

ZyXEL Networks A/S

Gladsaxevej 378B
DK-2860 Søborg

CVR no. 40 40 79 60

Annual report 2023

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

28 June 2024

Torben Thomasen
Chairman of the annual general meeting

ZyXEL Networks A/S
Annual report 2023
CVR no. 40 40 79 60

Contents

Statement by the Board of Directors and the Executive Board

Independent auditor's report

Management's review

Company details
Financial highlights
Operating review

Financial statements 1 January – 31 December

Income statement
Balance sheet
Statement of changes in equity
Notes

ZyXEL Networks A/S
Annual report 2023
CVR no. 40 40 79 60

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 for ZyXEL Networks A/S for the financial year 1 January - 31 December 2023.

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 Company's assets, liabilities and financial position at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023.

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

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

Gladsaxe, 28 June 2024

Executive Board:

Jean-Marc Guignier
CEO

Board of Directors:

Shun-I Chu
Chairman

Torben Thomasen

Kuo-Long Yang



Independent auditor's report

To the shareholder 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 2023, comprising income statement, balance sheet, statement of changes in equity 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 Company's assets, liabilities and financial position at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' 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.

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

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that 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 the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made on the basis of these financial statements.

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

- identify and assess the risks of material misstatement of the company 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 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 Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 28 June 2024

KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Morten Høgh-Petersen
State Authorised Public Accountant
mne34283

ZyXEL Networks A/S
Annual report 2023
CVR no. 40 40 79 60

Management's review

Company details

ZyXEL Networks A/S
Gladsaxevej 378B
DK-2860 Søborg

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
Torben Thomasen
Kuo-Long Yang

Executive Board

Jean-Marc Guignier, CEO

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 København Ø
CVR no. 25 57 81 98

Management's review

Financial highlights

EUR'000	2023	2022	2021	2020	2019
Revenue	95,837	106,774	91,801	81,361	61,058
Gross profit	23,833	24,262	23,364	20,937	11,147
Operating profit	1,437	2,452	3,066	1,836	390
Profit/loss from financial income and expenses	197	-288	130	-391	61
Profit/loss for the year	436	1,873	2,556	1,023	-283
Total assets	49,428	63,677	52,368	52,389	52,883
Investments in property, plant and equipment	7	0	9	0	0
Equity	16,076	16,264	14,391	11,849	10,763
Gross margin	24.9%	22.7%	25.5%	25.7%	18.3%
Operating margin	1.5%	2.3%	3.3%	2.3%	0.5%
Return on equity	2.7%	0.0%	17.8%	8.6%	-2.6%
Solvency ratio	32.5%	25.5%	27.5%	22.6%	20.4%
Average number of full-time employees	111	108	117	140	9

The financial ratios have been calculated as follows:

Gross margin	$\frac{\text{Gross profit/Loss} \times 100}{\text{Revenue}}$
Operating margin	$\frac{\text{Profit/loss before financial income and expenses} \times 100}{\text{Revenue}}$
Return on equity	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$
Solvency ratio	$\frac{\text{Equity ex. non-controlling interests year end} \times 100}{\text{Total equity and liabilities at year end}}$

ZyXEL Networks A/S
Annual report 2023
CVR no. 40 40 79 60

Management's review

Operating 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, Germany, Switzerland, Netherlands, Belgium, Spain, the Nordics, various Central European countries, the UK and Ireland, Turkey, Middle East, Israel and Greece.

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, Netherlands, Belgium, France, Italy, Spain, UK, Germany, Turkey, Poland, Hungary and Czech Republic provide sales and technical support, etc., locally.

Development in activities and financial position

Profit for the year (including comparison with forecasts previously announced)

The group Revenue for sales activity in 2023 declined versus 2022, predominately due to the fact that in 2023 Zyxel Networks has checked-out from selling Consumer led business products, whereby we sold the remaining Consumer inventory with low margin in this financial year. This activity has also generated an impact on the global EMEA profitability.

