

# **Samsung Denmark Research Center ApS**

**c/o Novi 8, Alfred Nobels Vej 27, 2., 9220 Aalborg Øst**

**Company reg. no. 34 70 30 19**

## **Annual report**

**1 January - 31 December 2019**

The annual report was submitted and approved by the general meeting on 27 April 2020.

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**Rajinder Gawera**  
Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

## **Management's report**

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The board of directors and the managing director have today presented the annual report of Samsung Denmark Research Center ApS for the financial year 1 January to 31 December 2019.

The annual report has been presented in accordance with the International Reporting Standards as approved by the EU and additional disclosure requirements in the Danish Financial Statements Act.

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the Company's assets and liabilities and its financial position at 31 December 2019 and of the Company's results of its activities and cash flows in the financial year 1 January to 31 December 2019.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Aalborg, 27 April 2020

### **Managing Director**

Rajinder Gawera

### **Board of directors**

Jung Suk Oh

Joonsuk Kim

Rajinder Gawera

Hyun-Joon Kang

## **Independent auditor's report**

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### **To the shareholders of Samsung Denmark Research Center ApS**

#### **Opinion**

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Financial Statements of Samsung Denmark Research Center ApS for the financial year 1 January - 31 December 2019, which comprise statement of comprehensive income, balance sheet, statement of cash flows, statement of changes in equity, and notes, including a summary of significant accounting policies ("Financial Statements").

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

#### **Statement on Management's Review**

The management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any kind of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not identify any material misstatement in Management's Review.

## **Independent auditor's report**

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### **Management's Responsibilities for the Financial Statements**

The management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in 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 these Financial Statements.

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

- Identify and assess the risks of material misstatement in 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 the 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**

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- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Aalborg, 27 April 2020

### **PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab  
CVR no. 33 77 12 31

Line Borregaard

State Authorised Public Accountant  
mne34353

## Company data

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<b>The company</b>	Samsung Denmark Research Center ApS c/o Novi 8 Alfred Nobels Vej 27, 2. 9220 Aalborg Øst
	Company reg. no. 34 70 30 19 Established: 1 September 2012 Domicile: Aalborg Financial year: 1 January - 31 December
<b>Board of directors</b>	Jung Suk Oh Joonsuk Kim Rajinder Gawera Hyun-Joon Kang
<b>Managing Director</b>	Rajinder Gawera
<b>Auditors</b>	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab
<b>Parent company</b>	Samsung Electronics Europe Holding Coöperatief U.A.
<b>Ultimate parent company</b>	Samsung Electronics Co. Ltd., South Korea

## **Management's review**

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### **The principal activities of the company**

The principal activity consists of activities related to development and commercial exploitation of integrated circuits within the wireless communication business area and other similar business areas.

### **Development in activities and financial matters**

The statement of comprehensive income covers the period 1 January to 31 December 2019 and shows a result of DKK 4.786.554 against a result of DKK 3.813.712 last year. The balance sheet shows equity of DKK 122.165.812.

Management considers the result for the year to be satisfactory.

Please see note 20 for a description of the COVID-19 pandemic's impact on the Company.



## Statement of comprehensive income 1 January - 31 December

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All amounts in DKK.

<u>Note</u>	<u>2019</u>	<u>2018</u>
2 Revenue	67.847.523	53.664.758
3 Other external costs	-9.756.944	-7.026.575
<b>Gross results</b>	<b>58.090.579</b>	<b>46.638.183</b>
4 Staff costs	-48.640.801	-39.801.374
5 Depreciation of tangible and intangible assets	-3.260.285	-1.950.391
Other operating costs	-18.148	-13.997
<b>Operating profit</b>	<b>6.171.345</b>	<b>4.872.421</b>
6 Financial costs	-30.747	-1.179
<b>Results before tax</b>	<b>6.140.598</b>	<b>4.871.242</b>
7 Tax of the profit for the year	-1.354.044	-1.057.530
<b>Profit for the year and total comprehensive income</b>	<b>4.786.554</b>	<b>3.813.712</b>
 <b>Proposed distribution of the results:</b>		
Allocated to results brought forward	4.786.554	3.813.712
<b>Distribution in total</b>	<b>4.786.554</b>	<b>3.813.712</b>

## Balance sheet 31 December

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All amounts in DKK.

