

# Lenovo Danmark ApS

Vandtårnsvej 83A, 2860 Søborg  
CVR No. 28 51 13 45

## Annual Report

for the year ended March 31, 2022

16th financial year

Approved in the Annual General Meeting of shareholders  
on 15 September 2022

.....  
Chairman - Christophe Laurent

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## **COMPANY DETAILS**

Lenovo Danmark ApS  
Vandtårnsvej 83A  
2860 Søborg

CVR No. 28 51 13 45  
Financial period: 31st March  
Municipality of reg office: Gladsaxe

### ***Supervisory Board***

Christophe Laurent  
Colm Gleeson  
Peter Juul Jorgensen

### ***Executive Board***

Peter Juul Jorgensen

Group annual report available at:  
[www.lenovo.com](http://www.lenovo.com)

### ***Auditors***

PricewaterhouseCoopers

### ***Bankers***

Citibank International PLC, Denmark Branch

## MANAGEMENT'S STATEMENT

The Executive and the Supervisory Boards have presented the Annual Report for the year ended 31st March 2022. The Annual Report was discussed and adopted on 15th September 2022.

The Annual Report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies used appropriate and the accounting estimates made reasonable. To the best of our belief, the Annual Report includes the information which is relevant for an assessment of the Company's financial position. Against this background, it is our opinion that the Annual Report gives a true and fair view of the Company's assets and liabilities, financial position and results of operations for the year ended 31 March 2022

In our opinion, the Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted by the Annual General Meeting of shareholders.

Søborg, 15th September 2022

Executive Board:

.....  
Peter Juul Jorgensen

Supervisory Board:

.....  
Christophe Laurent

.....  
Colm Gleeson

.....  
Peter Juul Jorgensen

## **Independent Auditor's Report**

To the Shareholders of Lenovo Danmark ApS

### **Opinion**

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 March 2022, and of the results of the Company's operations for the financial year 1 April 2021 - 31 March 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Lenovo (Danmark) ApS for the financial year 1 April 2021 - 31 March 2022, which comprise income statement, balance sheet, 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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**

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 form 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 Statements Act. We did not identify any material misstatement in Management's Review.

## **Independent Auditor's Report**

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

## **Independent Auditor's Report**

- 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.

Hellerup - Copenhagen, 15 September 2022

**PricewaterhouseCoopers**  
**Statsautoriseret Revisionspartnerselskab**

*CVR-nr. 33 77 12 31*

Martin Lunden  
State Authorised Public Accountant  
mne32209

Maj-Britt Nørskov Nannestad  
State Authorised Public Accountant  
mne32198

## FINANCIAL HIGHLIGHTS

5-year summary:

	<u>2021/22</u>	<u>2020/21</u>	<u>2019/20</u>	<u>2018/19</u>	<u>2017/18</u>
<b>Key figures (in DKK thousands)</b>					
Revenue	3,997,039	2,960,008	2,666,964	2,734,540	2,530,584
Gross margin	181,689	126,124	141,668	119,044	108,132
Profit/loss before net financials (EBIT)	59,898	33,336	50,145	39,937	41,900
Net financials	-19,402	-2,753	-25,840	-11,707	-14,649
Net profit for the year	31,555	23,728	18,909	21,968	21,247
Shareholders' equity at year-end	202,163	170,608	146,880	127,971	106,003
Total assets	1,096,274	1,033,431	910,385	524,466	371,813
Investments in tangible assets for the year	440	404	441	649	226
Number of employees	92	79	74	67	68
<b>Ratios (%)</b>					
Return on assets	5.6	3.4	7.0	8.9	12.5
Current ratio	144.3	136.1	131.4	132.4	140.4
Equity ratio	18.4	16.5	16.1	24.4	28.5
Return on equity	16.9	13.9	13.8	18.8	22.3

### Definition of financial ratios:

Return on assets: Profit/loss before financials / Average total assets \* 100

Current ratio: Current assets / Short-term liabilities \* 100

Equity ratio: Shareholders' equity / Total assets \* 100

Return on equity: Net profit/loss for the year / Average shareholders' equity \* 100



## **MANAGEMENT'S REVIEW**

### **Business activities and mission**

Lenovo Group Limited is one of the world's leading computer technology companies. The Group has broadened its device business from PC to include mobile and enterprise businesses. Lenovo has been listed on The Stock Exchange of Hong Kong since 1994.

