

# **Freescale Semiconductor Danmark A/S**

Annual report 2015

Dronninggaards Allé 136, 2840 Holte

CVR no. 10 21 27 74

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## **Statement by the Board of Directors and the Executive Board**

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

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

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January - 31 December 2015.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Copenhagen, 24 February 2016

Executive Board:

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Steve Wainwright

Board of Directors:

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Rene Bos

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Martin Burns

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Pascale Diez

## Independent auditors' report

### To the shareholders of Freescale Semiconductor Danmark A/S

#### Independent auditors' report on the financial statements

We have audited the financial statements of Freescale Semiconductor Danmark A/S for the financial year 1 January – 31 December 2015. The financial statements comprise accounting policies, income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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

Management is responsible for the preparation and presentation 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.

#### *Auditors' responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

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

Our audit has not resulted in any qualification.

#### *Opinion*

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

#### Statement on the Management's review

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

Aarhus, 24 February 2016

**KPMG**

Statsautoriseret Revisionspartnerselskab

CVR no: 25 57 81 98

**Steffen S. Hansen**  
**State Authorised**  
**Public Accountant**

## Management's review

### Company details

Freescale Semiconductor Danmark A/S  
Dronninggaards Alle 136  
2840 Holte

Telephone: 45 47 50 49

CVR no.: 10 21 27 74  
Established: 21 April 1986  
Registered office: Rudersdal  
Financial year: 1 January - 31 December

### Board of Directors

Randy Hyzak (Resigned Feb 2016)  
Rene Bos (Appointed: Feb 2016)  
Martin Burns  
Pascale Diez

### Executive Board

Steve Wainwright

### Auditors

KPMG  
Statsautoriseret Revisionspartnerselskab  
Bredskifte Allé 13  
8210 Aarhus V  
CVR no: 25 57 81 98

### Annual general meeting

The annual general meeting is to be held on Wednesday 24<sup>th</sup> February 2016.

## Management's review

### Financial highlights

	2015	2014	2013	2012	2011
<b>Key figures</b>					
Gross profit	3.588	2.583	863	767	1.152
Ordinary operating profit	193	155	115	63	119
Profit/loss from financial income and expenses	161	180	5.816	5.603	1.166
Dividend from subs	-	-	138.388	-	-
Profit/loss from ordinary operations	406,185	-71.724	626.538	-36.652	22.835
<b>Profit/loss for the year</b>	<b>406,185</b>	<b>-71.724</b>	<b>626.538</b>	<b>-36.652</b>	<b>22.835</b>
<b>Total assets</b>	<b>692,316</b>	<b>285.883</b>	<b>357.127</b>	<b>942.769</b>	<b>985.858</b>
<b>Equity</b>	<b>691,390</b>	<b>285.135</b>	<b>356.859</b>	<b>942.596</b>	<b>979.247</b>
<b>Financial ratios</b>					
Solvency ratio	99,9%	99,7 %	99,9 %	99,9 %	99,3 %
Return on equity	83,2%	-22,3 %	96,4 %	-3,8 %	2,3 %
Ordinary operating profit as a percentage of gross profit	5,4%	6,0 %	13,3 %	8,2 %	10,3 %
<b>Average number of full-time employees</b>	<b>4</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>1</b>

## Management's review

### Operating review

#### Principal activities of the Company

The principal activities of the company are to develop embedded semiconductors in relation to the automotive, networking, consumer and industrial markets as well as supporting the sales of Freescale products.

#### Development in activities and financial position

The company reported an operating gain of 193 thousand DKK and a profit before tax of 406,185 thousand DKK.

The profit is mainly due to the value adjustment of the carrying value of investments in subsidiaries by 406 million DKK (reversal of write downs of subsidiaries in previous years). This year external valuations were performed on each of the subsidiaries and these have been used as the basis for the value adjustments to the carrying values.

The reversal of write downs is partly caused by increased equity in the subsidiaries and strengthened Pound Sterling compared to Danish Kroner.

In 2015, Freescale Semiconductor Danmark A/S received no dividends from its subsidiaries.

### Outlook

On December 07, 2015 NXP Semiconductors N.V. and Freescale Semiconductor, Ltd. completed the merger pursuant to the terms of the previously announced merger agreement from March 2015. The merger has created a high performance mixed signal semiconductor industry leader, with combined revenue of over \$10 billion. The merged entity will continue operations as NXP Semiconductors N.V. and has become the market leader in automotive semiconductor solutions and in general purpose microcontroller products.

Commencing in 2016 the merged company will undertake steps to consolidate subsidiary entities into the corporate structure below the parent NXP Semiconductors N.V., align the local management boards and rename subsidiaries with the NXP identity.