<b>Assets</b>			
<u>Note</u>		<u>2019</u>	<u>2018</u>
<b>Non-current assets</b>			
8	Goodwill	65.778.798	65.778.798
9	Property, plants and equipment	5.301.201	4.105.704
10	Lease assets	422.134	0
	Other receivables	645.198	479.018
	<b>Non-current assets in total</b>	<b><u>72.147.331</u></b>	<b><u>70.363.520</u></b>
<b>Current assets</b>			
	Receivables from group enterprises	11.496.158	9.693.249
	Other receivables	212.692	320.087
11	Deferred expenses	700.839	555.400
	Cash and cash equivalents	61.179.757	53.651.980
	<b>Current assets in total</b>	<b><u>73.589.446</u></b>	<b><u>64.220.716</u></b>
	<b>Assets in total</b>	<b><u>145.736.777</u></b>	<b><u>134.584.236</u></b>

## Balance sheet 31 December

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All amounts in DKK.

<u>Note</u>	<u>2019</u>	<u>2018</u>
<b>Equity and liabilities</b>		
<b>Equity</b>		
13 Share capital	90.000	90.000
14 Share premium account	97.177.412	97.177.412
Retained earnings	24.898.400	20.111.846
<b>Equity in total</b>	<b><u>122.165.812</u></b>	<b><u>117.379.258</u></b>
<b>Liabilities</b>		
15 Deferred tax liability	6.971.985	5.617.941
Other non-current payables	1.593.257	162.970
Non-current liabilities in total	<u>8.565.242</u>	<u>5.780.911</u>
Short-term part of long-term liabilities	527.923	0
Trade payables	1.023.876	233.077
Other liabilities	13.453.924	11.190.990
Current liabilities in total	<u>15.005.723</u>	<u>11.424.067</u>
<b>Liabilities in total</b>	<b><u>23.570.965</u></b>	<b><u>17.204.978</u></b>
<b>Equity and liabilities in total</b>	<b><u>145.736.777</u></b>	<b><u>134.584.236</u></b>

## Statement of changes in equity

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All amounts in DKK.

	<u>Contributed capital</u>	<u>Share premium account</u>	<u>Retained earnings</u>	<u>In total</u>
Equity opening balance 2018	90.000	97.177.412	16.298.134	113.565.546
Profit for the year	<u>0</u>	<u>0</u>	<u>3.813.712</u>	<u>3.813.712</u>
Equity opening balance 2019	90.000	97.177.412	20.111.846	117.379.258
Profit for the year	<u>0</u>	<u>0</u>	<u>4.786.554</u>	<u>4.786.554</u>
	<b><u>90.000</u></b>	<b><u>97.177.412</u></b>	<b><u>24.898.400</u></b>	<b><u>122.165.812</u></b>

## Cash flow statement 1 January - 31 December

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All amounts in DKK.

	<u>2019</u>	<u>2018</u>
Operating profit	6.171.345	4.872.421
Depreciation	3.278.433	1.964.388
Change in working capital	2.476.888	-828.122
Cash flow from operating activities before net financials	11.926.666	6.008.687
Interest paid	-30.747	-1.179
<b>Cash flow from operating activities</b>	<b><u>11.895.919</u></b>	<b><u>6.007.508</u></b>
Purchase of tangible assets	-3.332.601	-1.316.549
<b>Cash flow from investment activities</b>	<b><u>-3.332.601</u></b>	<b><u>-1.316.549</u></b>
Repayments of lease debt	-1.035.541	0
<b>Cash flow from financing activities</b>	<b><u>-1.035.541</u></b>	<b><u>0</u></b>
<b>Changes in cash and cash equivalents</b>	<b><u>7.527.777</u></b>	<b><u>4.690.959</u></b>
Cash and cash equivalents opening balance	53.651.980	48.961.021
<b>Cash and cash equivalents closing balance</b>	<b><u>61.179.757</u></b>	<b><u>53.651.980</u></b>
<b>Cash and cash equivalents</b>		
Cash and cash equivalents	61.179.757	53.651.980
<b>Cash and cash equivalents closing balance</b>	<b><u>61.179.757</u></b>	<b><u>53.651.980</u></b>

## **Accounting policies used**

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The annual report for Samsung Denmark Research Center ApS is presented in accordance with the International Financial Reporting Standards and additional disclosure requirements in the Danish Financial Statements Act.