Lenovo Danmark ApS is a wholly owned subsidiary of Lenovo International Coöperatief U.A. in Amsterdam. The company's activities consist of sales to Danish companies. The product portfolio consists of desktop and notebook computers and related equipment. The vast majority of the sales takes place through CP retailers.

### **Business review**

The company shows a profit for 2021/2022 of 31,555 TDKK and a total balance as at March 31, 2022 of 1,096,274 TDKK and equity of 202,163 TDKK, which management considers satisfying in view of the unprecedented economic disruption from COVID-19 which has brought about volatility and challenges on a global scale. this year's performance is in line with the expectations we had last year .

### **Expectations for the future**

Lenovo Danmark ApS will continue to drive premium-to-market revenue growth with industry-leading profitability, through continued investments in the high-growth and premium segments. Building capabilities to drive sales growth in the software and services business and expanding e-commerce based on its well-established infrastructure will also help to drive new growth opportunities. On the same level as this year, the management expects a positive result before tax for the accounting year 22/23.

Capital expenditures, employee numbers, and financing are expected to remain steady.

### **Unusual risks**

Lenovo Danmark ApS is assessed not to be subject to any special risks, including operating and financial risks, apart from the usual risks in the line of business.

### **Knowledge resources**

Lenovo Danmark ApS is assessed not to have any special knowledge resources, apart from the normal knowledge resources in the line of business.

### **Effect on the external environment**

Lenovo products comply with all applicable environmental regulations, such as WEEE and RoHS. Lenovo seeks to be among the environmental leaders in all business activities.

### **Human Rights**

Details about Lenovo policies regarding human rights are included within the Corporate Social Responsibility Report of Lenovo Group Limited's Annual Report.

### **Statutory Report on Social Responsibility, cf. Section 99a of the Danish Financial Statements Act**

Lenovo Danmark is, as part of the Lenovo Group, subject to the CSR policies that are implemented across the Group. In accordance with the policies, Lenovo Danmark works actively with a range of sustainability areas and, in particular, with the environment and human rights, that are mandatory for Lenovo Denmark to disclose on following Section 99 a of the Danish Financial Statements Act. More information on our work within sustainability are available in the Lenovo Group Sustainability Report 2021/22 (<https://investor.lenovo.com/en/sustainability/reports/FY2022-lenovo-sustainability-report.pdf>) through which Lenovo Danmark comply with the Danish disclosure requirements.

### **Statutory Report on Gender Composition in Management, cf. Section 99b of the Danish Financial Statements Act**

Lenovo's Commitment to Diversity and Nondiscrimination is accessible on our website along with other corporate policies at [https://www.lenovo.com/us/en/social\\_responsibility/](https://www.lenovo.com/us/en/social_responsibility/)

Lenovo wants to promote a corporate culture according to which appointments are based on competencies. It is important for everybody to have equal access to the Board of Directors and Top Management irrespective of gender, age, national origin, religion or political orientation.

The diversity policy is being revised and implemented continuously.

In compliance with Danish law, Lenovo Danmark ApS has set a target to elect at least one female member of the supervisory board. The supervisory board currently consists of 3 members who all are male. The target was not achieved in the financial year 2021/22 due there being no suitable female candidates identified at a local level. A process is underway to identify suitable female candidates from the wider Group before the end of financial year 2022/23.

It is the company's target to have at least 40% women in the management group. In the financial year 2021/22 the goal was met as 43% of the management group was comprised by women. The 40% target will remain in FY2022/23, to keep this target, the company invests in several career programs to ensure it is developing that pipeline through learning, sponsorship, and mentorship programs in partnership with its employee resource groups, business leaders, and Human Resource teams. The longest-running programs include the Women's Leadership Development Program (WLDP) to develop female executive talent, and the Mosaic Leadership Development Program (MLDP) which aims to develop executive talent from underrepresented backgrounds.