### Events after the balance sheet date

On February 09, 2016 the company registered a secondary name under NXP Semiconductors Danmark A/S and 100% of share capital and voting rights was transferred to NXP Holdco BV.

No other events have occurred from the balance sheet date and up until today significantly changing our assessment of the financial statements.

## Financial statements for the period 1 January - 31 December

### Accounting policies

The annual report of Freescale Semiconductor Danmark A/S for 2015 has been prepared in accordance with the provisions applying to reporting class B enterprises under the Danish Financial Statements Act.

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

Pursuant to Section 112 subsection 2 of the Danish Financial Statements Act, consolidated accounts have not been prepared as the company and subsidiary companies are included in the consolidated accounts for Freescale Semiconductor Ltd, (SEC commission file no 001-35184).

### Recognition and measurement

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

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

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

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

Income is recognized in the income statement as earned, including value adjustments of financial assets and liabilities recognized. Equally, costs incurred to generate the year's earnings are recognized, including depreciation, impairment and allowances as well as reversals as a result of changes in accounting estimates of amounts which were previously recognized in the income statement.

### Foreign currency translation

At 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 at the date of payment are recognized in the income statement as non-operating income or non-operating expenses.

Receivables and 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 at the date at which the receivable or payable arose or was recognized in the latest financial statements is recognized in the income statement as non-operating income or non-operating expenses.

Non-current assets purchased in foreign currencies are translated at the exchange rates at the transaction date.



**Derivative financial instruments**

Derivative financial instruments are initially recognized in the balance sheet at cost and are subsequently measured at fair value.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognized asset or liability are recognized in the income statement together with changes in the value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets and liabilities are recognized as receivables or liabilities and in the capital and reserves.

Recognition of assets or liabilities relating to such hedging transactions previously recognized directly in the capital and reserves, are transferred to the cost of the asset or liability respectively.

Income and expenses relating to such hedging transactions are transferred from the capital and reserves on realization of the hedged item and are recognized in the income statement in the period as the hedged item affects the income/loss.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognized in the income statement when they occur.

Changes in the fair value of derivative financial instruments used for hedging net investments in independent foreign subsidiaries are recognized directly in the capital and reserves.

**Financial ratios**

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2010".

The financial ratios stated in the survey of financial highlights have been calculated as follows and expressed as a percentage:

Solvency ratio                      Equity at year end / Total equity and liabilities at year end

Return on equity                    Profit from ordinary activities after tax / Average equity

**Income statement****Revenue**

Net sales include invoiced sales for the year adjusted for any changes in the value of contract development work in process.

Pursuant to Section 32 of the Danish Financial Statements Act, net sales are not disclosed in the annual report.

**Financial income and expenses**

Non-operating income and non-operating expenses comprise interest income and expense, gains and losses in respect of securities, payables and transactions denominated in foreign currencies,

amortization of financial assets and liabilities as well as surcharges and allowances under the on-account tax scheme, etc.

Interest expense and other expenses relating to loans raised to finance the production of intangibles and property, plant and equipment and which concern the production period are not included in cost.

**Tax on profit/loss**

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the income/loss for the year is recognized in the income statement, and the tax expense relating to changes directly recognized in stockholder's equity is recognized directly in stockholder's equity.

**Balance sheet****Investments in subsidiaries**

Investments in subsidiary companies are measured at cost. Where the net realizable value is lower than cost, investments are impaired to this lower value.

Cost is written down to the extent that distributed dividends exceed accumulated earnings after the acquisition date.

**Receivables**

Receivables are measured at amortized cost. Anticipated losses are written down to net realizable value.

**Prepayments, assets**

Prepaid expenses comprise costs incurred concerning subsequent fiscal years.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash.

**Equity - dividends**

Proposed dividends are recognized 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 is disclosed as a separate item under stockholders' equity.

**Corporation tax and deferred tax**

Current tax payable and receivable is recognized 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 value and the tax base of assets and liabilities. However, deferred tax is not recognized on temporary differences relating to office premises and other items which are not deductible for tax purposes and where temporary differences arise at the date of acquisition without affecting either income/loss for the year or taxable income.

Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognized at the expected value of their utilization; either as a set-off against tax on future income or as a set-off against deferred tax liabilities.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallize current tax. The change in deferred tax as a result of changes in tax rates is recognized in the income statement.

**Liabilities other than provisions**

Liabilities are measured at net realizable value.

