

# Cisco Systems Danmark ApS

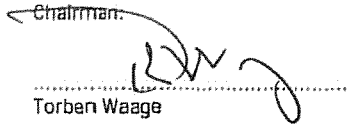
Lautrupsgade 7, 2100 Copenhagen

CVR no. 20 45 60 78

## Annual report 2015/16

Approved at the annual general meeting of shareholders on 12.12.2016

Chairman:

  
.....  
Torben Waage

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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 Cisco Systems Danmark ApS for the financial year 1 August 2015 - 31 July 2016.

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

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 July 2016 and of the results of the Company's operations for the financial year 1 August 2015 - 31 July 2016.

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

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

Copenhagen,  
Executive Board

12/12/2016



Nils Richard Münster-  
Hansen

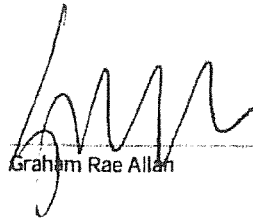
Board of Directors:



Evan Barry Sloves  
Chairman



Mark Thomas Gorman



Graham Rae Allan

SAN JOSE, CA, USA

## Independent auditors' report

To the shareholders of Cisco Systems Danmark ApS

### Independent auditors' report on the financial statements

We have audited the financial statements of Cisco Systems Danmark ApS for the financial year 1 August 2015 - 31 July 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. 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 regulations. 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

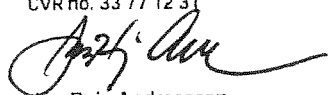
In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 July 2016 and of the results of its operations for the financial year 1 August 2015 - 31 July 2016 in accordance with the Danish Financial Statements Act.

### 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 information provided in the Management's review is consistent with the financial statements.

Copenhagen, 12/12 - 2016  
PRICEWATERHOUSECOOPERS STATS-AUTORISERET REVISIONSPARTNERSKAB

CVR no. 33 77 12 31



Jan Boje Andreassen  
State Authorised Public Accountant

## Management's review

### Company details

Name	Cisco Systems Danmark ApS
Address, Postal code, City	Lautrupsgade 7, 2100 Copenhagen
CVR no.	20 45 60 78
Established	15 August 1987
Registered office	Copenhagen
Financial year	1 August 2015 - 31 July 2016
Website	<a href="http://www.cisco.dk">www.cisco.dk</a>
Board of Directors	Evan Barry Sloves, Chairman Mark Thomas Gorman Graham Rae Allan
Executive Board	Niels Richard Münster-Hansen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44, 2900 Hellerup
Bankers	SEB Merchant Banking Danske Bank

## Management's review

### Financial highlights

DKK'000	2015/16	2014/15	2013/14	2012/13	2011/12
<b>Key figures</b>					
Gross margin	195,713	193,213	195,628	190,274	214,728
Profit before net financials	24,382	21,960	21,986	22,103	22,432
Net financials	-459	1,038	898	1,082	2,498
Profit/loss for the year	18,013	15,385	16,730	16,818	17,751
<b>Total assets</b>					
Investment in property, plant and equipment	555	435	7,308	2,297	613
Equity	102,494	79,880	307,696	290,966	274,148
<b>Financial ratios</b>					
Operating margin	10.2%	9.5%	9.1%	9.1%	8.3%
Return on assets	16.3%	8.6%	6.1%	6.5%	6.9%
Solvency ratio	64.0%	57.4%	82.8%	82.3%	83.2%
Return on equity	19.8%	7.9%	5.6%	6.0%	6.7%
<b>Average number of employees</b>					
	123	126	107	123	145

## Management's review

### Management commentary

#### Business review

The Cisco Systems Group manufactures and sells networking and communications products and provides services associated with the equipment and its use. Our products are installed in companies, public institutions, telecommunication companies, commercial businesses as well as at private individuals. Cisco Systems provides a broad line of products for transporting data, voice, and video in buildings, across campuses, and around the world.

Cisco Systems Danmark ApS provides commercial and technical sales support related to network and communication products on behalf of the parent company's customers in the Danish market. Additionally, the company carries on activities in the field of public relations and marketing in Denmark on behalf of Cisco International Limited. The Danish company resides in Copenhagen.

#### Financial review

The income statement for 2015/16 shows a profit of DKK 18,013 thousand against a profit of DKK 15,385 thousand last year, and the balance sheet at 31 July 2016 shows equity of DKK 102,494 thousand.

This financial year, the market has gradually stabilized and is now close to the level before the financial crisis. Cisco continues to focus on increasing digitization and innovation. This is done by introducing new technologies, products and solutions.

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In Cisco Denmark, we have welcomed several new employees and we maintains one of the lowest employee churn rates in the IT industry. The organization develops continuously and in 2016/16, we have decided to yet again strengthen in virtually all areas of the business, highlighting especially the Security and Commercial area, as we see a significant growth in the market within these two areas. Innovation around the Internet of Everything has meant that we have been able to place Denmark on the map internationally through collaboration between Cisco and local start-ups, benefiting Danish innovation power.

