assets</b>		
11	<b>Intangible assets</b>		
	Patents and licenses	846,230	748,606
12	<b>Property, plant and equipment</b>		
	Fixtures and fittings, tools and equipment	20,915	28,838
	<b>Investments</b>		
13	Investments in subsidiaries	4,585,690	4,249,514
	<b>Total non-current assets</b>	<u>5,452,835</u>	<u>5,026,959</u>
	<b>Current assets</b>		
	<b>Inventories</b>		
	Goods for resale	15,609,383	15,646,193
		<u>15,609,383</u>	<u>15,646,193</u>
	<b>Receivables</b>		
	Trade receivables	19,395,893	16,788,983
	Amounts owed by group entities	1,080,632	768,294
14	Deferred tax assets	443,273	627,758
	Other receivables	3,562,729	3,921,248
		<u>24,482,527</u>	<u>22,106,284</u>
	<b>Cash at bank and in hand</b>	<u>6,823,452</u>	<u>9,609,292</u>
	<b>Total current assets</b>	<u>46,915,362</u>	<u>47,361,768</u>
	<b>TOTAL ASSETS</b>	<u>52,368,197</u>	<u>52,388,726</u>

**Financial statements 1 January - 31 December**

**Balance sheet**

Note	EUR	2021	2020
	<b>EQUITY AND LIABILITIES</b>		
	<b>Equity</b>		
15	Share capital	2,781,424	2,781,424
	Retained earnings	11,630,282	9,067,348
	<b>Total equity</b>	<b>14,391,376</b>	<b>11,848,772</b>
	<b>Non-current liabilities</b>		
16	Warranty provisions	1,688,619	1,579,934
	<b>Total non-current liabilities</b>	<b>1,688,619</b>	<b>1,579,934</b>
	<b>Current liabilities</b>		
	Trade payables	5,415,167	900,024
	Amounts owed to group entities	28,185,655	32,827,748
	Other payables	2,687,381	5,232,248
	<b>Total current liabilities</b>	<b>36,288,202</b>	<b>38,960,022</b>
	<b>Total Liabilities</b>	<b>37,976,822</b>	<b>52,388,727</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>52,368,197</b>	<b>52,388,726</b>

- 1 Accounting policies
- 17 Contractual obligations and contingencies, etc.
- 18 Related parties
- 19 Consolidation

**Financial statements 1 January - 31 December**

**Statement of changes in equity**

EUR	Share capital	Retained earnings	Total
Equity at 1 January 2020	2,781,424	7,981,801	10,763,225
Profit for the year	0	1,022,524	1,022,524
Foreign exchange adjustment, branches	0	63,023	63,023
Equity at 1 January 2021	2,781,424	9,067,348	11,848,772
Profit for the year	0	2,556,068	2,556,068
Foreign exchange adjustment, branches	0	-13,465	-13,465
Equity at 31 December 2021	2,781,424	11,609,951	14,391,376

## Financial statements 1 January - 31 December

### Notes

#### 1 Accounting policies

The annual report of ZyXEL Networks A/S for 2021 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act.

Pursuant to section 112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements. The financial statements of ZyXEL Networks A/S and its subsidiaries are included in the consolidated financial statements of ZyXEL Communications Corporation.

Pursuant to section 86(4) of the Danish Financial Statements Act, the Company has not prepared cash flow statement. The financial statements of ZyXEL Communications A/S and its subsidiaries are included in the consolidated financial statements of ZyXEL Communications Corporation.

#### 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.

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.

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.

##### Cost of goods sold

Cost of goods sold comprise costs, incurred in generating revenue for the year. Such costs include direct and indirect costs of consumables, as well as impairment losses on goods for resale.

##### 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 Parent Company, 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.

#### **Financial income and expenses**

Financial income and expenses comprise interest income and expense, gains and losses on payables and transactions in foreign currencies, 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**

###### ***Patents and licenses***

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.

##### **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

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

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.

## Financial statements 1 January - 31 December

### Notes

#### 1 Accounting policies (continued)

Investments in subsidiaries are measured at the proportionate share of the subsidiaries' net asset values calculated in accordance with the 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 Networks A/S are not recognised in the reserve for net revaluation.

#### 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.

## Financial statements 1 January - 31 December

### Notes

#### 1 Accounting policies (continued)

##### 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.

###### *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.

## Financial statements 1 January - 31 December

### Notes

#### 1 Accounting policies (continued)

##### Segment information

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

##### Financial ratios

Financial ratios are calculated in accordance with the guidelines "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

The financial ratios have been calculated as follows:

Gross margin	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$
Operating margin	$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$
Return on equity	$\frac{\text{Profit/loss from ordinary activities after tax} \times 100}{\text{Average equity}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$

## Financial statements 1 January - 31 December

### Notes

EUR	2021	2020
<b>2 Revenue</b>		
Denmark	3,582,766	3,802,590
The Nordic countries excluding Denmark	4,602,527	5,130,990
Europe excluding Denmark and the Nordics	73,415,432	64,677,273
Outside Europe	10,200,203	7,749,946
	<u>91,800,928</u>	<u>81,360,799</u>
<b>3 Fees paid to auditor appointed at the annual general meeting</b>		
Total fees to EY	65,342	67,066
Total fees to KPMG	0	102,236
	<u>65,342</u>	<u>169,302</u>
Fees can be specified as follows:		
Fee regarding statutory audit	58,497	59,333
Other assurance engagements	2,483	2,000
Tax assistance	2,013	2,000
Other assistance	2,349	105,969
	<u>65,342</u>	<u>169,302</u>
<b>4 Depreciation, amortisation and impairment losses</b>		
Intangible assets	551,032	343,023
Property, plant and equipment	10,600	5,963
	<u>561,632</u>	<u>348,986</u>
Depreciation and amortisation are recognised as follows in the consolidated financial statements and parent company financial statements:		
Administration	10,600	5,963
Distribution	551,032	343,023
	<u>561,632</u>	<u>348,986</u>
<b>5 Staff costs</b>		
Selling and distribution cost	7,804,345	7,479,162
Administrative expenses	1,440,547	1,301,158
	<u>9,244,892</u>	<u>8,780,320</u>
Total staff can be specified as follows:		
Salaries and remunerations, etc.	7,611,477	8,398,009
Pensions	408,658	294,418
Other social security costs	1,224,757	87,893
	<u>9,244,892</u>	<u>8,780,320</u>
Average number of full-time employees	<u>117</u>	<u>140</u>