In addition to the previously cited Women's and Mosaic leadership development programs, the Company started a sponsorship program in 2020 to grow diverse talent at the director level into the executive director ranks, ensuring that there is appropriate exposure and career progression for participants. The Company will also be launching a 'Courageous Leadership' program in the U.S. during Summer 2022 to develop senior managers from diverse backgrounds into the director level.

### **Statutory Report on Data Ethics in Management, cf. Section 99d of the Danish Financial Statements Act**

Lenovo Danmark Data ethics are available in the Lenovo Group Sustainability Report 2021/22 (<https://investor.lenovo.com/en/sustainability/reports/FY2022-lenovo-sustainability-report.pdf>) through which Lenovo Danmark comply with the Danish disclosure requirements.

**INCOME STATEMENT**

		<b>2021/22</b>	<b>2020/21</b>
	<b>Notes</b>	<b>DKK</b>	<b>DKK</b>
Revenue	1	3,997,039,277	2,960,007,671
Cost of Goods Sold		-3,810,956,452	-2,841,638,501
Other External Income		45,281,755	37,810,311
Other External Expenses		-49,676,038	-30,055,220
<b>Gross margin</b>		<b>181,688,542</b>	<b>126,124,262</b>
Staff costs	2	-121,397,614	-92,086,753
Amortisation/depreciation and write-downs of intangible assets and property, plant and equipment	3	-392,473	-701,388
<b>Profit before net financials</b>		<b>59,898,455</b>	<b>33,336,122</b>
Other financial income	4	8,666,033	16,918,671
Other financial expenses	4	-28,067,753	-19,671,681
<b>Profit before tax</b>		<b>40,496,735</b>	<b>30,583,112</b>
Tax for the year	5	-8,942,072	-6,854,963
<b>NET PROFIT FOR THE YEAR</b>		<b>31,554,663</b>	<b>23,728,149</b>

**BALANCE SHEET at March 31**

		<b>2022</b>	<b>2021</b>
	<b>Notes</b>	<b>DKK</b>	<b>DKK</b>
<b>ASSETS</b>			
<b>Fixed assets</b>			
Other plant, operating equipment	6	838,942	827,632
<b>Tangible assets</b>		<b>838,942</b>	<b>827,632</b>
<b>Total fixed assets</b>		<b>838,942</b>	<b>827,632</b>
<b>Current assets</b>			
Trade receivables		245,709,299	520,733,466
Receivables from group enterprises		777,233,240	406,785,664
Other receivables		1,484,053	1,310,965
Deferred tax asset	7	56,179,083	37,016,875
Prepayments	8	3,538,261	1,788,727
<b>Receivables</b>		<b>1,084,143,936</b>	<b>967,635,696</b>
<b>Cash</b>		<b>11,290,986</b>	<b>64,967,471</b>
<b>Total current assets</b>		<b>1,095,434,922</b>	<b>1,032,603,167</b>
<b>TOTAL ASSETS</b>		<b>1,096,273,863</b>	<b>1,033,430,799</b>

**BALANCE SHEET at March 31**

		<b>2022</b>	<b>2021</b>
	<b>Notes</b>	<b>DKK</b>	<b>DKK</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	9	126,000	126,000
Share premium		10,346,645	10,346,645
Retained earnings		191,690,298	160,135,635
<b>Total shareholders' equity</b>		<b>202,162,943</b>	<b>170,608,280</b>
Deferred income (long-term part)	10	132,850,751	93,421,992
Other payables (long-term part)		0	8,787,057
<b>Long-term liabilities</b>		<b>132,850,751</b>	<b>102,209,048</b>
<b>Provisions</b>			
Reinstalment provision		1,659,375	1,659,375
Provision for waste disposal of electronic equipment		365,453	501,625
<b>Total provisions</b>		<b>2,024,828</b>	<b>2,161,000</b>
<b>Liabilities other than provisions</b>			
Trade payables		19,634,394	13,551,416
Payables to group enterprises		578,804,420	653,428,872
Income taxes payable		5,007,300	1,938,880
Other payables		58,263,941	43,341,681
Deferred income	10	97,525,286	46,191,621
<b>Short-term liabilities</b>		<b>759,235,341</b>	<b>758,452,471</b>

