

Intel Mobile Communications Denmark ApS

Hørkær 12 A, 2730 Herlev

CVR no. 33 16 31 50

Annual report 2018

Approved at the Company's annual general meeting on 31 May 2019

Chairman:



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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 2018.

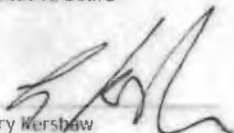
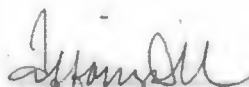
The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018.

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.

Herlev, 31 May 2019
Executive Board


Gary Wershaw
Sharon Lynn Heck
Tiffany Doon Silva

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 2018, which comprise 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 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent auditor's report

- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Aarhus, 31 May 2019

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Lone Nørgaard Eskildsen
State Authorised Public Accountant
mne32085



Jan Mortensen
State Authorised Public Accountant
mne40030



Management's review

Company details

Name	Intel Mobile Communications Denmark ApS
Address, Postal code, City	Hørkær 12 A, 2730 Herlev
CVR no.	33 16 31 50
Established	24 September 2010
Registered office	Herlev
Financial year	1 January - 31 December

Executive Board

Gary Kershaw
Sharon Lynn Heck
Tiffany Doon Silva

Auditors

Ernst & Young Godkendt Revisionspartnerselskab
Værkmestergade 25, P.O. Box 330, 8100 Aarhus C,
Denmark



Management's review

Financial highlights

DKK'000	2018	2017	2016	2015	2014
Key figures					
Revenue	414,986	337,870	335,760	328,351	267,024
Ordinary operating profit/loss	38,679	34,879	37,790	39,471	24,276
Net financials	6,917	-10,563	7,261	6,267	4,634
Profit/loss for the year	47,165	19,906	39,453	40,159	21,638
Total assets					
Equity	276,735	233,844	267,775	276,573	185,799
Financial ratios					
Operating margin	12.7%	10.3%	11.8%	12.2 %	9.2 %
Gross margin	90.0%	79.8%	82.3%	82.0%	78.9%
Return on assets	15.2%	13.9%	13.9%	17.1%	13.1%
Current ratio	503.5%	148.9%	255.6%	156.5%	149.3%
Equity ratio	82.4%	55.9%	74.6%	57.5%	63.6%
Return on equity	26.3%	12.1%	22.0%	29.0%	20.3%
Average number of employees					
	168	216	229	224	175

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations. For terms and definitions, please see the accounting policies.

Management's review

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.

Financial review

In 2018, the Company's revenue amounted to DKK 414,986 thousand against DKK 337,870 thousand last year. The income statement for 2018 shows a profit of DKK 47,165 thousand against a profit of DKK 19,906 thousand last year, and the balance sheet at 31 December 2018 shows equity of DKK 228,050 thousand.

The Company has closed the office in Aalborg, which was the headquarter in Denmark. The office was closed in the end of the financial year. This has led to an increase in costs in the financial year.

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.

Statutory CSR report

The ultimate parent has prepared a CSR report for 2018 covering the entire group. The report can be found at following URL-address <http://csrreportbuilder.intel.com/pdfbuilder/pdfs/CSR-2018-Full-Report.pdf>.

Account of the gender composition of Management

The elected board of Intel Mobile Communications Denmark ApS has 3 members of which 2 are female and 1 male; the board therefore meets equitable gender distribution as defined by Danish legislation.

Due to the nature of the company's management structure Intel Mobile Communications Denmark ApS has focused on equitable gender distribution of management of key business functions (site, operations, finance, HR) of which 1 is male and 2 are female. As such the company meets equal gender composition as defined by Danish legislation.

Outlook

The result for 2019 is expected to be lower compared to 2018 as a result of closing the Aalborg office.



Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2018	2017
2	Revenue	414,986	337,870
	Other operating income	14,039	0
	External expenses	-55,335	-68,392
	Gross profit	373,690	269,478
3	Staff costs	-292,034	-203,766
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-28,938	-30,832
	Profit before net financials	52,718	34,880
4	Financial income	10,597	2,819
5	Financial expenses	-3,680	-13,382
	Profit before tax	59,635	24,317
6	Tax for the year	-12,470	-4,411
	Profit for the year	47,165	19,906



Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2018	2017
	ASSETS		
	Fixed assets		
7	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	28,357	75,054
	Prepayments for property, plant and equipment	0	2,990
		<u>28,357</u>	<u>78,044</u>
8	Investments		
	Other receivables	3,260	2,105
		<u>3,260</u>	<u>2,105</u>
	Total fixed assets	<u>31,617</u>	<u>80,149</u>
	Non-fixed assets		
	Receivables		
	Receivables from group entities	233,434	136,037
9	Deferred tax assets	4,696	4,232
	Income taxes receivable	0	2,161
	Other receivables	6,988	3,676
		<u>245,118</u>	<u>146,106</u>
	Cash	0	7,589
	Total non-fixed assets	<u>245,118</u>	<u>153,695</u>
	TOTAL ASSETS	<u>276,735</u>	<u>233,844</u>



Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2018	2017
	EQUITY AND LIABILITIES		
	Equity		
10	Share capital	85	85
	Share premium account	-43,611	-43,884
	Retained earnings	271,576	174,411
	Dividend proposed for the year	0	0
	Total equity	228,050	130,612
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	10,075	14,975
	Payables to group entities	2,357	33,470
	Income taxes payable	6,047	0
	Other payables	30,206	54,787
		48,685	103,232
	Total liabilities other than provisions	48,685	103,232
	TOTAL EQUITY AND LIABILITIES	276,735	233,844