The annual report has been prepared according to the standards and interpretations which entered into force for the financial year. Please refer to note 21 concerning implementation of new accounting standards.

The board of directors and management have on 27 April 2020 considered and adopted the annual report for the year ended 31 December 2019 for Samsung Denmark Research Center ApS. The annual report is presented to the shareholders of Samsung Denmark Research Center ApS for approval at the annual general meeting on 27 April 2020.

### **Changes in the accounting policies used**

With effect from 1 January 2019 the Company has implemented IFRS 16 Leases using the modified retrospective method and therefore has not made adjustments to comparative figures, which continues to be presented in accordance with the requirements of IAS 17 and IFRIC 4. The accounting policies used for IAS 17 and IFRIC 4 are presented separat if there are significant differences to the accounting policies used after the implementation of IFRS 16.

With effect from 1 January 2019, the Company, with few exceptions, must recognise all lease agreements in the balance sheet, including operational leases. That means a lease liability measured at net present value of all future lease payments, as described below, and a corresponding lease asset adjusted for payments made to lessor prior to the start of lease agreement and incentive payments received from lessor. The Company has chosen not to recognise direct related costs for the lease asset.

In accordance with the transitional rules in IFRS 16 the Company has chosen the following when implementing the standard:

- Not to recognise lease agreements with a maturity under 12 months or with a low value.
- To reevaluate whether an agreement is or contains a lease agreement.
- To determine a discount rate on a portfolio of lease agreements with similar characteristics.

In assessing future lease payments, the Company has reviewed its operating leases and identified the lease payments related to a lease component, which are either fixed or variable, but which change as the index or interest rate fluctuates. The company has chosen not to recognize payments related to service components as part of the lease obligation.

In assessing the expected lease period, the Company has identified the non-cancellable lease term in the agreement with periods covered by an extension option which management reasonably expects to exercise and additional periods covered by a termination option which management reasonably does not expect to exercise.

## Accounting policies used

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The Company has estimated the expected lease term to be 17 months.

In assessing the Company's alternative loan rate, the Company has calculated its alternative loan rate based on an interest rate from a mortgage bond with a maturity corresponding to the term of the lease agreement and in the same currency in which the lease payments are settled.

In implementing IFRS 16, the Company has recognized a lease asset of DKK 1.563k and a lease liability of DKK 1.563k. The equity effect is thus DKK 0.

Lease assets consist exclusively of properties, and at the date of transfer, the total lease assets amount to DKK 1.563k (formerly operating lease assets). There are no financial lease assets.

Lease assets are depreciated on a straight line basis over the expected lease period, which is 17 months.

In measuring the lease liability, the Company has used an average alternative loan rate to discount future lease payments of 2,6%.

(in DKK 1.000)	<u>1 January 2019</u>
Operating lease assets on 31 December 2018 (IAS 17)	1.599
Discounted with alternative loan rate on 1 January 2019	<u>1.563</u>
<b>Lease liability recognized on 1 January 2019 (IFRS 16)</b>	<b><u>1.563</u></b>

Except from the above, the accounting policies used are unchanged compared to last year.

### Translation of foreign currency

Management has determined the functional currency to be Danish Kroner (DKK). The functional currency is the currency used in the primary financial environments in which the Company conducts its business. Transactions in currencies other than the functional currency are considered transactions in foreign currency.

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Receivables, payables, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

Non-current assets acquired in foreign currency are measured at the exchange rate on the transaction date.