The second consequence of this change was in our Turkish market, where sales of consumer products was predominant. In 2023 we are transitioning our product mix in the country to retain profitability. In the year we also saw expenses increasing in the region, as high inflation in the country also negatively impacted our global revenue and profitability.

Positively in FY23 we reduced our levels of inventory holding substantially YoY by EUR 11,324,143 to be more in line with our anticipated demand from customers, thereby increasing our inventory turnover ratio in 2023.

The Company's income statement for 2023 shows a profit of 436K EUR as against 1,874K EUR in 2022. Equity in the Company's balance sheet as at 31 December 2023 is 16,076K EUR against 16,265K EUR as at 31 December 2022. The development in revenue and profit for the year is considered satisfactory, considering the challenges we had as a result of excess levels of inventory in 2022.

The Group expected results for 2024 - revenue in the range of 105,000 - 111,500K EUR and profit is expected to improve versus 2023, as we improve our overall product margin following a drop in margin in 2023, as a result of selling high volumes of aged stock in 2023.

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.

Branches

ZyXEL Networks FI, Helsinki, registration: 3010254-2

ZyXEL Networks UK, Wokingham, registration: 7225912242

ZyXEL Networks SE, Stockholm, registration: 0771-567567

ZyXEL Networks DE, Würselen, registration: 202/5845/2209

ZyXEL Networks A/S
Annual report 2023
CVR no. 40 40 79 60

Management's review

Operating review

ZyXEL Networks PL, Warszawa, registration: 1080023474
ZyXEL Networks IT, San Mauro Torinese, registration: 12170270016
ZyXEL Networks HU, Budapest, registration: 27055199-2-41
ZyXEL Networks ES, Madrid, registration: W0082938B
ZyXEL Networks CZ, Praha, registration: 8523827
ZyXEL Networks TR, Istanbul, registration: 216659
ZyXEL Networks FR, Limonest, registration: 887 988 186
ZyXEL Networks BE, Mechelen, registration: 0778.287.51

Financial instruments

The Company's risk exposure

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 invoices and purchases goods mainly in EUR, however we also trade in GBP and USD. An exchange rate risk exists in the UK & Turkey where we trade in either GBP or USD. The risks are not hedged in financial instruments. The exchange risk related to sales in other countries is minimal.

The types of products sold by ZyXel Networks A/S are not specific to a limited range of customers, they cover a wide range of customer needs, under the main product categories such as Switch, Security, Wireless Networking. Therefore, our products are produced based on customer demand, and our general product lifecycle is not considered an ongoing risk due to our wide portfolio of products available and large customer base.

Events after the balance sheet date

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

Statement on corporate social responsibility

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

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, Netherlands, Belgium, UK, Germany, Turkey, 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 environmental, climate, human rights, social and staff matters, and anti-corruption and bribery are limited. Therefore, the Group does not have individual policies in EMEA.

ZyXel Networks A/S plans to implement customer and vendor ethics policy in 2024.

Management's review

Operating review

Statement on goals and policies for the underrepresented gender

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.

While these members have been elected based on aforementioned qualities, we do recognize that there are advantages of having a board comprising of a wide range of backgrounds, culture and gender.

The senior management team included 8 individuals in 2023, all of whom have been chosen with due respect to their professional experience, and relevant experience within Zyxel Network's industry. One of the senior managers are female. Below senior management level there is additional eight persons, where one individual is 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.

Our Managerial Positions

ZyXel Networks A/S aspires to have one of each gender in the final stage of the hiring processes. In 2024 we will continue to work towards making changes to the gender distribution in management roles to increase female representation to a more equal distribution.

	2023	2022	2021	2020	2019
Supreme management body					
Number of persons serving on the supreme management body	3	-	-	-	-
Target for the underrepresented gender on the supreme management body	33%	-	-	-	-
Annual figures for projected numbers	2027	-	-	-	-
Other management levels					
Number of persons serving on other management levels	8	-	-	-	-
Share of the underrepresented gender on other management levels	13%	-	-	-	-

Other management levels

As the Danish company has fewer than 50 employees in Denmark, no targets for other management levels are publicized.

