Intel Mobile Communications Denmark ApS

Alfred Nobels Vej 25, 9220 Aalborg Øst

CVR no. 33 16 31 50

Annual report 2016

Approved at the annual general meeting of shareholders on 19 June 2017

Chairman:

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Ole Nørgaard

Building a better working world

Contents

Statement by the Executive Board

Today, the Executive Board has discussed and approved the annual report of Intel Mobile Communications Denmark ApS for the financial year 1 January - 31 December 2016.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016.

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

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

Aalborg, 16 June 2017
Executive Board:

Nicholas John Hudson	Jonathan Laurence Weeks	Tiffany Doon Silva
David John Miles	Jasper Bøllum Knudsen	

Independent auditor's report

To the shareholders of Intel Mobile Communications Denmark ApS

Opinion

We have audited the financial statements of Intel Mobile Communications Denmark ApS for the financial year 1 January - 31 December 2016, which comprise an 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 financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 about 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 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 the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism 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.
- 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.

Independent auditor's report

- 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 conclusion is 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 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 our procedures, 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.

Aarhus, 16 June 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Hans Peter Roug
State Authorised Public Accountant

Jan Krarup Mortensen
State Authorised Public Accountant

Management's review

Company details

Name	Intel Mobile Communications Denmark ApS
Address, Postal code, City	Alfred Nobels Vej 25, 9220 Aalborg Øst
CVR no.	33 16 31 50
Established	24 September 2010
Registered office	Aalborg
Financial year	1 January - 31 December
Executive Board	Nicholas John Hudson Jonathan Laurence Weeks Tiffany Doon Silva David John Miles Jasper Bailum Knudsen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25, P.O. Box 330, 8100 Aarhus C, Denmark

Management's review

Financial highlights

DKK'000	2016	2015	2014	2013	2012
Key figures					
Revenue	335,760	328,351	267,024	284,177	278,302
Operating profit/loss	37,790	39,471	24,276	25,830	26,783
Net financials	7,261	6,267	4,634	-3,387	1,653
Profit/loss for the year	39,453	40,159	21,638	17,032	21,579
Total assets	267,775	276,573	185,799	185,002	210,374
Equity	199,725	159,007	118,084	94,976	78,135
Financial ratios					
Operating margin	11.3%	12.0%	9.1%	9.1 %	9.6 %
Gross margin	82.3%	82.0%	78.9%	68.1%	70.1%
Return on assets	13.9%	17.1%	13.1%	13.1%	12.0%
Current ratio	255.6%	156.5%	149.3%	92.9%	90.3%
Solvency ratio	74.6%	57.5%	63.6%	51.3%	37.1%
Return on equity	22.0%	29.0%	20.3%	19.7%	27.6%
Average number of employees	229	224	175	171	173

As noted in paragraph 1 the comparison figures for 2012-14 has not been amended.

Management's review

Management commentary

Business review

The object of the company is to perform research and development of electronic components, electronic systems and software.

Recognition and measurement uncertainties

Recognition and measurement in the annual report have not been subject to any material uncertainty.

Unusual matters having affected the financial statements

In 2016 the company merged with Altera Denmark Technology Centre ApS.

Financial review

In 2016, the Company's revenue came in at DKK 335,760 thousand against DKK 328,351 thousand last year. The income statement for 2016 shows a profit of DKK 39,453 thousand against DKK 40,159 thousand last year, and the balance sheet at 31 December 2016 shows equity of DKK 199,725 thousand.

Knowledge resources

Focusing on products and productivity Intel Mobile Communications Denmark ApS is a company employing numerous engineers and technicians.

Special risks

The company's revenue is in USD.

Research and development activities

The company performs research and development of electronic components, electronic systems and software.

Outlook

The result for 2017 is expected to be in line with the result obtained in 2016.

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK'000	2016	2015
	Revenue	335,760	328,351
	Other operating income	0	7,880
	External expenses	-59,392	-67,016
	Gross margin	276,368	269,215
2	Staff costs	-204,067	-183,681
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-34,511	-46,063
	Profit before net financials	37,790	39,471
3	Financial income	7,534	8,370
4	Financial expenses	-273	-2,103
	Profit before tax	45,051	45,738
5	Tax for the year	-5,598	-5,579
	Profit for the year	39,453	40,159

