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Freescale Semiconductor Danmark A/S

Annual report 2013

To the Danish Business Authority

The annual report has been presented and approved at the Company's annual general meeting

08. April 20 14

chairman

CVR no. 10 21 27 74
703800 13001 / CW

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Freescale Semiconductor Danmark A/S for the financial year 1 January - 31 December 2013.

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

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 31 December 2013 and of the results of the Company's operations for the financial year 1 January - 31 December 2013.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Copenhagen, 11 March 2014
Executive Board:

Steve Wainwright

Board of Directors:

Randy Hyzak Chairman	Martin Burns	Pascale Diez

Independent auditors' report

To the shareholders of Freescale Semiconductor Danmark A/S

Independent auditors' report on the financial statements

We have audited the financial statements of Freescale Semiconductor Danmark A/S for the financial year 1 January - 31 December 2013. The financial statements comprise accounting policies, income statement, balance sheet 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 that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 as to 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 auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company'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 Company'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 evaluating 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 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 2013 and the results of its operations for the financial year 1 January - 31 December 2013 in accordance with the Danish Financial Statements Act.

Independent auditors' report

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the in-formation provided in the Management's review is consistent with the financial statements.

Aalborg, 11 March 2014
KPMG
Statsautoriseret Revisionspartnerselskab

Elis Jochumsen
State Authorised
Public Accountant

Management's review

Company details

Freescale Semiconductor Danmark A/S
Dronninggaards Alle 136
2840 Holte

Telephone:	45 47 50 49
Website:	www.freescale.com
CVR no.:	10 21 27 74
Established:	21. april 1986
Established:	21 April 1986
Registered office:	Rudersdal
Financial year:	1 January - 31 December

Board of Directors

Randy Hyzak (Chairman)
Martin Burns
Pascale Diez

Executive Board

Steve Wainwright

Auditors

KPMG
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Vestre Havnepromenade 1A
9000 Aalborg

Annual general meeting

The annual general meeting is to be held on 8 April 2014.

Management's review
Financial highlights

	2013	2012	2011	2010	2009
Key figures					
Gross profit	863	767	1.152	1.870	2.161
Ordinary operating profit	115	63	119	256	323
Profit/loss from financial income and expenses	5.816	5.603	1.166	-14.231	-66.086
Dividend from subs.	138.388	-	-	86.023	103.338
Profit/loss from ordinary operations	626.538	-36.652	22.835	107.383	37.575
Profit/loss for the year	**626.538**	**-36.652**	**22.835**	**107.383**	**37.575**
Total assets	**357.127**	**942.769**	**985.858**	**971.768**	**1.234.567**
Equity	**356.859**	**942.596**	**979.247**	**956.412**	**849.029**
Financial ratios					
Solvency ratio	99,9 %	99,9 %	99,3 %	98,4 %	57,6 %
Return on equity	96,4 %	-3,8 %	2,3 %	11,2 %	4,4 %
Ordinary operating profit as a percentage of gross profit	13,3 %	8,2 %	10,3 %	13,7 %	14,9 %
Average number of full-time employees	**1**	**1**	**1**	**2**	**3**

Management's review

Operating review

Principal activities of the Company

The company's principal activities consist of supporting the sales of Freescale products.

In 2013, Freescale Semiconductor Danmark A/S received dividends from its subsidiaries amounting to DKK 138.388 thousand.

Development in activities and financial position

The company reported an operating gain of DKK 115 thousand. The profit before tax of DKK 626.538 thousand is a consequence of the partly sale of subsidiaries.

Outlook

The operating result is expected to be positive next year.

Financial statements for the period 1 January - 31 December

Accounting policies

The annual report of Freescale Semiconductor Danmark A/S for 2013 has been prepared in accordance with the provisions applying to reporting class B enterprises under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Pursuant to Section 112 subsection 2 of the Danish Financial Statements Act, consolidated accounts have not been prepared as the company and subsidiary companies are included in the consolidated accounts for Freescale Semiconductor Ltd, (SEC commission file no 001-35184).

Recognition and measurement

Assets are recognized on the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognized on the balance sheet when an outflow of future economic benefits is probable and when the liability can be reliably measured.

At initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

When assets and liabilities are recognized and measured, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognized in the income statement as earned, including value adjustments of financial assets and liabilities recognized. Equally, costs incurred to generate the year's earnings are recognized, including depreciation, impairment and allowances as well as reversals as a result of changes in accounting estimates of amounts which were previously recognized in the income statement.

Financial statements for the period 1 January - 31 December

Accounting policies

Foreign currency translation

At initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognized in the income statement as non-operating income or non-operating expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognized in the latest financial statements is recognized in the income statement as non-operating income or non-operating expenses.

Non-current assets purchased in foreign currencies are translated at the exchange rates at the transaction date.

Derivative financial instruments

Derivative financial instruments are initially recognized in the balance sheet at cost and are subsequently measured at fair value.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognized asset or liability are recognized in the income statement together with changes in the value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets and liabilities are recognized as receivables or liabilities and in the capital and reserves.

Recognition of assets or liabilities relating to such hedging transactions previously recognized directly in the capital and reserves, are transferred to the cost of the asset or liability respectively.

Income and expenses relating to such hedging transactions are transferred from the capital and reserves on realization of the hedged item and are recognized in the income statement in the period as the hedged item affects the income/loss.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognized in the income statement when they occur.

Changes in the fair value of derivative financial instruments used for hedging net investments in independent foreign subsidiaries are recognized directly in the capital and reserves.

Financial statements for the period 1 January - 31 December

Accounting policies

Financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2010".

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Solvency ratio	$\dfrac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$
Return on equity	$\dfrac{\text{Profit from ordinary activities after tax x 100}}{\text{Average equity}}$

Income statement

Revenue

Net sales include invoiced sales for the year adjusted for any changes in the value of contract development work in process.

Pursuant to Section 32 of the Danish Financial Statements Act, net sales are not disclosed in the annual report.

Financial income and expenses

Non-operating income and non-operating expenses comprise interest income and expense, gains and losses in respect of securities, payables and transactions denominated in foreign currencies, amortization of financial assets and liabilities as well as surcharges and allowances under the on-account tax scheme, etc.

Interest expense and other expenses relating to loans raised to finance the production of intangibles and property, plant and equipment and which concern the production period are not included in cost.

Tax on profit/loss

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the income/loss for the year is recognized in the income statement, and the tax expense relating to changes directly recognized in stockholder's equity is recognized directly in stockholder's equity.

Financial statements for the period 1 January - 31 December

Accounting policies

Balance sheet

Fixed asset investments

Investments in subsidiary companies are measured at cost. Where the net realizable value is lower than cost, investments are impaired to this lower value.

Cost is written down to the extent that distributed dividends exceed accumulated earnings after the acquisition date.

Receivables

Receivables are measured at amortized cost. Anticipated losses are written down to net realizable value.

Prepayments, assets

Prepaid expenses comprise costs incurred concerning subsequent fiscal years.

Cash and cash equivalents

Cash and cash equivalents comprise cash.

Equity - dividends

Proposed dividends are recognized as a liability at the date on which they are adopted at the Annual General Meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under stockholders' equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognized on the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying value and the tax base of assets and liabilities. However, deferred tax is not recognized on temporary differences relating to office premises and other items which are not deductible for tax purposes and where temporary differences arise at the date of acquisition without affecting either income/loss for the year or taxable income.

Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the planned use of the asset or settlement of the liability, respectively.

Financial statements for the period 1 January - 31 December

Accounting policies

Deferred tax assets, including the tax base of tax loss carry forwards, are recognized at the expected value of their utilization; either as a set-off against tax on future income or as a set-off against deferred tax liabilities.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallize current tax. The change in deferred tax as a result of changes in tax rates is recognized in the income statement.

Liabilities other than provisions

Liabilities are measured at net realizable value.