## **Accounting policies used**

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### **Income statement**

#### **Revenue**

The Company's revenue includes the sale of services, including research and development.

Revenue is recognized when control over the individual identifiable delivery obligation passes to the customer.

The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Sales of services include research and development. The services typically include a delivery obligation that is recognized on a straight line basis in revenue over the period in which the services are provided.

For the sale of services, where there typically is a continuous transfer of control, the payment terms is 30 days.

#### **Other operating income**

Other operating income comprise accounting items of secondary nature in proportion to the principal activities of the enterprise, including gains on disposal of intangible and tangible fixed assets.

#### **Other external costs**

Other external costs comprise costs for sales, administration and premises.

#### **Staff costs**

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members.

#### **Depreciation, amortisation and writedown**

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

#### **Other operating costs**

Other operating costs comprise accounting items of secondary nature in proportion to the principal activities of the enterprise, including loss on disposal of intangible and tangible fixed assets.

#### **Net financials**

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that relate to the financial year.



## **Accounting policies used**

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### **Tax of the profit for the year**

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the profit for the year and directly in equity with the share referring to entries directly in equity.

The Company is subject to the Danish legislation concerning compulsory joint taxation with the Danish group enterprises.

The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

### **The balance sheet**

#### **Goodwill**

At the first recognition, acquired goodwill is measured in the balance sheet at cost. Subsequently, goodwill is measured at cost with deduction of accumulated impairment. Goodwill is not amortized.

#### **Goodwill impairment test**

Goodwill is tested annually for impairments, the first time before the end of the acquisition year.

The carrying amount of goodwill is tested for impairment together with the other non-current assets in the cash-generating unit to which goodwill is allocated and written down to the recoverable amount over the income statement if the carrying amount is higher. The recoverable amount is generally computed as the present value of the expected future net cash flows from the activity (cash-generating unit) to which the goodwill is allocated.

An impairment is recognised if the carrying amount of an asset exceeds its recoverable amount. The impairment is recognised in the income statement in a separate line. Impairment of goodwill is not reversed.

#### **Property, plant and equipment**

Property, plant and equipment are measured at cost with deduction of accrued depreciation and writedown.

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

If the amortisation period or the residual value is changed, the effect on amortisation will in the future be recognised as a change in the accounting estimates.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

## Accounting policies used

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The cost of a total asset is divided into separate components. These components are depreciated separately to reflect the differences in the useful lives of each individual components.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life and the residual value of the individual assets:

	Useful life	Residual value
Property, plant and equipment	3-5 years	0 %

Subsequent costs, e.g. in connection with replacement of components of tangible assets, are recognised in the carrying amount of the asset if it is probable that the cost will result in future economic benefits for the company. The replaced components are removed from the balance sheet and recognised as an expense in the income statement. All costs incurred for ordinary repairs and maintenance are recognised in the income statement as incurred.

Assets with a cost less than USD 1.000 are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or losses are recognised in the profit and loss account as other operating income or other operating expenses.

### Property, plant and equipment impairment test

The book values of property, plant and equipment is subject to annual impairment test in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets respectively. Writedown takes place to the recoverable amount, if this value is lower than the book value.

The recoverable value is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net cash flow deriving from the use of the asset or the group of assets.

Previously recognised writedown is reversed when the condition for the writedown no longer exist.

### Leases

A lease asset and a lease liability are recognized in the balance sheet when, under a lease agreement for a specific identifiable asset, the lease asset is made available during the lease period, and when the Company obtains a right to virtually all the economic benefits from the use of the identified asset and right to decide on the use of the identified asset.

## **Accounting policies used**

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Lease liabilities are initially recognized at the present value of the future lease payments discounted by an alternative lender. The following lease payments are recognized as part of the lease liability:

- Fixed payments
- Variable payments that change in line with changes in an index or interest rate, based on the applicable index or interest rate
- Payments owed under a residual value guarantee
- The exercise price of purchase options which management expects with high probability to exercise.
- Payments subject to an extension option which the Company is likely to expect to exercise
- Penalties related to a termination option, unless the Company does not expect to exercise the option

The lease liability is measured at amortized cost using the effective interest method. The lease liability is recalculated when there are changes in the underlying contractual cash flows from changes in an index or interest rate, if there are changes in the Company's estimate of a residual value guarantee or if the Company changes its assessment of whether a purchase, extension or termination option with reasonable probability is expected to be exercised.