Note the 'Other Management Levels' headcount summary does not reference contractual employment company, but the management responsibility within the Znet company based on actual decision making.

Reporting on data ethics

ZyXel Networks A/S is committed to following best practice when it comes to the ongoing management of our customer data, to ensure that we are adhering to ethical guidelines. 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. We are still in transition to fully implement the guidelines on ethical policies implemented in 2024, alongside our data protection policy that already fulfills GDPR compliance.

ZyXEL Networks A/S
Annual report 2023
CVR no. 40 40 79 60

Management's review

Operating review

ZyXel Communications A/S plans to fully implement the new data ethics policy in 2024 to support and complement our current data protection policy.

ZyXEL Networks A/S
Annual report 2023
CVR no. 40 40 79 60

Financial statements 1 January – 31 December

Income statement

EUR'000	Note	2023	2022
Revenue	2	95,837	106,774
Production costs		<u>-72,004</u>	<u>-82,512</u>
Gross profit		23,833	24,262
Distribution costs	3,4	-18,066	-17,094
Administrative expenses	3,4,5	<u>-4,330</u>	<u>-4,716</u>
Profit before financial income and expenses		1,437	2,452
Income from investments in group entities		-314	131
Other financial income	6	272	28
Other financial expenses	7	<u>-75</u>	<u>-316</u>
Profit before tax		1,320	2,295
Tax on profit for the year	8	<u>-884</u>	<u>-422</u>
Profit for the year	9	<u>436</u>	<u>1,873</u>

Financial statements 1 January – 31 December

Balance sheet

EUR'000	Note	31/12 2023	31/12 2022
ASSETS			
Fixed assets			
Intangible assets	10		
Acquired intangible assets		0	479
Property, plant and equipment	11		
Fixtures, fittings, tools and equipment		14	14
Investments			
Equity investments in group entities	12	2,612	4,524
Total fixed assets		<u>2,626</u>	<u>5,017</u>
Current assets			
Inventories			
Finished goods and goods for resale		22,566	31,282
Receivables			
Trade receivables		20,319	20,369
Deferred tax assets	13	59	823
Other receivables		597	1,078
		<u>20,975</u>	<u>22,270</u>
Cash at bank and in hand		3,261	5,108
Total current assets		<u>46,802</u>	<u>58,660</u>
TOTAL ASSETS		<u><u>49,428</u></u>	<u><u>63,677</u></u>

Financial statements 1 January – 31 December

Balance sheet

EUR'000	Note	31/12 2023	31/12 2022
EQUITY AND LIABILITIES			
Equity			
Contributed capital	14	2,781	2,781
Retained earnings		13,295	13,483
Total equity		<u>16,076</u>	<u>16,264</u>
Provisions			
Other provisions	15	2,032	1,703
Total provisions		<u>2,032</u>	<u>1,703</u>
Liabilities other than provisions			
Current liabilities other than provisions			
Trade payables		397	1,009
Payables to group entities		26,609	38,933
Other payables, including taxes payable		4,314	5,768
		<u>31,320</u>	<u>45,710</u>
Total liabilities other than provisions		<u>31,320</u>	<u>45,710</u>
TOTAL EQUITY AND LIABILITIES		<u>49,428</u>	<u>63,677</u>

ZyXEL Networks A/S
Annual report 2023
CVR no. 40 40 79 60

Financial statements 1 January – 31 December

Statement of changes in equity

EUR'000	Contributed capital	Retained earnings	Total
Equity at 1 January 2023	2,781	13,484	16,265
Exchange adjustment	0	-625	-625
Transferred over the profit appropriation	0	436	436
Equity at 31 December 2023	2,781	13,295	16,076

ZyXEL Networks A/S
Annual report 2023
CVR no. 40 40 79 60

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of ZyXEL Networks A/S for 2023 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 financial statements are consistent with those of last year. However, minor changes have been made to the comparative figures.

