

Deloitte.

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Altera Denmark Technology Centre A/S
Central Business Registration No
26206723
Hørkær 12 A
2730 Herlev

Annual report 2015

The Annual General Meeting adopted the annual report on

7/6-2016

Chairman of the General Meeting


Name: Morten Skjønnemand
Advokat

Gorrissen Federspiel
H.C. Andersens Boulevard 12
1553 København V

Member of Deloitte Touche Tohmatsu Limited

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Please note that Danish decimal and digit grouping symbols have been used in the financial statements.

Entity details

Entity

Altera Denmark Technology Centre A/S
Hørkær 12 A
2730 Herlev

Central Business Registration No: 26206723

Registered in: Herlev, Denmark

Financial year: 01.01.2015 - 31.12.2015

Board of Directors

Nicholas John Hudson, Chairman

Jonathan Laurence Weeks

David John Miles

Tiffany Doon Silva

Executive Board

David John Miles, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

Postboks 1600

0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Altera Denmark Technology Centre A/S for the financial year 01.01.2015 - 31.12.2015.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2015 and of the results of its operations for the financial year 01.01.2015 - 31.12.2015.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 31.05.2016

Executive Board



David John Miles
Chief Executive Officer

Board of Directors



Nicholas John Hudson
Chairman



Jonathan Laurence Weeks



David John Miles

Tiffany Doon Silva

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Executive Board


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Chief Executive Officer

Board of Directors

Nicholas John Hudson
Chairman


Tiffany Doon Silva


Jonathan Laurence Weeks


David John Miles

Independent auditor's reports

To the owner of Altera Denmark Technology Centre A/S

Report on the financial statements

We have audited the financial statements of Altera Denmark Technology Centre A/S for the financial year 01.01.2015 - 31.12.2015, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity 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 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.

Auditor's 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 about 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 auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity'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 Entity'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 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 audit 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 31.12.2015 and of the results of its operations for the financial year 01.01.2015 - 31.12.2015 in accordance with the Danish Financial Statements Act.

Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. 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 commentary is consistent with the financial statements.

Independent auditor's reports

Copenhagen, 31.05.2016

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No 33963556


Anders O. Gjelstrup
State Authorised Public Accountant

Management commentary

Primary activities

Altera Denmark Technology Centre A/S provides technical and administrative support to its ultimate parent, Altera Corporation.

Altera Denmark Technology Centre A/S also grants rights and licences to Altera Corporation, Altera International Limited and Altera European Trading Co Ltd and gains royalty income from these activities.

Development in activities and finances

The Altera organisation continues to accelerate and expand its Optical Transport Network (“OTN”) solutions roadmap to support the increasing pipeline of customer designs. The Altera organisation is leading the OTN industry’s evolution beyond 100G by delivering flexible solutions not possible in Application-Specific Standard Products (“ASSPs”) with increased levels of performance and integration. ADTC technology and engineers allow the Altera organisation to rapidly provide customers with flexible, scalable solutions in a fast-growing market with changing protocols and evolving standards.

Outlook

Revenue and other operating income for the period is DKK 46.8 million. Gross profit amounts to DKK 41.5 million. Profit for the financial period is DKK 13.1 million.

Altera Denmark Technology Centre A/S continues to focus on research and development activities which will result in an increase of expenses.

No further events that would influence the evaluation of this annual report have occurred after the balance sheet date to this date.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied for these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Revenue

Revenue is recognised in the income statement when delivery of services is made to the buyer. Revenue is recognised net of duties and sales discounts and is measured at fair value of the consideration fixed. The services being recognised represent the invoiced value of services provided to fellow group enterprises on a cost plus percentage basis under a service agreement.

Accounting policies

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including royalty income which derives from rights and licenses granted to Altera Corporation, Altera International Limited and Altera European Trading Co Ltd.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for Entity staff.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial period, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of property, plant and equipment.

Other financial income

Other financial income comprise interest income, realised and unrealised gains regarding transactions in foreign currencies etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, late payment interest, bank-related charges, offset against net capital gains on payables and transactions in foreign currencies.

Income taxes

Tax for the period, which consists of current tax for the period and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the period and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise acquired patents and licenses.