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2016	2015
	ASSETS		
	Fixed assets		
6	Intangible assets		
	Acquired intangible assets	0	245
	Goodwill	0	0
		0	245
7	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	90,496	90,147
		90,496	90,147
8	Investments		
	Other receivables	3,326	2,246
		3,326	2,246
	Total fixed assets	93,822	92,638
	Non-fixed assets		
	Receivables		
	Receivables from group entities	120,956	144,296
9	Deferred tax assets	4,351	5,679
	Income taxes receivable	4,716	1,677
	Other receivables	11,545	7,703
	Deferred income	0	101
		141,568	159,456
	Cash	32,385	24,479
	Total non-fixed assets	173,953	183,935
	TOTAL ASSETS	267,775	276,573

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2016	2015
	EQUITY AND LIABILITIES		
	Equity		
10	Share capital	85	85
	Share premium account	-44,843	-45,524
	Retained earnings	154,483	204,446
	Dividend proposed for the year	90,000	0
	Total equity	199,725	159,007
	Liabilities		
	Current liabilities		
	Trade payables	6,428	38,597
	Payables to group entities	14,142	25,448
	Other payables	47,480	53,521
		68,050	117,566
	Total liabilities other than provisions	68,050	117,566
	TOTAL EQUITY AND LIABILITIES	267,775	276,573

1 Accounting policies
11 Contractual obligations and contingencies, etc.
12 Related parties

Financial statements for the period 1 January - 31 December

Statement of changes in equity

	DKK'000	Share capital	Share premium account	Retained earnings	Dividend proposed for the year	Total
	Equity at 1 January 2016	85	-45,524	204,446	0	159,007
	Share issue	0	681	0	0	681
13	Profit for the year	0	0	-50,547	90,000	39,453
	Other value adjustments of equity	0	0	584	0	584
	Equity at 31 December 2016	85	-44,843	154,483	90,000	199,725

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Intel Mobile Communications Denmark ApS for 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

Changes in accounting policies

Effective 1 January 2016, the Company has adopted act no. 738 of 1 June 2015. This implies changes in the recognition and measurement in yearly reassessment of residual values of property, plant and equipment. In future, residual values of property, plant and equipment are subject to annual reassessment. The Company has no significant residual values relating to property, plant and equipment other than those relating to the Company's land. Consequently, the change is made in accordance with section 4 of the executive order on transitional provisions with future effect only as a change in accounting estimates with no impact on equity.

The change does not affect the income statement or the balance sheet for 2016 or the comparative figures.

Apart from the above changes as well as new and changed presentation and disclosure requirements, which follow from act no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The entity's cash flows are part of the consolidated cash flow statement for the parent company, Intel Deutschland GmbH.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Intra-group business combinations

The combination method is applied to business combinations such as acquisition and disposal of investments, mergers, demergers, additions of assets and share conversions, etc. where the combined entities are controlled by the parent company. Comparative numbers for balance sheet, profit and loss and financial figures are restated to illustrate a full combination. The financial highlights have not been amended for 2014 and later as the Intel Groups external aquisition of the Altera group was finalized in 2015.

Foreign currency translation

Transactions denominated in foreign currencies are translated into Danish kroner at the exchange rate at the date of the transaction.

Receivables, payables and other monetary items denominated in foreign currencies are translated into Danish kroner at the exchange rate at the balance sheet date. Realised and unrealised exchange gains and losses are recognised in the income statement as financial income/expenses.

Leases

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Revenue

The compensation model used by Intel Deutschland GmbH for all its affiliated group companies, including Intel Mobile Communication Denmark ApS, is a cost plus method.

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

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of non-current assets.

External expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Staff costs also include costs related to the share based compensation programs. The equity program is recognized under equity and the cash based program is recognized under accrued costs.

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Acquired intangible assets	5 years
Goodwill	5 years
Other fixtures and fittings, tools and equipment	2-5 years

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The Company and its Danish group entities are jointly taxed. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Intangible assets

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period of 5 years.

Acquired intangible rights include patents and licenses.

Acquired intangible assets are measured at cost less accumulated amortisation and impairment losses.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. Provisions are made for bad debts on the basis of objective evidence that a receivable or a group of receivables are impaired. Provisions are made to the lower of the net realisable value and the carrying amount.

Non-current receivables includes deposits and is presented as investments.

Cash

Cash comprises cash balances and bank balances.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax and deferred tax assets is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax and deferred tax assets is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax and deferred tax assets is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax and deferred tax assets is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax and deferred tax assets is expected to crystallise as current tax. Changes in deferred tax and deferred tax assets due to changes in the tax rate are recognised in the income statement.