Financial statements for the period 1 January - 31 December

Income statement

DKK'000	Note	2013	2012
Gross profit		863	767
Staff costs	1	-748	-704
Ordinary operating profit		115	63
Income from investments in group enterprises		620.607	-42.318
Financial income	2	6.828	7.132
Other financial expenses		-1.012	-1.529
Profit/loss from before tax		626.538	-36.652
Tax on profit/loss from ordinary activities		0	0
Profit/loss for the year		626.538	-36.652
Proposed profit appropriation/distribution of loss			
Proposed extraordinary dividends		1.212.275	0
Retained earnings		-585.737	-36.652
		626.538	-36.652

Financial statements for the period 1 January - 31 December

Balance sheet

DKK'000	Note	2013	2012
ASSETS			
Non-current assets			
Investments	3		
Investments in subsidiary companies		343.834	718.410
Total non-current assets		343.834	718.410
Current assets			
Receivables			
Amounts owed by group enterprises		11.870	216.418
Other receivables		194	7.122
		12.064	223.540
Cash at bank and in hand		1.229	819
Total current assets		13.293	224.359
TOTAL ASSETS		357.127	942.769
EQUITY AND LIABILITIES			
Equity	4		
Contributed capital		223.359	223.359
Retained earnings		133.500	719.237
Total equity		356.859	942.596
Liabilities			
Current liabilities			
Trade payables		53	6
Other payables		215	167
		268	173
TOTAL EQUITY AND LIABILITIES		357.127	942.769
Related party disclosures	5		

Financial statements for the period 1 January - 31 December

Notes to the financial statements

	DKK'000	2013	2012
1	**Staff costs**		
	Wages and salaries	745	701
	Other social security costs	3	3
		748	704
	Average number of full-time employees	1	1
2	**Financial income**		
	Interest income, group enterprises	6.828	7.132
3	**Investments in subsidiaries**		
	Cost at 1 January	1.082.810	1.082.810
	Write-down of cost	-92.066	0
	Disposals	-257.650	0
	Cost at 31 December	733.094	1.082.810
	Value adjustments at 1 January	-364.400	-322.082
	Value adjustments for the year	-24.860	-42.318
	Value adjustments at 31 December	-389.260	-364.400
	Carrying amount at 31 December	343.834	718.410

Name and registered office	Ownership	Equity	Profit/loss for the year	Carrying amount
		DKK'000	DKK'000	DKK'000
Freescale Halbleiter Deutschland GmbH, Germany	84,16 %	132.740	25.506	111.714
Freescale Semiconducteurs France SAS, France	99,98 %	354.336	95.976	171.767
Freescale Semiconductor Holding UK Limited, England	100 %	60.353	10.595	60.353
Carrying amount at 31 December 2013		547.429	132.077	343.834

Financial statements for the period 1 January - 31 December

Notes to the financial statements

4 Equity

The common stock comprises 223,359 stocks of DKK 1.000. No stock carries special rights.

DKK'000	Share capital	Retained earnings	Proposed dividends	Total
Equity at 1 January 2013	223.359	719.237	0	942.596
Extraordinary dividends paid	0	0	-1.212.275	-1.212.275
Transferred, cf. profit appropriation/distribution of loss	0	-585.737	1.212.275	626.538
Equity at 31 December 2013	223.359	133.500	0	356.859

Except the capital increase in 2005, there have not been any transactions to the common stock in the past financial years.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

5 Related party disclosures

Freescale Semiconductor Danmark A/S' related parties comprise the following:

Parties exercising control

Freescale Semiconductor Inc, Austin, Texas, USA, which is majority stockholder (owns the common stock 100%).

Other related parties that the Company has had transactions with

CEO and Supervisory Board

The subsidiary companies Freescale Halbleiter Deutschland GmbH, Freescale Semiconducteurs SAS and Freescale Semiconductor Holding UK Limited, compare note 3.

Other fellow subsidiary companies within Freescale Semiconductor Inc.

Related party transactions

Transactions and interests on the loan were effected on an arm's length basis.

The company's principal activities consist of supporting the sales of Freescale products. Settlement thereof was effected on an arm's length basis.

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the voting rights or minimum 5% of the share capital:

Freescale Semiconductor Inc.
Austin, Texas
USA
(company reg. no. 20-0443182)

The company and subsidiary companies are included in the consolidated financial statements of Freescale Semiconductor Ltd.