Omission of presentation of consolidated financial statements

Pursuant to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The financial statements of ZyXEL Networks A/S and group entities are included in the consolidated financial statements of ZyXEL Communication Corporation, 11F., No. 225, Sec 3, Beixin Rd., Zindian Dist., New Taipei City 23143, Taiwan.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of ZyXEL Communication 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 and associates that 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, is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received. The date of transfer of the most significant benefits and risks is determined using standard Incoterms ©2020

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are deducted from revenue.

Financial statements 1 January – 31 December

Notes

1 Accounting policies

Production costs

Production costs 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 equity investments in group entities

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 denominated in foreign currencies, as well as surcharges and refunds under the on account tax scheme, etc.

Tax on profit for the year

The Parent Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. The subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

The Parent Company is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have used the losses to reduce their own taxable profit.

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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies

Balance sheet

Intangible assets

Patents, licences and trademarks

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 the 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 of the estimated useful life. The estimated useful lives are as follows:

Fixtures, fittings, 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

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 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.

Investment 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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities 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 net cash flows from the use of the asset or the group of assets, including forecast net 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, write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's credit risk management policy. The objective indicators used in relation to portfolios are determined on the basis of historical loss experience.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in 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 measured on the planned use of the asset or settlement of the liability, respectively. However, deferred tax is not recognised on temporary differences relating to office buildings non-deductible for tax purposes and other items where temporary differences arise at the date of acquisition without affecting either profit/loss 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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Cash at bank and in hand

Cash at bank and in hand comprise cash and bank deposits.

Equity

Net revaluation reserve according to the equity method

Net revaluation reserve according to the equity method comprises net revaluation of equity investments in subsidiaries and associates in proportion to cost.

The reserve can be eliminated in case of loss, realisation of equity investments or changes to accounting estimates.

The reserve cannot be recognised at a negative amount.

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 value in use.

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 amortised cost.

Segment information

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

Financial statements 1 January – 31 December

Notes

2 Segment information

Geographical - secondary segment

EUR'000	Denmark	The Nordic countries excluding Denmark	Europe excluding Denmark and the Nordics	Outside Europe	Total
2023					
Revenue	3,721	5,525	82,216	4,374	95,836
2022					
Revenue	3,408	5,812	86,187	11,367	106,774

3 Staff costs

EUR'000	2023	2022
Wages and salaries	8,013	7,674
Pensions	450	422
Other social security costs	1,311	1,459
	<u>9,774</u>	<u>9,555</u>
Staff costs are recognised in the financial statements as follows:		
Distribution costs	8,509	8,284
Administrative expenses	1,265	1,271
	<u>9,774</u>	<u>9,555</u>
Average number of full-time employees	<u>111</u>	<u>108</u>

4 Depreciation of property, plant and equipment and amortisation of intangible assets

EUR'000	2023	2022
Amortisation of intangible assets	0	368
Depreciation of property, plant and equipment	8	7
	<u>8</u>	<u>375</u>
Depreciation, amortisation and impairment losses can be specified as follows:		
Administrative expenses	8	375
	<u>8</u>	<u>375</u>

5 Fees to auditors appointed at the annual general meeting

Fee to the auditor appointed at the general meeting has not been disclosed in accordance with section 96 (3) of the Danish Financial Statements Act. Reference is made to the Consolidated Financial Statements of ZyXEL Communications Corporation.

Financial statements 1 January – 31 December

Notes

6 Other financial income

EUR'000	2023	2022
Exchange gains	81	0
Other adjustments of financial income	191	28
	<u>272</u>	<u>28</u>

7 Other financial expenses

EUR'000	2023	2022
Exchange losses	0	121
Other financial expenses	75	195
	<u>75</u>	<u>316</u>

8 Tax on profit for the year

EUR'000	2023	2022
Current tax for the year	121	917
Deferred tax adjustment for the year	63	-464
Adjustment of tax concerning previous years	0	-31
Adjustment of deferred tax concerning previous years	700	0
	<u>884</u>	<u>422</u>