Liabilities

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, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating margin	$\frac{\text{Operating profit x 100}}{\text{Revenue}}$
Gross margin ratio	$\frac{\text{Gross margin x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss from operating activites x 100}}{\text{Average assets}}$
Current ratio	$\frac{\text{Current assets x 100}}{\text{Current liabilities}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit/loss for the year after tax x 100}}{\text{Average equity}}$

	DKK'000	2016	2015
2	Staff costs		
	Wages/salaries	197,977	179,200
	Other social security costs	3,409	3,163
	Other staff costs	2,681	1,318
		204,067	183,681
	Average number of full-time employees	229	224

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.

	DKK'000	2016	2015
3	Financial income		
	Interest receivable, group entities	356	149
	Other interest income	339	92
	Exchange gain	6,844	8,129
	Other financial income	-5	0
		7,534	8,370
4	Financial expenses		
	Interest expenses, group entities	13	4
	Other financial expenses	260	2,099
		273	2,103

Financial statements for the period 1 January - 31 December

Notes to the financial statements

	DKK'000	2016	2015
5	Tax for the year		
	Estimated tax charge for the year	5,893	8,134
	Deferred tax adjustments in the year	1,327	-195
	Tax adjustments, prior years	-1,622	-2,360
		5,598	5,579

6 Intangible assets

DKK'000	Acquired intangible assets	Goodwill	Total
Cost at 1 January 2016	1,258	36,606	37,864
Cost at 31 December 2016	1,258	36,606	37,864
Impairment losses and amortisation at 1 January 2016	1,013	36,606	37,619
Amortisation/depreciation in the year	245	0	245
Impairment losses and amortisation at 31 December 2016	1,258	36,606	37,864
Carrying amount at 31 December 2016	0	0	0

7 Property, plant and equipment

DKK'000	Other fixtures and fittings, tools and equipment
Cost at 1 January 2016	231,193
Additions in the year	35,678
Disposals in the year	-12,016
Cost at 31 December 2016	254,855
Impairment losses and depreciation at 1 January 2016	141,046
Amortisation/depreciation in the year	31,324
Amortisation/depreciation and impairment of disposals in the year	-8,011
Impairment losses and depreciation at 31 December 2016	164,359
Carrying amount at 31 December 2016	90,496

8 Investments

DKK'000	Other receivables
Cost at 1 January 2016	2,246
Additions in the year	1,080
Cost at 31 December 2016	3,326
Carrying amount at 31 December 2016	3,326

Financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK'000	2016	2015
9 Deferred tax		
Deferred tax at 1 January	-5,679	-5,484
Adjustment of deferred tax	1,328	-195
Deferred tax at 31 December	-4,351	-5,679

Deffered tax asset consists of significant time differences of intangible assets, property, plant and euipment and prepayment which are realisable within a foreseeable future.

DKK'000	2016	2015
10 Share capital		
Analysis of the share capital:		
85,001 shares of DKK 1.00 nominal value each	85	85
	85	85

The share capital has increased with 1 share of DKK 1.00 in relation with the merger in 2016. The share capital is therefore DKK 85.001. From 2012-15 the share capital was DKK 85.000.

11 Contractual obligations and contingencies, etc.

Other contingent liabilities

As management company, the Company is jointly taxed with other Danish group entities and is jointly and severally with other jointly taxed group entities for payment of income taxes as well as withholding taxes on interest, royalties and dividends falling due for payment.

Other financial obligations

Other rent and lease liabilities:

DKK'000	2016	2015
Rent and lease liabilities	14,590	9,979

Rent and lease liabilities include a rent obligation totalling DKK 13,457 thousand in interminable rent agreements with remaining contract terms from 2 years to 5 years and 2 months. Furthermore, the company has liabilities under operating leases for cars and IT equipment, totalling DKK 1,133 thousand, with remaining contract terms between 18 months and 26 months.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

12 Related parties

Intel Mobile Communications Denmark ApS' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Intel Deutschland GmbH	Germany	Participating interest
Intel Corporation Inc.	USA	Ultimate parent company

Related party transactions

Intel Mobile Communications Denmark ApS was engaged in the below related party transactions:

DKK'000	2016
Sale of services to parent entity	276,318
Purchase of services from parent entity	1,903
Sales to group entities	27,566
Purchase from group entities	8,829
Receivables from group entities	6,776
Payables to group entities	8,003

During the financial year, the company did not have any write-downs on receivables from related parties.

Information on the remuneration to management

Information on the remuneration to Management appears from note 2, "Staff costs".

DKK'000	2016	2015
13 Appropriation of profit/loss		
Recommended appropriation of profit		
Proposed dividend recognised under equity	90,000	0
Retained earnings/accumulated loss	-50,547	40,159
	39,453	40,159