Accounting policies

Acquired patents and licenses are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, but over no more than 20 years.

Acquired patents and licenses are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

The cost of property, plant and equipment comprises the purchase price plus any expenses related to the acquisition. Depreciation is provided at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life as follows:

Fixtures, fittings and operating equipment 3-5 years

Receivables

Receivables are measured at amortised cost, usually equaling nominal value after bad debts write-off, VAT receivables and intercompany receivables balances.

Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises bank deposits.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income statement for 2015

| | <u>Notes</u> | <u>2015 DKK</u> | <u>2014 DKK'000</u> |
|--|--------------|--------------------------|-------------------------|
| Revenue | | 38.910.638 | 42.816 |
| Other operating income | | 7.880.176 | 7.683 |
| Other external expenses | | <u>(5.310.485)</u> | <u>(5.727)</u> |
| Gross profit/loss | | 41.480.329 | 44.772 |
| Staff costs | 1 | (26.929.330) | (33.038) |
| Depreciation, amortisation and impairment losses | | <u>(1.586.358)</u> | <u>(1.726)</u> |
| Operating profit/loss | | 12.964.641 | 10.008 |
| Other financial income | | 0 | 30 |
| Other financial expenses | | <u>(2.099.266)</u> | <u>(82)</u> |
| Profit/loss from ordinary activities before tax | | 10.865.375 | 9.956 |
| Tax on profit/loss from ordinary activities | 2 | <u>2.220.749</u> | <u>(332)</u> |
| Profit/loss for the year | | <u>13.086.124</u> | <u>9.624</u> |
| Proposed distribution of profit/loss | | | |
| Retained earnings | | <u>13.086.124</u> | <u>9.625</u> |
| | | <u>13.086.124</u> | <u>9.625</u> |

Balance sheet at 31.12.2015

| | <u>Notes</u> | <u>2015 DKK</u> | <u>2014 DKK'000</u> |
|--|--------------|---------------------|-------------------------|
| Acquired patents | | 244.605 | 664 |
| Intangible assets | 3 | 244.605 | 664 |
| Other fixtures and fittings, tools and equipment | | 2.752.244 | 2.704 |
| Property, plant and equipment | 4 | 2.752.244 | 2.704 |
| Other receivables | | 174.946 | 175 |
| Fixed asset investments | | 174.946 | 175 |
| Fixed assets | | 3.171.795 | 3.543 |
| Receivables from group enterprises | | 2.879.834 | 410 |
| Other short-term receivables | | 179.946 | 309 |
| Income tax receivable | | 937.500 | 0 |
| Prepayments | | 100.733 | 89 |
| Receivables | | 4.098.013 | 808 |
| Cash | | 24.478.966 | 24.110 |
| Current assets | | 28.576.979 | 24.918 |
| Assets | | 31.748.774 | 28.461 |

Balance sheet at 31.12.2015

| | <u>Notes</u> | <u>2015 DKK</u> | <u>2014 DKK'000</u> |
|--|--------------|---------------------|-------------------------|
| Contributed capital | 5 | 96.296.015 | 96.296 |
| Retained earnings | | <u>(82.414.954)</u> | <u>(95.501)</u> |
| Equity | | <u>13.881.061</u> | <u>795</u> |
| | | | |
| Current portion of long-term liabilities other than provisions | | 0 | 875 |
| Trade payables | | 484.962 | 674 |
| Debt to group enterprises | | 8.310.045 | 13.832 |
| Income tax payable | | 0 | 332 |
| Other payables | 6 | <u>9.072.706</u> | <u>11.953</u> |
| Current liabilities other than provisions | | <u>17.867.713</u> | <u>27.666</u> |
| | | | |
| Liabilities other than provisions | | <u>17.867.713</u> | <u>27.666</u> |
| | | | |
| Equity and liabilities | | <u>31.748.774</u> | <u>28.461</u> |
| | | | |
| Contingent liabilities | 7 | | |
| Related parties with control | 8 | | |

Statement of changes in equity for 2015

| | Contributed capital DKK | Retained ear- nings DKK | Total DKK |
|---------------------------|--|--|----------------------|
| Equity beginning of year | 96.296.015 | (95.501.078) | 794.937 |
| Profit/loss for the year | 0 | 13.086.124 | 13.086.124 |
| Equity end of year | 96.296.015 | (82.414.954) | 13.881.061 |