On initial recognition, the lease asset is measured at cost, which corresponds to the value of the lease liability adjusted for prepaid lease payments plus direct related costs and estimated costs for demolition, redevelopment or similar and less any rebates or other types of incentive payments received from the lessor.

Subsequently, the asset is measured at cost less accumulated depreciation and write-downs. The lease asset is depreciated over the shortest of the lease term and the useful life of the lease asset. Depreciation is recognized on a straight line basis in the income statement.

The lease asset is adjusted for changes in the lease liability as a result of changes in the terms of the lease or changes in the cash flow of the contract in line with changes in an index or interest rate.

Lease assets are depreciated on a straight line basis over the expected lease term, which is 17 months.

The Company presents the lease asset and the lease liability separately in the balance sheet.

The Company has chosen not to include low-value lease assets and short-term lease agreements in the balance sheet. Instead, lease payments relating to these leases are recognized on a straight line basis in the income statement.

### **Receivables**

Receivables are measured at amortised cost. In order to meet expected losses, writedown takes place at the net realisable value.

## **Accounting policies used**

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### **Deferred expenses**

Deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

### **Cash and cash equivalents**

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

### **Corporate tax and deferred tax**

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

According to the rules of joint taxation, Samsung Denmark Research Center ApS is unlimited, jointly and severally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Deferred tax assets are assessed annually and are recognised only to the extent that their utilisation is probable.

### **Liabilities**

Other liabilities concerning trade payables, group enterprises and other liabilities are measured at amortised cost.

## Notes

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All amounts in DKK.

### 1. Accounting estimates and judgements

#### Estimation uncertainty

Determining the carrying value of certain assets and liabilities requires judgements, estimates and assumptions relating to future events.

The estimates and assumptions about future events are based on historical experience and other factors which by management are considered reliable but by nature are associated with uncertainty. The assumptions may be incomplete or inaccurate, and unexpected events or circumstances may arise. Furthermore, the company is subject to risks and uncertainties which may lead to actual results differing from these estimates.

It may be necessary to change previous estimates due to changes in the conditions on which they were based or due to new information or subsequent events.

Estimates which are especially important for the financial reporting are made by applying the valuation of the impairment test for goodwill among others.

#### *Impairment test for goodwill*

At the annual impairment test for goodwill, or if there is an indication of impairment, an estimate is made of whether the parts of the business to which the asset is allocated (cash generating units) will be capable of generating sufficient positive net cash flows in the future to support the value of goodwill and other net assets in the relevant part of the business.

Due to the nature of the business, an estimate must be made of expected cash flows for many years in the future, which naturally leads to some uncertainty. It is not considered necessary to account for impairment of goodwill at present.

The impairment test and the related sensitivities are described in more detail in note 8.

#### Accounting policies used

As part of its application of the Company's accounting policies, management makes judgements, in addition to estimates, which may materially affect the amounts recognised in the annual report.

In 2019, however, management has not made such judgements.

## Notes

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All amounts in DKK.

