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Altera Denmark Technology Centre A/S

Central Business Registration No 26206723

Annual report 2014

The Annual General Meeting adopted the annual report

Chairman of the Annual General Meeting

Name: Morten Skjønnemand

Contents

The English text in this document is an official translation of the Danish original.
Please note that Danish decimal and digit grouping symbols have been used in the financial statements.

Contents

Entity

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

Central Business Registration No: 26206723
Registered in: Herlev, Denmark
Financial period: 1 January 2014 – 31 December 2014

Board of Directors

Dermot Hargaden
Jeff Waters
Mutema Pittman

Executive Board

Mutema Pittman, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
0900 Copenhagen C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Altera Denmark Technology Centre A/S ("ADTC") for the financial period 1 January 2014 – 31 December 2014.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31 December 2014 and of the results of its operations for the financial period 1 January 2014 – 31 December 2014.

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

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

Copenhagen, 28 May 2015

Executive Board

Mutema Pittman
Chief Executive Officer

Board of Directors

Dermot Hargaden	Jeff Waters	Mutema Pittman

Independent auditor's reports

To the owner of Altera Denmark Technology Centre A/S

Report on the financial statements

We have audited the financial statements of Altera Denmark Technology Centre A/S (“the Company”) for the financial period 1 January 2014 – 31 December 2014, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company’s financial position at 31 December 2014 and of the results of its operations for the financial period 1 January 2014 – 31 December 2014 in accordance with the Danish Financial Statements Act.

Independent auditor's reports

Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the financial statements.

Copenhagen, 28 May 2015

Deloitte

Anders O. Gjelstrup
State Authorised Public Accountant

Management commentary

Primary activities

ADTC provides technical and administrative support to its ultimate parent, Altera Corporation.

ADTC also grants rights and licences to Altera Corporation, Altera International Limited and Altera European Trading Co Ltd and gains royalty income from these activities.

Development in activities and finances

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

Outlook

Revenue and other operating income for the period is DKK 50.5 million. Gross profit amounts to DKK 44.8 million. Profit for the financial period is DKK 9.6 million.

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

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

Accounting policies

Reporting class

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with additional provisions of the Danish Financial Statements Act governing reporting class C enterprises.

There have been no changes in accounting policies compared to last year.

Recognition and measurement

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

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

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

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

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

Foreign currency translation

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

Accounting policies

Revenue

For financial period 2013 only, revenue is recognized in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Another type of revenue being recognized represents the invoiced value of services (less value added tax and trade discounts) provided to fellow group enterprises on a cost plus percentage basis under a service agreement.

Other operating income

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

Other external expenses

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

Staff costs

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

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses relating to property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial period, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of property, plant and equipment. No impairment loss was recognised in financial period 2014 or 2013.

Other financial income

Other financial income comprises of bad debt written off and prior year income recognized from royalty revenue from customer.

Other financial expenses

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

Accounting policies

Income taxes

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

The Company has considerable tax assets of approximately DKK 34.575 thousand due to tax losses generated in prior years. The tax assets are not recognised in the financial statements.

Balance sheet

Property, plant and equipment

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

Computer hardware and software	3 years
Fixtures fittings and operation equipment	5 years

Receivables

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

Prepayments

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

Cash

Cash comprises operating cash and bank deposits.

Other financial liabilities

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

Current portion of non-current liabilities other than provisions

Current portion of non-current liabilities other than provisions comprise employee bonds.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Income statement for 2014

	Notes	2014 DKK	2013 DKK'000
Revenue		42.816.159	27.243
Other operating income		7.682.849	636
Other external expenses		(5.726.888)	(6.687)
Gross profit		**44.772.120**	**21.192**
Staff costs	1	(33.036.985)	(20.638)
Amortisation, depreciation and impairment losses		(1.726.062)	(1.635)
Operating profit/(loss)		**10.009.073**	**(1.081)**
Other financial income		29.909	21
Other financial expenses		(81.792)	(409)
Profit/(Loss) from ordinary activities before tax		**9.957.190**	**(1.469)**
Tax on profit/(loss) from ordinary activities	2	(332.443)	0
Profit/(Loss) for the period		**9.624.747**	**(1.469)**

Proposed distribution of profit

Retained earnings		9.624.747	(1.469)
		9.624.747	**(1.469)**

Balance sheet at 31 December 2014

	Notes	2014 DKK	2013 DKK'000
Acquired patents and licences	3	663.927	1.083
Intangible assets		**663.927**	**1.083**
Other fixtures and fittings, tools and equipment		2.704.069	2.760
Property, plant and equipment	4	**2.704.069**	**2.760**
Other receivables		174.946	163
Fixed asset investments	5	**174.946**	**163**
Fixed assets		**3.542.942**	**4.006**
Trade receivables		0	296
Receivables from group enterprises		410.149	0
Other receivables		309.044	699
Prepayments		88.521	271
Receivables		**807.714**	**1.266**
Cash		**24.110.098**	**10.765**
Current assets		**24.917.812**	**12.031**
Assets		**28.460.754**	**16.037**