## Financial statements 1 January - 31 December

### Notes

EUR	2021	2020
<b>6 Profit from subsidiaries</b>		
Share on profit	-32,269	-131,122
<b>7 Other financial income</b>		
Foreign exchange gain	763,447	49,694
Other financial income	1,946	21,134
	<u>765,393</u>	<u>70,828</u>
<b>8 Financial expenses</b>		
Interest expense loans	33,916	27,921
Foreign exchange losses	601,665	433,918
Other financial expenses	0	0
	<u>635,581</u>	<u>461,839</u>
<b>9 Tax on loss for the year</b>		
Current tax for the year	424,706	436,567
Deferred tax adjustment for the year	184,485	-145,669
	<u>609,191</u>	<u>290,898</u>
<b>10 Proposed profit distribution</b>		
Retained earnings	2,566,068	1,022,524
	<u>2,566,068</u>	<u>1,022,524</u>
<b>11 Intangible assets</b>		
EUR	2021	2020
Cost at 1 January	1,715,034	1,715,034
Adjustment	1,040,044	0
Cost at 31 December 2021	<u>2,755,078</u>	<u>1,715,034</u>
Amortisation and impairment losses at 1 January	966,427	623,405
Amortisation	942,421	343,023
Amortisation and impairment losses at 31 December	<u>1,908,848</u>	<u>966,428</u>
Carrying amount at 31 December	<u>846,230</u>	<u>748,606</u>

## Financial statements 1 January - 31 December

### Notes

EUR	2021	2020
<b>12 Property, plant and equipment</b>		
Cost at 1 January	35,718	27,502
Additions	9,369	8,216
Disposals	-5,302	0
Cost at 31 December 2020	39,785	35,718
Depreciation and impairment losses at 1 January	6,880	917
Depreciation for the year	11,900	5,963
Depreciation and impairment losses at 31 December	18,870	6,880
Carrying amount at 31 December	20,915	28,838
<b>13 Investments in subsidiaries</b>		
Cost at 1 January	5,027,217	5,027,217
Adjustment	290,442	0
Cost at 31 December	5,317,659	5,027,217
Valuation at 1 January	-777,703	-657,760
Foreign exchange adjustment	13,465	11,179
Net share of profit for the year	32,269	-131,122
Net revaluation at 31 December	-731,970	-777,703
Carrying amount at 31 December	4,585,690	4,249,514

Name/legal form	Registered office	Voting rights and ownership interest	Equity	Profit/loss for the year
ZyXEL Communications B.V. <sup>1</sup>	The Netherlands	100%	1,398,306	66,452
ZyXEL Communications Russia <sup>1</sup>	Russia	100%	51,684	16,213
ZyXEL France <sup>1</sup>	France	100%	2,067,365	73,645
			3,517,355	156,310

Carrying amount of investments in subsidiaries includes goodwill of EUR 233 thousand (2020: 307 thousand), which are depreciated over 7 years.

<sup>1</sup> 1) According to the latest approved financial statements for the financial year 1 January - 31 December 2020

## Financial statements 1 January - 31 December

### Notes

#### 14 Deferred tax assets

EUR	2021	2020
Deferred tax asset at 1 January	627,758	482,089
Deferred tax adjustment for the year in the income statement	-184,485	145,669
	443,273	627,758

The deferred tax asset is recognised at its full value as it is expected to be utilised within the next years according to the budgets and projections.

#### 15 Share capital

The share capital consists of 1 share of EUR 2,781,424 thousand.

The share does not carry special right.

#### 16 Warranty provisions

Warranty provisions comprise commitments relating to warranties on sold products.

#### 17 Contractual obligations and contingent liabilities, etc.

##### *Operating lease commitments*

Lease commitments (operating leases) that fall due within 3 years total EUR 47,096 thousand (2020: EUR 93,534 thousand).

##### *Contingent liabilities*

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.

The Company is jointly taxed with Zyxel Communications A/S. The Company has unlimited joint and several liability for payment of Danish corporation taxes. The jointly taxed entities' total known net liability in respect of corporation taxes payable amounted to DKK 6,842 thousand at 31 December 2021. Any subsequent corrections of the income subject to joint taxation may entail that the Company's liability will increase.

#### 18 Related parties

##### **Controlling interest**

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

Name	Registered office	Basis of influence
ZyXEL Networks Corporation	Industry East Road IX, Hsin-Chu, Taiwan	Parent company at 31 December 2021

##### **Related party transactions**

All transactions with related parties were carried out on an arm's length basis in accordance with section 98c(7) of the Danish Financial Statements Act.



## Financial statements 1 January - 31 December

### Notes

#### 19 Consolidation

ZyXEL Networks A/S and its subsidiaries are included in the consolidated financial statements of ZyXEL Networks Corporation, Taiwan (immediate and ultimate parent). The consolidated financial statements of ZyXEL Networks Corporation can be obtained by contacting the Company.