	<u>2019</u>	<u>2018</u>
<b>2. Revenue</b>		
Sale of services	<u>67.847.523</u>	<u>53.664.758</u>
	<b><u>67.847.523</u></b>	<b><u>53.664.758</u></b>
<b>3. Other external costs</b>		
Travel and event expenses	1.873.953	781.325
Costs of premises	855.700	1.469.920
Administration costs	<u>7.027.291</u>	<u>4.775.330</u>
	<b><u>9.756.944</u></b>	<b><u>7.026.575</u></b>
<b>4. Staff costs</b>		
Salaries and wages	44.268.247	36.288.885
Pension costs	2.866.843	2.371.618
Other costs for social security	327.882	303.137
Other staff costs	<u>1.177.829</u>	<u>837.734</u>
	<b><u>48.640.801</u></b>	<b><u>39.801.374</u></b>
Average number of employees	<u>50</u>	<u>46</u>
<b>Remuneration of board of directors and management</b>		
The board of directors and management are remunerated at group level.		
<b>5. Depreciation of tangible and intangible assets</b>		
Depreciation on property, plant and equipment	2.118.955	1.950.391
Depreciation on lease assets	<u>1.141.330</u>	<u>0</u>
	<b><u>3.260.285</u></b>	<b><u>1.950.391</u></b>
<b>6. Financial costs</b>		
Calculated interest, lease liabilities	30.608	0
Exchange differences	<u>139</u>	<u>1.179</u>
	<b><u>30.747</u></b>	<b><u>1.179</u></b>

## Notes

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All amounts in DKK.

	<u>2019</u>	<u>2018</u>
<b>7. Tax of the profit for the year</b>		
Adjustment for the year of deferred tax	1.354.044	1.057.530
	<b><u>1.354.044</u></b>	<b><u>1.057.530</u></b>
Tax on profit for the year may be subdivided as follows:		
Calculated 22% tax on profit for the year before tax	1.350.932	1.071.673
Tax effect of non-deductible costs	-3.190	-3.678
Correction	6.302	-10.465
	<u>1.354.044</u>	<u>1.057.530</u>
Effective tax rate	<u>22,1%</u>	<u>21,7%</u>

## Notes

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All amounts in DKK.

	<u>31/12 2019</u>	<u>31/12 2018</u>
<b>8. Goodwill</b>		
Cost opening balance	<u>65.778.798</u>	<u>65.778.798</u>
<b>Cost closing balance</b>	<b><u>65.778.798</u></b>	<b><u>65.778.798</u></b>
Writedown opening balance	0	0
Writedown for the year	<u>0</u>	<u>0</u>
<b>Writedown closing balance</b>	<b><u>0</u></b>	<b><u>0</u></b>
<b>Book value closing balance</b>	<b><u>65.778.798</u></b>	<b><u>65.778.798</u></b>

As of 31 December 2019 management tested the carrying value of goodwill for impairment. The Company acquired the activities of Cambridge Silicon Radio Denmark, a branch of Cambridge Silicon Radio Limited UK on 4 October 2012. In doing so, it recognised goodwill of DKK 65.779k, which corresponds to the carrying amount as at 31 December 2019.

The recoverable amount is based on the value, which is determined using expected net cash flows based on budgets for the years 2020-24 approved by the management and a discount rate before tax of 10,21%.

The weighted average growth rate used for exploration of future net cash flows for the years after 2024 has been estimated at 3,7%.

The key assumptions are based on experiences from previous years, external sources and instructions/calculations from the parent company.

Against this background, the carrying amount of goodwill is determined to be less than the recoverable amount. Thus, no impairment is required.



## Notes

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All amounts in DKK.

	<u>31/12 2019</u>	<u>31/12 2018</u>
<b>9. Property, plants and equipment</b>		
Cost opening balance	11.034.825	9.809.728
Additions during the year	3.332.601	1.316.549
Disposals during the year	<u>-184.339</u>	<u>-91.452</u>
<b>Cost closing balance</b>	<b><u>14.183.087</u></b>	<b><u>11.034.825</u></b>
Depreciation and writedown opening balance	-6.929.121	-5.056.185
Depreciation and writedown for the year	-2.118.955	-1.950.391
Depreciation and writedown, assets disposed of	<u>166.190</u>	<u>77.455</u>
<b>Depreciation and writedown closing balance</b>	<b><u>-8.881.886</u></b>	<b><u>-6.929.121</u></b>
<b>Book value closing balance</b>	<b><u>5.301.201</u></b>	<b><u>4.105.704</u></b>

No changes have been made to significant estimates concerning property, plant and equipment.