Balance sheet at 31 December 2014

	Notes	2014 DKK	2013 DKK'000
Contributed capital	6	96.296.015	96.296
Retained earnings		(95.501.078)	(105.126)
Equity		**794.937**	**(8.830)**
Other payables concentrated by the issuance of bonds		0	909
Non-current liabilities other than provisions	7	**0**	**909**
Current portion of non-current liabilities other than provisions	7	874.622	1.200
Prepayments received from customers		0	75
Trade payables		674.418	834
Payables to group enterprises		13.831.665	14.604
Income tax payable		332.443	0
Other payables	8	11.952.669	7.245
Current liabilities other than provisions		**27.665.817**	**23.958**
Liabilities other than provisions		**27.665.817**	**24.867**
Equity and liabilities		**28.460.754**	**16.037**
Contingent liabilities	9		
Assets charged and collateral	10		
Related parties with control	11		

Statement of Changes in Equity for 2014

	Contributed capital	Retained earnings	Total
	DKK	DKK	DKK
Equity beginning of period	96.296.015	(105.125.825)	(8.829.810)
Capital increase	0	0	0
Profit for the period	0	9.624.747	9.624.747
Equity end of period	**96.296.015**	**(95.501.078)**	**794.937**

Notes

1. Staff Costs

	2014 DKK	2013 DKK'000
Wages and salaries	32.848.462	20.526
Other social security costs	188.523	112
	33.036.985	**20.638**

2. Tax on profit from ordinary activities

	2014 DKK	2013 DKK'000
Current tax	(332.443)	0
	(332.443)	**0**

At January 1 2014 the Entity had tax assets of DKK 40.829 thousand due to tax losses generated in prior years. The tax assets at 31.12.2014 are DKK 34.531 thousand. The tax assets are not recognised in the financial statements.

Notes

3. Intangible assets

	Acquired patents and licences
	DKK
Cost beginning of period	1.257.967
Additions	0
Cost end of period	**1.257.967**
Amortisation and impairment losses beginning of period	(174.718)
Amortisation for the period	(419.322)
Amortisation and impairment losses end of period	**(594.040)**
Carrying amount end of period	**663.927**

Notes

4. Property, plant and equipment

	Other fixtures and fittings, tools and equipment
	DKK
Cost beginning of period	3.809.552
Additions	1.439.417
Disposals	(189.391)
Cost end of period	**5.059.578**
Depreciation and impairment losses beginning of period	(1.049.086)
Depreciation for the period	(1.306.423)
Reversal regarding disposals	0
Depreciation and impairment losses end of period	**(2.355.509)**
Carrying amount end of period	**2.704.069**

Notes

5. Fixed asset investments

	Other receivables DKK
Cost beginning of period	163.180
Additions	11.766
Disposals	0
Cost end of period	**174.946**
Revaluations beginning of period	0
Reversal regarding disposals	0
Revaluations end of period	**0**
Carrying amount end of period	**174.946**

6. Contributed capital

	Number	Par value DKK	Nominal value DKK
Ordinary shares	96.296.015	1,00	96.296.015
	96.296.015		**96.296.015**

	2014 DKK	2013 DKK	2012/13 DKK	2011/12 DKK	2010/11 DKK
Changes in contributed capital					
Contributed capital beginning of period	96.296.015	96.296.014	96.296.014	96.296.014	74.911.744
Increase of capital	0	1	0	0	21.384.270
Contributed capital end of period	**96.296.015**	**96.296.015**	**96.296.014**	**96.296.014**	**96.296.014**

Notes

	Current liabi-lities total 2014 DKK	Falling due within 12 months 2014 DKK	Falling due after 12 months DKK
7. Current portion of non-current liabilities other than provisions			
Other payables concentrated by the issuance of bonds	874.622	874.622	0
	874.622	**874.622**	**0**

	2014 DKK	2013 DKK'000
8. Other Payables		
Holiday allowance	5.673.360	4.638
Accrued acquisition compensation	3.443.228	1.041
Accrued bonus	2.600.645	796
Tax related expenses	23.220	30
Other	212.216	740
	11.952.669	**7.245**

9. Contingent liabilities

The Entity has concluded a lease on the premises at Hørkær 12, Herlev, Denmark. The annual rent is DKK 1.391 thousand. The lease may be terminated at 6 months' notice. As security for the lease commitments, the Entity has provided a bank guarantee of DKK 531thousand.

10. Assets charged and collateral

The Entity has provided collateral of DKK 1.516 thousand to the owners of employee bonds.

11. Related parties with control

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

Altera European Trading Co Ltd