## Financial statements for the period 1 January - 31 December

### Income statement

DKK'000	Note	2015	2014
<b>Gross profit</b>		3,588	2.583
Staff costs	1	-3,395	-2,428
<b>Ordinary operating profit</b>		193	155
Income /(expense) from investments in group enterprises		405,831	-72.059
Financial income from group enterprises		3	2
Other financial income		158	178
<b>Profit/(loss) from before tax</b>		406,185	-71.724
Tax on profit/loss from ordinary activities		0	0
<b>Profit/(loss) for the year</b>		406,185	-71.724
<b>Proposed profit appropriation/distribution of profit</b>			
Proposed dividends		0	0
Retained earnings		406,185	-71.724
		406,185	-71.724

## Financial statements for the period 1 January - 31 December

### Balance sheet

DKK'000	Note	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Investments</b>	2		
Investments in subsidiary companies		677,606	271.775
<b>Total non-current assets</b>		<u>677,606</u>	<u>271.775</u>
<b>Current assets</b>			
<b>Receivables</b>			
Amounts owed by group enterprises		13.159	11.832
Other receivables		32	50
		<u>13.191</u>	<u>11.882</u>
<b>Cash at bank and in hand</b>		1.519	2.226
<b>Total current assets</b>		<u>14.710</u>	<u>14.108</u>
<b>TOTAL ASSETS</b>		<u><u>692,316</u></u>	<u><u>285.883</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Contributed capital	3	223.359	223.359
Retained earnings		468,031	61.776
<b>Total equity</b>		<u>691,390</u>	<u>285.135</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables		30	20
Other payables		896	728
		<u>926</u>	<u>748</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>692,316</u></u>	<u><u>285.883</u></u>
<b>Deferred tax</b>	4		
<b>Related party disclosures</b>	5		

## Financial statements for the period 1 January - 31 December

### Notes to the financial statements

DKK'000	2015	2014
<b>1 Staff costs</b>		
Wages and Salaries	3,177	2.289
Other social security costs	218	139
	3,395	2.428

Average number of full-time employees	4	3
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### 2 Investments in subsidiaries

Cost at 1 January	733.094	733.094
Write-down of cost	0	0
Disposals	0	0
Cost at 31 December	733.094	733.094
Value adjustments at 1 January	-461.319	-389.260
Value adjustments for the year	405.831	-72.059
Value adjustments at 31 December	-55.488	-461.319
Carrying amount at 31 December	677,606	271.775

Name and registered office	Ownership	Equity	Profit/loss for the year
		DKK'000	DKK'000
Freescale Halbleiter Deutschland GmbH, Germany	84,16 %	169.385	5.924
Freescale Semiconducteurs France SAS, France	99,98 %	459.745	3.400
Freescale Semiconductor Holding UK Limited, UK	100 %	86.589	16.904
<b>Carrying amount at 31 December 2015</b>		715.719	26.228

### 3 Equity

DKK'000	Share capital	Capital Contribution Stock Based Compensation	Retained Earnings	Proposed Dividends	Total
<b>Equity at 1 January 2015</b>	223.359	0	61.776	0	285.135
Additional paid in capital (re equity)	0	70	0	0	70
Transferred, cf. profit appropriation	0	0	406,185	0	406,185
<b>Equity at 31 December 2015</b>	223.359	70	467,961	0	691,390

Except the capital increase in 2005, there have not been any transactions to the common stock in the past financial years.

#### **4 Deferred tax assets**

The Company has a deferred tax assets totalling 39,148 thousand DKK which have not been recognised in balance sheet. The Executive Board consider it unlikely that the Company will be able to use it within the next 3-5 years

#### **5 Related party disclosures**

Freescale Semiconductor Danmark A/S' related parties comprise the following:

##### **Parties exercising control**

NXP Holdco B.V., Eindhoven, The Netherlands which is majority stockholder (owns the common stock 100%).

##### **Other related parties that the Company has had transactions with**

CEO and Supervisory Board

The subsidiary companies Freescale Halbleiter Deutschland GmbH, Freescale Semiconducteurs SAS and Freescale Semiconductor Holding UK Limited, compare note 3.

Other fellow subsidiary companies within NXP Semiconductor N.V.

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

Transactions and interests on the loan were effected on an arm's length basis.

The company's principal activities consist of supporting the sales of Freescale products. Settlement thereof was effected on an arm's length basis.

##### **Ownership**

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the voting rights or minimum 5% of the share capital:

NXP Holdco B.V.

High Tech Campus 60

5656AG Eindhoven

The Netherlands (KVK-no. 65203631)

The company and subsidiary companies are included in the consolidated financial statements of NXP Semiconductor N.V.