- 1 Accounting policies
- 11 Contractual obligations and contingencies, etc.
- 12 Related parties
- 13 Fee to the auditors appointed by the Company in general meeting

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Share premium account	Retained earnings	Dividend proposed for the year	Total
		85	-44,843	154,483	90,000	199,725
		0	959	0	0	959
14	Transfer, see "Appropriation of profit"	0	0	19,906	0	19,906
	Contribution from group	0	0	22	0	22
	Dividend distributed	0	0	0	-90,000	-90,000
	Equity at 1 January 2018	85	-43,884	174,411	0	130,612
	Share issue	0	273	0	0	273
14	Transfer, see "Appropriation of profit"	0	0	47,165	0	47,165
	Contribution from group	0	0	50,000	0	50,000
	Equity at 31 December 2018	85	-43,611	271,576	0	228,050

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Intel Mobile Communications Denmark ApS for 2018 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

The accounting policies used in the preparation of the financial statements 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).

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

The Company has chosen IAS 17 as interpretation for classification and recognition of 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".

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

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 on the sale of fixed 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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

Depreciation

The item comprises depreciation of property, plant and equipment.

The basis of amortisation/depreciation, which is calculated as cost less any residual value, is amortised/depreciated 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.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

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

Cash

Cash comprises cash balances and bank balances.

Equity

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

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.



Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

Segment information

The allocation of revenue to activities and geographical markets is disclosed where these activities and markets differ significantly in the organisation of sales of goods and services.

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines.

Financial statements 1 January - 31 December

Notes to the financial statements

	DKK'000	2018	2017
2	Segment information		
	Breakdown of revenue by business segment:		
	Intercompany Service and Royalty	414,986	336,775
	Other	0	1,095
		<u>414,986</u>	<u>337,870</u>
	DKK'000	2018	2017
3	Staff costs		
	Wages/salaries	282,025	198,683
	Other social security costs	3,128	3,484
	Other staff costs	6,881	1,599
		<u>292,034</u>	<u>203,766</u>
	Average number of full-time employees	<u>168</u>	<u>216</u>
	By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.		
	DKK'000	2018	2017
4	Financial income		
	Interest receivable, group entities	1,965	858
	Other interest income	0	368
	Exchange gain	8,632	1,502
	Other financial income	0	91
		<u>10,597</u>	<u>2,819</u>
5	Financial expenses		
	Other interest expenses	32	45
	Exchange losses	3,639	0
	Other financial expenses	9	13,337
		<u>3,680</u>	<u>13,382</u>
6	Tax for the year		
	Estimated tax charge for the year	12,927	4,787
	Deferred tax adjustments in the year	-464	119
	Tax adjustments, prior years	7	-495
		<u>12,470</u>	<u>4,411</u>

Financial statements 1 January - 31 December

Notes to the financial statements

7 Property, plant and equipment

DKK'000	Other fixtures and fittings, tools and equipment	Prepayments for property, plant and equipment	Total
Cost at 1 January 2018	259,436	2,990	262,426
Additions in the year	24,089	0	24,089
Disposals in the year	-183,054	-2,990	-186,044
Cost at 31 December 2018	100,471	0	100,471
Impairment losses and depreciation at 1 January 2018	184,382	0	184,382
Amortisation/depreciation in the year	28,938	0	28,938
Amortisation/depreciation and impairment of disposals in the year	-141,206	0	-141,206
Impairment losses and depreciation at 31 December 2018	72,114	0	72,114
Carrying amount at 31 December 2018	28,357	0	28,357

8 Investments

DKK'000	Other receivables
Cost at 1 January 2018	2,105
Additions in the year	1,155
Cost at 31 December 2018	3,260
Carrying amount at 31 December 2018	3,260

DKK'000	2018	2017
9 Deferred tax		
Deferred tax at 1 January	-4,232	-4,351
Adjustment of deferred tax	-464	119
Deferred tax at 31 December	-4,696	-4,232

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



Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2018	2017
10 Share capital		
Analysis of the share capital:		
85,001 shares of DKK 1.00 nominal value each	85	85
	<u>85</u>	<u>85</u>

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 2014-15 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	2018	2017
Rent and lease liabilities	8,752	14,106

Rent and lease liabilities include a rent obligation totalling DKK 8,490 thousand in interminable rent agreements with remaining contract terms from 1 years to 5 years. Furthermore, the company has liabilities under operating leases for cars and IT equipment, totalling DKK 263 thousand, with remaining contract terms of 18 months.

The company has a bank guarantee totalling DKK 531 thousand regarding rent obligations.

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

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Intel Corporation Inc.	USA	www.intc.com



Financial statements 1 January - 31 December

Notes to the financial statements

Related party transactions

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

DKK'000	2018	2017
Sale of services to parent entity	365,587	285,784
Purchase of services from parent entity	6,581	3,553
Sales to group entities	48,419	52,205
Purchase from group entities	4,247	16,786
Receivables from group entities	233,434	136,037
Payables to group entities	2,357	33,470

Information on the remuneration to management

Information on the remuneration to Management appears from note 3, "Staff costs".

	DKK'000	2018	2017
13 Fee to the auditors appointed by the Company in general meeting			
Total fees to EY		162	170
Statutory audit		126	
Assurance engagements		0	
Other assistance		5	
		131	

	DKK'000	2018	2017
14 Appropriation of profit			
Recommended appropriation of profit		47,165	19,906
Retained earnings		47,165	19,906