Notes

| | <u>2015</u> DKK | <u>2014</u> DKK'000 |
|-----------------------------|--------------------|------------------------|
| 1. Staff costs | | |
| Wages and salaries | 26.773.540 | 32.849 |
| Other social security costs | <u>155.790</u> | <u>189</u> |
| | <u>26.929.330</u> | <u>33.038</u> |

| | <u>2015</u> DKK | <u>2014</u> DKK'000 |
|--|--------------------|------------------------|
| 2. Tax on ordinary profit/loss for the year | | |
| Current tax | 0 | 332 |
| Adjustment relating to previous years | <u>(2.220.749)</u> | <u>0</u> |
| | <u>(2.220.749)</u> | <u>332</u> |

At 01.01.2015, the Entity had tax assets of DKK 34.531k due to tax losses generated in prior years. The tax assets at 31.12.2015 are DKK 26.985k. The tax assets are not recognised in the financial statements.

In the financial year the Entity has received DKK 1.250k from the Danish tax authorities regarding tax refund for its research and development activities and expects a tax refund of DKK 938k in 2016.

| | <u>Acquired patents DKK</u> |
|--|-------------------------------------|
| 3. Intangible assets | |
| Cost beginning of year | <u>1.257.967</u> |
| Cost end of year | <u>1.257.967</u> |
| Amortisation and impairment losses beginning of year | (594.040) |
| Amortisation for the year | <u>(419.322)</u> |
| Amortisation and impairment losses end of year | <u>(1.013.362)</u> |
| Carrying amount end of year | <u>244.605</u> |

Notes

| | Other fixtures and fittings, tools and equipment DKK |
|---|---|
| 4. Property, plant and equipment | |
| Cost beginning of year | 5.059.578 |
| Additions | <u>1.214.317</u> |
| Cost end of year | <u>6.273.895</u> |
| Depreciation and impairment losses beginning of the year | (2.355.509) |
| Depreciation for the year | <u>(1.166.142)</u> |
| Depreciation and impairment losses end of the year | <u>(3.521.651)</u> |
| Carrying amount end of year | <u>2.752.244</u> |

| | <u>Number</u> | <u>Par value DKK</u> | <u>Nominal value DKK</u> |
|-------------------------------|--------------------------|----------------------|--------------------------|
| 5. Contributed capital | | | |
| Ordinary shares | <u>96.296.015</u> | 1,00 | <u>96.296.015</u> |
| | <u>96.296.015</u> | | <u>96.296.015</u> |

| | <u>2015 DKK</u> | <u>2014 DKK</u> | <u>2013 DKK</u> | <u>2012 DKK</u> | <u>2011 DKK</u> |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Changes in contributed capital | | | | | |
| Contributed capital beginning of year | 96.296.015 | 96.296.015 | 96.296.014 | 96.296.014 | 96.296.014 |
| Increase of capital | <u>0</u> | <u>0</u> | <u>1</u> | <u>0</u> | <u>0</u> |
| Contributed capital end of year | <u>96.296.015</u> | <u>96.296.015</u> | <u>96.296.015</u> | <u>96.296.014</u> | <u>96.296.014</u> |

Notes

6. Other short-term payables

| | <u>2015</u> <u>DKK</u> | <u>2014</u> <u>DKK'000</u> |
|----------------------------------|---------------------------|-------------------------------|
| Holiday allowance | 5.993.529 | 5.673 |
| Accrued acquisition compensation | 0 | 3.443 |
| Accrued bonus | 1.709.137 | 2.601 |
| Tax-related expenses | 737.227 | 23 |
| Other | 632.813 | 213 |
| | <u>9.072.706</u> | <u>11.953</u> |

7. Contingent liabilities

The Entity has concluded a lease on the premises at Hørkær 12, Herlev, Denmark. The annual rent is DKK 1.360k. The lease may be terminated at six months' notice. The Entity has provided a bank guarantee of DKK 531k as security for the lease commitments.

8. Related parties with control

The Company has registered the following shareholders to hold more than 5% of the voting share capital or of the nominal value of the share capital:

Altera European Trading Co. Ltd.