**BALANCE SHEET at March 31**

		<b>2,022</b>	<b>2021</b>
	<b>Notes</b>	<b>DKK</b>	<b>DKK</b>
<b>EQUITY AND LIABILITIES - continued</b>			
Total liabilities other than provisions		892,086,093	860,661,519
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,096,273,863</b>	<b>1,033,430,799</b>
<b>Proposed distribution of profit</b>	11		
<b>Contingent liabilities</b>	12		
<b>Related parties</b>	13		
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## STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Retained earnings/ Accumulated loss	Total
<b>Shareholders' equity at 1/4 2021</b>	126,000	10,346,645	160,135,635	170,608,280
Profit in the year			31,554,663	31,554,663
<b>Shareholders' equity at 31/3 2022</b>	<b>126,000</b>	<b>10,346,645</b>	<b>191,690,298</b>	<b>202,162,943</b>

## NOTES

### Note 1. Revenue

The whole of revenue is attributable to one continuing activity, the wholesale of personal computing equipment and peripherals.

All revenue arose within Denmark.

	<b>2021/22</b>	<b>2020/21</b>
	<b>DKK</b>	<b>DKK</b>

### Note 2. Staff costs

Analysis of staff costs:

Wages and salaries	110,176,744	83,908,432
Pension costs	10,728,129	7,780,187
Other staff costs	492,741	398,134
	<b>121,397,614</b>	<b>92,086,753</b>

Average number of employees	92	79
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Pursuant to section 98b (3), (ii) of the Financial Statement Act, remuneration to the Executive Board is not disclosed for 2021/2022 or 2020/2021. No remuneration has been paid to the Supervisory Board in either years.

### Note 3. Amortisation/depreciation and write-downs of intangible assets and property, plant and equipment

Other plant, operating equipment	392,473	701,388
	<b>392,473</b>	<b>701,388</b>

### Note 4. Other financial income and expense

Intercompany	7,593,593	16,442,870
Non-Intercompany	1,072,440	475,801
Other financial income	<b>8,666,033</b>	<b>16,918,671</b>
Intercompany	-26,544,412	-16,435,245
Non-Intercompany	-1,523,342	-3,236,436
Other financial expenses	<b>-28,067,753</b>	<b>-19,671,681</b>



## NOTES

	2021/22	2020/21
	DKK	DKK
<b>Note 5. Tax for the year</b>		
Estimated income tax charge, excl. interest surcharges	28,104,280	20,189,290
Change in provision for deferred tax	-19,162,208	-13,334,336
<b>TOTAL</b>	<b>8,942,072</b>	<b>6,854,954</b>
<b>Note 6. Other plant and equipment</b>		
<b>Other plant, operating equipment</b>		
<b>Cost</b>		
Balance at 1 April	6,946,360	7,022,021
Additions in the year	439,631	403,648
Disposals in the year	-242,227	-479,309
<b>Cost at 31 March</b>	<b>7,143,764</b>	<b>6,946,360</b>
<b>Depreciation and write-downs</b>		
Balance at 1 April	-6,118,728	-5,638,788
Depreciation in the year	-392,473	-701,388
Accumulated depreciation and write-downs of disposals	206,379	221,447
<b>Depreciation and write-downs at 31 March</b>	<b>-6,304,823</b>	<b>-6,118,728</b>
<b>Carrying amount at 31 March</b>	<b>838,942</b>	<b>827,632</b>

## NOTES

	2021/22 DKK	2020/21 DKK
<b>Note 7. Deferred tax asset</b>		
Balance 1 April 2021	37,016,875	23,682,539
Movement in tax asset during the year	19,162,208	13,334,336
<b>Balance 31 March 2022</b>	<b><u>56,179,083</u></b>	<b><u>37,016,875</u></b>

The tax asset relates to temporary differences in fixed assets and in accruals for reinstatement, bonuses & commission and marketing expenses. Deferred tax asset is expected to be utilised by future positive earnings in the coming years.

Deferred tax assets has been calculated based on a tax percentage of 22 %.