9 Proposed profit appropriation

EUR'000	2023	2022
Retained earnings	436	1,873
	<u>436</u>	<u>1,873</u>

10 Intangible assets

EUR'000	Acquired intangible assets
Cost at 1 January 2023	2,755
Transferred	-2,755
Cost at 31 December 2023	0
Amortisation and impairment losses at 1 January 2023	-2,276
Transfers for the year	2,276
Amortisation and impairment losses at 31 December 2023	0
Carrying amount at 31 December 2023	<u>0</u>

ZyXEL Networks A/S
Annual report 2023
CVR no. 40 40 79 60

Financial statements 1 January – 31 December

Notes

11 Property, plant and equipment

EUR'000	Fixtures, fittings, tools and equipment
Cost at 1 January 2023	40
Additions	7
Cost at 31 December 2023	47
Depreciation and impairment at 1 January 2023	-26
Depreciation for the year	-7
Depreciation and impairment at 31 December 2023	-33
Carrying amount at 31 December 2023	14

Financial statements 1 January – 31 December

Notes

12 Investments

EUR'000	Equity investments in group entities
Cost at 1 January 2023	5,125
Transfers for the year	2,363
Cost at 31 December 2023	7,488
Revaluations at 1 January 2023	-601
Profit/loss for the year	7
Dividends distributed	-1,949
Amortisation of goodwill	-322
Other adjustments	265
Transfers for the year	-2,276
Revaluations at 31 December 2023	-4,876
Carrying amount at 31 December 2023	2,612

Name/legal form	Registered office	Equity interest	Equity EUR'000	Profit/loss for the year EUR'000
Equity investments in group entities:				
ZyXEL Communications B.V.	The Netherlands	100%	326	55
ZyXEL Communications Russia	Russia	100%	90	-1
ZyXEL France	France	100%	1,815	592
			<u>2,231</u>	<u>646</u>

Carrying amount of investments in subsidiaries includes goodwill and rights of EUR 361 thousand (2022: EUR 683 thousand), which are depreciated over 7 years.

According to the latest approved financial statements for the financial year 1 January - 31 December.

13 Deferred tax assets

EUR'000	31/12 2023	31/12 2022
Deferred tax at 1 January	823	443
Deferred tax adjustment for the year in the income statement	-764	380
	<u>59</u>	<u>823</u>

14 Contributed capital

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

The share does not carry special right.

Financial statements 1 January – 31 December

Notes

15 Other provisions

EUR'000	31/12 2023	31/12 2022
Other provisions at 1 January 2023	1,703	1,689
Change provision current year	329	14
Other provisions at 31 December 2023	2,032	1,703

16 Contractual obligations, contingencies, etc.

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. Any subsequent corrections of the income subject to joint taxation may entail that the Company's liability will increase.

Operating lease obligations

Lease commitments (operating leases) that fall due within 3 years total EUR 221 thousand (2022: EUR 0 thousand).

17 Related parties disclosure

ZyXEL Networks A/S' related parties comprise the following:

Control

ZyXEL Networks Corporation, 11f., No. 225, Sec 3, Beixin Rd., Zindian Dist., New taipei City 23143, Taiwan.

ZyXEL Networks Corporation holds the majority of the contributed capital in the Company.

ZyXEL Networks A/S is part of the consolidated financial statements of ZyXEL Networks Corporation, 11F., No. 225, Sec 3, Beixin Rd., Zindian Dist., New Taipei City 23143, Taiwan, which is the smallest and largest group, respectively, in which the Company is included as a subsidiary.

The consolidated financial statements of ZyXEL Networks Corporation can be obtained by contacting the Company at the address above.

Related party transactions

EUR'000	31/12 2023	31/12 2022
Purchase of goods from the Parent Company	59,936	88,670
Sale of goods to subsidiaries	697	2,886

Receivables and payables to affiliated companies are disclosed in the balance sheet, and financial income and expenses are disclosed in notes 6 and 7.