## Management's review

### Management commentary

#### Impact on the external environment

In management's opinion, environmental issues do not have any material impact on operations or any material effect on the true and fair view of the company's financial development and position in the annual report.

#### Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

#### Outlook

To Cisco, vision means the ability to anticipate, in general, how the communications and IT market will evolve and understand how the network drives this development. We believe the network will change the way the world works, lives, plays and learns and that it will be full of information. We see, as the market develops, that the network will literally become the platform for the fulfilment of life's potential by delivering applications and services to our customers and by enabling greater productivity, new business models and expanded forms of entertainment. With the Internet of Everything (people, devices, processes and data connected to the Internet), Cisco foresees that the propensity to invest will increase even further as technology can increase the digitalisation in Denmark. Cisco continues to have very strong portfolio seen from a product, geographic and customer perspective.

We continue to focus on Smart Cities and Internet of Everything and the market has major current and future potential for us in Denmark. Cloud based Networking is another growth area for Cisco where we continuously see double digits growth. Cisco does not believe there are any major risks that will have significant impact on the operation of Cisco Systems Danmark ApS.



Financial statements for the period 1 August 2015 - 31 July 2016

Income statement

Note	DKK'000	2015/16	2014/15
	Gross margin	195,713	193,213
2	Staff costs	-169,546	-169,362
3	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-1,785	-1,891
	Profit before net financials	24,382	21,960
	Income from investments in group entities	-28	-1,668
4	Financial income	54	1,124
5	Financial expenses	-513	-86
	Profit before tax	23,895	21,330
6	Tax for the year	-5,882	-5,945
	Profit for the year	18,013	15,385
	Proposed profit appropriation		
	Retained earnings	18,013	15,385
		18,013	15,385

Financial statements for the period 1 August 2015 - 31 July 2016

Balance sheet

Note	DKK'000	2015/16	2014/15
	ASSETS		
	Non-current assets		
7	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	1,343	1,053
	Leasehold improvements	2,667	4,342
		<u>4,010</u>	<u>5,395</u>
8	Investments		
	Investments in group entities, net asset value	3,016	3,044
	Other securities and investments	5,882	1,281
	Other receivables	2,661	2,616
		<u>11,559</u>	<u>6,941</u>
	Total non-current assets	<u>15,569</u>	<u>12,336</u>
	Current assets		
	Receivables		
	Receivables from group entities	138,003	110,917
	Deferred tax assets	246	458
	Other receivables	921	1,140
9	Prepayments	542	0
		<u>139,712</u>	<u>112,515</u>
	Cash at bank and in hand	4,851	14,333
	Total current assets	<u>144,563</u>	<u>126,848</u>
	TOTAL ASSETS	<u>160,132</u>	<u>139,184</u>

Financial statements for the period 1 August 2015 - 31 July 2016

Balance sheet

Note	DKK'000	<u>2015/16</u>	<u>2014/15</u>
	<b>EQUITY AND LIABILITIES</b>		
	Equity		
	Share capital	500	500
	Retained earnings	<u>101,994</u>	<u>79,380</u>
	Total equity	<u>102,494</u>	<u>79,880</u>
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	2,274	234
	Payables to group entities	3,977	3,177
	Income taxes payable	3,015	6,615
	Other payables	<u>48,372</u>	<u>49,278</u>
		<u>57,638</u>	<u>59,304</u>
	Total liabilities other than provisions	<u>57,638</u>	<u>59,304</u>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<u>160,132</u>	<u>139,184</u>

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

Financial statements for the period 1 August 2015 - 31 July 2016

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Dividend proposed for the year	Total
Equity at 1 August 2014	500	57,195	250,000	307,695
Correction of fundamental error	0	6,800	0	6,800
Profit/loss for the year	0	15,385	0	15,385
Dividend distributed	0	0	-250,000	-250,000
Equity at 1 August 2015	500	79,380	0	79,880
Profit/loss for the year	0	18,013	0	18,013
Contribution from group	0	4,601	0	4,601
Equity at 31 July 2016	500	101,994	0	102,494

The share capital consists of 500 shares of a nominal value of DKK 1,000. No shares carry any special rights. No changes has occurred on the share capital since the foundation.

## Financial statements for the period 1 August 2015 - 31 July 2016

### Notes to the financial statements

#### 1 Accounting policies

Cisco Systems Danmark ApS' annual report for 2015/16 has been prepared in accordance with the provisions which apply to medium-sized reporting class C entities under the Danish Financial Statements Act.

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, Cisco Systems Inc., USA.

#### Consolidated financial statements

According to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The financial statements of Cisco Systems Danmark ApS and its group enterprises are included in the consolidated financial statements of Cisco Systems Inc., USA.

#### Reporting currency

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

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

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

#### Leases

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

### Income statement

#### Revenue

Revenue from the sale of service to Cisco International Limited is recognized in the income statement when they are rendered. Revenue is recognized exclusive of VAT and net of discounts relating to sales.