### Note 8. Prepayments

Other prepayments	3,538,261	1,788,727
	<b><u>3,538,261</u></b>	<b><u>1,788,727</u></b>

### Note 9. Share capital

Analysis of the Company's share capital, DKK 126,000:

126 class A shares of DKK 1,000 each	126,000	126,000
	<b><u>126,000</u></b>	<b><u>126,000</u></b>

The share capital has not changed in the last 5 years.  
All shares have the same share class.

## NOTES

	<b>2021/22</b>	<b>2020/21</b>
	<b>DKK</b>	<b>DKK</b>
<b>Note 10. Deferred income</b>		
Prepayments received	230,376,037	139,613,613
Within 1 year	97,525,286	46,191,621
Within 1-5 years	132,850,751	93,421,992
	<b><u>230,376,037</u></b>	<b><u>139,613,613</u></b>

### **Note 11. Proposed distribution of profit**

Retained earnings	31,554,663	23,728,149
	<b><u>31,554,663</u></b>	<b><u>23,728,149</u></b>

### **Note 12. Contingent liabilities**

	<b>2021/22</b>	<b>2020/21</b>
	<b>DKK</b>	<b>DKK</b>
Lease obligations under operating leases, Total future payments:		
Within 1 year	4,818,871	1,472,484
Within 1-5 years	6,138,201	2,152,223
Total	<b><u>10,957,072</u></b>	<b><u>3,624,707</u></b>

### **Note 13. Related parties**

The Danish Group companies are jointly and severally liable for tax on the jointly tax incomes etc. of the group. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

The Company buys goods and receives certain administrative services from other group companies.

Lenovo International Coöperatief U.A, Entrée 250A, Amsterdam, The Netherlands, holds 100% of the shares in Lenovo Danmark Aps. The ultimate parent is Lenovo Group Limited.

Lenovo Group Limited is the largest group which consolidates these financial statements. Copies of the financial statements of this undertaking may be obtained from 23rd Floor, Lincoln House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong.

All intercompany transactions have been made at arm's length.

Apart from the above, there have been no transactions with the Supervisory Board, Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except

## NOTES

for intercompany transactions and normal management remuneration.

### Note 14. Share-based remuneration

At March 31, 2019, share options had been issued, at market value on the time of issue, to a number of managing employees in the Company. The allotment of share options depends on the fulfillment of certain financial accounting performance measures, both short-term and long-term. The option scheme concerns shares in the ultimate parent, Lenovo Group Limited (Hong Kong). The share options can be utilized by 25 % p.a. from the date of issue. At March 31, 2022, the share option scheme consists of 517,486 shares. Costs related to payment of the option scheme are paid by the ultimate parent, Lenovo Group Limited (Hong Kong), where it is taken to their profit and loss account.

	<b>2021/22</b>	<b>2020/21</b>
	<b>DKK</b>	<b>DKK</b>

### Note 15. Fee to auditors appointed at the general meeting

Fees for the statutory audit of the financial statements	287,333	259,061
fees for other services	8,500	8,500
	<u>295,833</u>	<u>267,561</u>

### Note 16. Post balance sheet events

After the end of the financial year, no significant events have occurred that might influence the evaluation of the company's financial condition.

## **NOTES**

### **Note 17. Accounting policies**

#### **Basis of Preparation**

The Annual Report of Lenovo Danmark ApS has been presented in accordance with the provisions of the Danish Financial Statements Act as regards large reporting class C enterprises.

In accordance with the Danish Financial Statements Act paragraph 86,4, the Company has not disclosed a cash flow statement, since the Company's cash flows are included in the cash flow statement of the parent company, Lenovo Group Limited.

Accounting policies are consistent with last year.

#### **Reporting currency**

The Annual Report is presented in Danish kroner.

#### **Recognition and measurement**

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Monetary items denominated in foreign currencies are translated into Danish kroner at the exchange rates at the balance sheet date. Realised and unrealised exchange gains and losses are recognised in the income statement as financial income/expenses.

Transactions denominated in foreign currencies are translated into Danish kroner at the exchange rates at the date of the transaction.

## **NOTES**

### **Note 17. Accounting policies- continued**

#### **Income statement**

##### **Revenue**

Revenue from sale of goods held for sale, finished goods and services is recognized as revenue at the time of delivery and when the risk passes to the buyer and the amount can be stated reliably. VAT, indirect taxes and discounts are excluded from the revenue.