### 10. Lease assets

Cost opening balance	0	0
Adjustment due to change of accounting policies	<u>1.563.464</u>	<u>0</u>
<b>Cost closing balance</b>	<b><u>1.563.464</u></b>	<b><u>0</u></b>
Depreciation and writedown for the year	<u>-1.141.330</u>	<u>0</u>
<b>Depreciation and writedown closing balance</b>	<b><u>-1.141.330</u></b>	<b><u>0</u></b>
<b>Book value closing balance</b>	<b><u>422.134</u></b>	<b><u>0</u></b>
Costs relating to short-term lease agreements and lease agreements with a low value	<u>295.900</u>	<u>0</u>

All lease assets relate to property.

### 11. Deferred expenses

As part of the deferred expenses is a three year subscription. The share of the subscription due after 1 year is DKK 103.295.

## Notes

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All amounts in DKK.

	<u>31/12 2019</u>	<u>31/12 2018</u>
<b>12. Financial instruments</b>		
Receivables from group enterprises	11.496.158	9.693.249
Other receivables	857.890	799.103
Cash and cash equivalents	<u>61.179.757</u>	<u>53.651.980</u>
	<b><u>73.533.805</u></b>	<b><u>64.144.332</u></b>

Refer to note 18 for the Company's risk management.

### 13. Share capital

The share capital consists of 90.000 shares, each with a nominal value of DKK 1. No shares hold particular rights.

### 14. Share premium account

The share premium account includes amounts not included in the nominal share capital, which are paid by the shareholders in connection with capital increase.

Pursuant to the Articles of Association, the share premium may be freely used for distribution of dividend and bonus issue.

	<u>31/12 2019</u>	<u>31/12 2018</u>
<b>15. Deferred tax liability</b>		
Deferred tax liability opening balance	5.617.941	4.560.411
Deferred tax of the results for the year	<u>1.354.044</u>	<u>1.057.530</u>
	<b><u>6.971.985</u></b>	<b><u>5.617.941</u></b>

The following items are subject to deferred tax:

Intangible assets	14.471.335	14.471.335
Property, plant and equipment	-126.029	-81.018
Losses carried forward from previous years	<u>-7.373.321</u>	<u>-8.772.376</u>
	<b><u>6.971.985</u></b>	<b><u>5.617.941</u></b>

Tax losses carried forward relate to amortisation of goodwill. Due to goodwill being fully amortised at the end of 2019, it is probable that the tax losses will be realized in the foreseeable future.

## Notes

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All amounts in DKK.

	<u>31/12 2019</u>	<u>31/12 2018</u>
<b>16. Lease liabilities</b>		
Lease liabilities in total	527.923	0
Share of amount due within 1 year	<u>-527.923</u>	<u>0</u>
	<u><b>0</b></u>	<u><b>0</b></u>
Share of liabilities due after 5 years	<u>0</u>	<u>0</u>

For 2019, the Company paid DKK 1.362k for lease agreements. Interest payments related to recognized lease liabilities totaled DKK 31k, and repayments on recognized lease liabilities amounted to DKK 1.036k.

## 17. Contingencies

### Contingent assets

None.

### Contingent liabilities

The Company has entered into a tenancy agreement with an annual rent of DKK 590k. The tenancy may be terminated by giving 3 months' notice.

### Joint taxation

Samsung Electronics branch of Samsung Electronics Nordic AB, Sweden, company reg. no 27 11 02 74 being the administration company, the Company is subject to the Danish scheme of joint taxation and unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

The Company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

The jointly taxed enterprises' total, known net liability to the Danish tax authorities appears from the annual accounts of the administration company.

## 18. Financial risks

As a result of its operations, investments and financing, the Company is exposed to financial risks, including market risks (currency risks) and credit risks.

## Notes

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All amounts in DKK.

### 18. Financial risks (continued)

The Company's financial instruments primarily consist of cash and cash equivalents, where the carrying value as at 31 December 2019 amounts to DKK 61.180k. The carrying value is equivalent to the fair value.

#### Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Company monitors its exposure to foreign currencies and enters into derivative financial instruments to manage its exposure foreign currency risk where the exposure at month end is greater than £1 million. During the year, the Company has entered into no such contracts.