#### Gross margin

The items revenue, production costs and other operating income have been aggregated into one item in the income statement called gross margin in accordance with section 32 of the Danish Financial Statements Act.

## Financial statements for the period 1 August 2015 - 31 July 2016

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### External expenses

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

##### Staff costs

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

##### Depreciation

The item comprises depreciation of property, plant and equipment.

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

Other fixtures and fittings, tools and equipment	1-5 years
Leasehold improvements	1-5 years

##### 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 Danish income tax charge is allocated between profit making and loss making Danish entities in proportion to their taxable income).

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.

## Financial statements for the period 1 August 2015 - 31 July 2016

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Balance sheet

##### 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.

##### Investments in subsidiaries

Investments in subsidiaries and associates are measured at cost. Dividends received that exceed the accumulated earnings in the subsidiary or the associate during the period of ownership are treated as a reduction in the cost of acquisition.

##### Other securities and investments

Other securities and investments are measured at fair value. The fair value is made up at the market value at the balance sheet date if the securities are listed and at a value made up using generally recognised valuation principles if the securities are unlisted.

If an approximate fair value can not be made up, the securities are measured at cost.

##### Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

##### Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

##### Cash and cash equivalents

Cash and cash equivalents comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

## Financial statements for the period 1 August 2015 - 31 July 2016

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### 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 is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax 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 is measured based on Management's intended use of the asset or settlement of the liability, respectively.

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 crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

##### Financial ratios

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

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

Return on assets	$\frac{\text{Profit/loss from operating activities}}{\text{Average assets}} \times 100$
Solvency ratio	$\frac{\text{Equity at year end}}{\text{Total equity and liabilities at year end}} \times 100$
Return on equity	$\frac{\text{Profit/loss for the year after tax}}{\text{Average equity}} \times 100$



Financial statements for the period 1 August 2015 - 31 July 2016

Notes to the financial statements

DKK'000	2015/16	2014/15
2 Staff costs		
Wages/salaries	156,973	156,701
Pensions	11,824	11,461
Other social security costs	749	1,200
	<u>169,546</u>	<u>169,362</u>
Average number of full-time employees	<u>123</u>	<u>126</u>
By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.		
3 Depreciation of property, plant and equipment		
Depreciation of property, plant and equipment	1,785	1,891
	<u>1,785</u>	<u>1,891</u>
4 Financial income		
Interest receivable, group entities	54	639
Exchange adjustments	0	485
	<u>54</u>	<u>1,124</u>
5 Financial expenses		
Exchange adjustments	234	2
Other financial expenses	279	84
	<u>513</u>	<u>86</u>
6 Tax for the year		
Estimated tax charge for the year	5,667	5,519
Deferred tax adjustments in the year	214	426
Tax adjustments, prior years	1	0
	<u>5,882</u>	<u>5,945</u>

Financial statements for the period 1 August 2015 - 31 July 2016

Notes to the financial statements

7 Property, plant and equipment

DKK'000	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 August 2015	30,000	17,261	47,261
Additions in the year	555	0	555
Disposals in the year	-469	-155	-624
Cost at 31 July 2016	30,086	17,106	47,192
Impairment losses and depreciation at 1 August 2015	28,947	12,919	41,866
Amortisation/depreciation in the year	265	1,520	1,785
Reversal of amortisation/depreciation and impairment of disposals	-469	0	-469
Impairment losses and depreciation at 31 July 2016	28,743	14,439	43,182
Carrying amount at 31 July 2016	1,343	2,667	4,010

8 Investments

DKK'000	Investments in group entities, net asset value	Other securities and investments	Other receivables	Total
Cost at 1 August 2015	27,775	29	2,616	30,420
Additions in the year	0	4,601	45	4,646
Cost at 31 July 2016	27,775	4,630	2,661	35,066
Value adjustments at 1 August 2015	-24,731	1,252	0	-23,479
Revaluations for the year	-28	0	0	-28
Value adjustments at 31 July 2016	-24,759	1,252	0	-23,507
Carrying amount at 31 July 2016	3,016	5,882	2,661	11,559

DKK'000	Interest	Equity	Profit/loss
Subsidiaries			
Divitech A/S	100.00 %	3,016	-155

Financial statements for the period 1 August 2015 - 31 July 2016

Notes to the financial statements

9 Prepayments

Prepayments includes accrual of expenses relating to subsequent financial years, including primarily rent, electricity and phone.

10 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

DKK'000	2015/16	2014/15
Rent and lease liabilities	15,605	22,510

Rent and lease liabilities include the following:

- Interminable rent agreements totalling tDKK 10,207 (2014/15: 15,995).

- Operating leases for cars, totalling tDKK 5,398 (2014/15: 6,515).

The Danish group companies are jointly and severally liable for tax on the Group's jointly taxed income for the income year 2016.

11 Collateral

The Company has not provided any security or other collateral in assets at 31 July 2016.

12 Related parties

Cisco Systems Danmark ApS' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Cisco Systems management B.V	The Netherlands	Participating interest

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Cisco Systems Inc.	USA	www.cisco.com