##### **Cost of goods sold**

Cost of goods sold comprises expenses incurred to generate the revenue for the year.

##### **Other operating income**

Other operating income include revenue from all other operating activities which are not related to the principal activities of the company.

##### **Other external expenses**

Other external expenses include distribution expenses and expenses regarding management and administration of the company.

##### **Staff costs**

Staff costs comprises salary, pension and other staff related expenses for the year.

##### **Amortisation/depreciation and write-downs**

This item includes amortisation/depreciation and write-downs of intangible assets and property, plant and equipment. Amortisation/depreciation is provided using the straight-line method on the basis of the cost and the below assessments of the useful life of the assets.

Goodwill is amortised over the expected economic life, measured by reference to an assessment of, among other factors, the nature and market position of the business, the stability of the industry and the dependence on key staff.

Property, plant and equipment are depreciated on a straight-line basis, based on the cost.

Amortisation/depreciation are measured by reference to the following assessment of the useful life:

## NOTES

### Note 17. Accounting policies- continued

	<b>Useful life</b>
Other fixtures and fittings, tools and equipment	3-5 years
Demomodels	1 year

The residual value and the useful life of assets are reviewed at the end of each reporting period.

#### **Net financials**

Financial income and expenses are recognised in the income statement at the amounts that relate to the reporting period. Net financials include interest income and expenses, realised and unrealised capital and exchange gains and losses on foreign currency transactions, and surcharges and allowances under the advance-payment-of-tax scheme, etc.

#### **Tax**

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statements, whereas the tax attributable to equity transactions is recognised directly in equity.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointed taxed with the Danish sisters company. The tax effect of the joint taxation with the subsidiaries is allocated to enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

### **Balance sheet**

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

Other plant and equipment comprise other fixtures, fittings, tools and equipment. Other plant and equipment are measured at cost less accumulated depreciation and write-downs.

An impairment test is made for other plant and equipment if there are indications of decreases in value. The impairment test is made for each individual asset or group of assets, respectively. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount.

The scrap values are assessed on a yearly basis.

#### **Receivables**

Receivables are measured at amortised cost, which usually corresponds to the nominal value. The value is reduced by write-downs for bad debts.

#### **Prepayments**

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

## NOTES

### Note 17. Accounting policies- continued

#### **Income taxes**

Current tax charges are recognised in the balance sheet as the estimated tax charge in respect of the expected taxable income for the year, adjusted for tax on prior years' taxable income and tax paid in advance.

Provisions for deferred tax are calculated at 22% of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income, and temporary differences on non-amortisable goodwill.

Deferred tax assets are recognised at the value at which they are expected to be utilised, either through elimination against tax on future earnings or a set-off against deferred tax liabilities.

The company is administration company for the joint taxation.

#### **Provisions**

Provisions comprise expected expenses relating to future reinstalment costs, WEEE costs etc. Provisions are recognised when, at the balance sheet date, the enterprise has a legal or constructive obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions expected to be settled after more than one year after the balance sheet date are measured at the net present value of the expected payments. Other provisions are measured at net realisable value.

#### **Liabilites payable**

Liabilites payable are measured to amortised cost value, which in all are equal to nominal value.

#### **Share based payment**

Lenovo Danmark ApS participates in the Lenovo Group Limited operated long-term incentive program to recognise employees' individual and collective contributions. This includes two types of awards, namely share appreciation rights and restricted share units. Lenovo Group Limited reserves the right, at its discretion, to pay the award in cash or ordinary shares. The fair value of the employee services received in exchange for the grant of the long term incentive awards is recognised as an expense by the ultimate parant, Lenovo Group Limited (Hong Kong).

The total amount to be expensed over the vesting period is determined by reference to the fair value of the long term incentive awards granted. Non-market vesting conditions (for example profitability and sales growth targets) are included in the assumptions about the number of long term incentive awards that are expected to become exercisable / vested.

#### **Deferred income**

Deferred income recognised as a liability comprises payments received concerning income in subsequent reporting years. Income due to be recognized in more than 12 months is classified as long-term deferred income on the balance sheet.