#### Credit risks

The Company is subject to the group's banking arrangements etc. and agreements on bank deposits are only entered into with counterparties when management considers that there is no credit risk. Based upon this, all counterparties are expected to be able to fulfill their obligations.

The maximum credit risk exposure relating to financial assets is the carrying amount of the assets in the balance sheet.

#### Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors. The Company manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

## Notes

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All amounts in DKK.

### 18. Financial risks (continued)

The table below analyses the Company's financial liabilities into relevant maturity based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due after 12 months equal their carrying balances as the impact of discounting is not significant.

	<u>Less than 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
31 December 2019			
Deferred tax liability	0	6.971.985	6.971.985
Lease liabilities	527.923	0	527.923
Trade payables	1.023.876	0	1.023.876
Other liabilities	13.453.924	1.593.257	15.047.181
	<u>15.005.723</u>	<u>8.565.242</u>	<u>23.570.965</u>
31 December 2018			
Deferred tax liability	0	5.617.941	5.617.941
Lease liabilities	0	0	0
Trade payables	233.077	0	233.077
Other liabilities	11.190.990	162.970	11.353.960
	<u>11.424.067</u>	<u>5.780.911</u>	<u>17.204.978</u>

### Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders. The Company is not subject to any externally imposed capital requirements. The Directors have ensured that future funding is assured for a period exceeding 12 months from the date of signing of these financial statements.

### 19. Related parties

#### Controlling interest

Samsung Electronics Europe Holding Coöperatief U.A.                      Majority shareholder  
Oluf Palmestraat 10  
2616LR Delft  
The Netherlands  
(Ownership interest 100%)

Samsung Electronics Co. Ltd., South Korea                                      Ultimate parent company  
www.samsung.com (Investor relations)

## Notes

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All amounts in DKK.

### 19. Related parties (continued)

#### Other related parties

Jung Suk Oh	Board member
Joonsuk Kim	Board member
Rajinder Gawera	Manager and board member
Hyun-Joon Kang	Board member
Samsung Electronics, branch of Samsung Electronics Nordic AB, Sweden	Jointly taxed company
Harman Professional Denmark ApS	Jointly taxed company
Samsung SDS Europe Limited	Affiliated company
Samsung Cambridge Solution Centre Limited	Affiliated company
Samsung SDS German Branch	Affiliated company

#### Transactions

The Company re-invoices costs paid with an addition of 10% to Samsung Cambridge Solution Centre Limited on a monthly basis. The transactions amounts to DKK 67.848k and have been recognised in the income statement under revenue and in the balance sheet under receivables from affiliated companies which are settled on an ongoing basis pursuant to the Company's standard terms. Transactions have taken place at arm's length.

The Company has acquired property, plant and equipment at an amount of DKK 228k and IT services of DKK 217k from Samsung Cambridge Solution Centre Limited. Transactions have taken place at arm' length.

The Company has acquired IT services of DKK 1.667k and property, plant and equipment of DKK 1,179k from Samsung SDS Europe Limited. Transactions have taken place at arm's length.

The Company has acquired IT services of DKK 9k from Samsung SDS German Branch. Transactions have taken place at arm's length.

## Notes

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All amounts in DKK.

### **20. Events after the balance sheet**

No events have occurred after the balance sheet date which would have a material impact on the Company's financial position or requires additional information.

With the current global COVID-19 pandemic we have enabled employees to work remotely from home where possible. There has been minimal impact on our ability to continue with our R&D activities and do not expect any material impact on the projects we are working on.

### **21. New accounting standards**

Besides IFRS 16, Samsung Denmark Research Center ApS has not implemented any amendments as none of the other new standards and interpretations have impact on recognition and measurement.

A number of new standards and interpretations have been issued, which are not mandatory for the Company in relation to the preparation of the annual report for 2019. None of the new standards and interpretations are expected to impact significantly on the presentation of the accounts of the Company.

The adopted standards and interpretations, which are not yet in force, are implemented as they become mandatory for the Company.