

Lenovo Global Technology Denmark ApS

Vandtårnsvej 83A, 2860 Søborg
CVR No. 37 96 07 21

Annual Report for the year ended March 31, 2017

1st financial year

Approved in the Annual General Meeting of shareholders
on 31 August 2017

Colm Gleeson
Chairman

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COMPANY DETAILS

Lenovo Global Technology Denmark ApS
Vandtårnsvej 83A
2860 Søborg

Executive Board

Christophe Laurent
Colm Gleeson

Shareholders

Lenovo Global Technology International B.V.

Parent

Lenovo Global Technology International B.V., De Entrée 250A,
Amsterdam, The Netherlands

Final Parent

Lenovo Group Limited (Hong Kong)
Taikoo Place, 979 King's Road, Quarry Bay
Hong Kong

Annual report available at:
www.lenovo.com

Auditors

PricewaterhouseCoopers

Bankers

Citibank International PLC, Denmark Branch

Requiring Group accounts:

Lenovo Group Limited (Hong Kong)
Taikoo Place, 979 King's Road, Quarry Bay
Hong Kong

MANAGEMENT'S STATEMENT

The Executive and the Supervisory Boards have presented the Annual Report for the year ended 31 March 2017. The Annual Report was discussed and adopted on 31 August 2017.

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 2017.

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, 31st August 2017

Executive Board:

.....
Christophe Laurent

.....
Colm Gleeson

INDEPENDENT AUDITORS 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 2017, and of the results of the Company's operations for the financial year 12 August 2016 - 31 March 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Lenovo Danmark ApS for the financial year 12 August 2016 - 31 March 2017, 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 Inter-national Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

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 AUDITORS 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 AUDITORS 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.

Report on other legal and regulatory requirements

Non-compliance with the Danish accounting legislation

Contrary to section 12 of the Danish Bookkeeping Act, part of the accounting records are kept abroad; consequently, Management may incur liability.

Copenhagen, 31 August 2017

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR-nr. 33 77 12 31

Jens Otto Damgaard
State Authorised Public Accountant

Lone Vindbjerg Larsen
State Authorised Public Accountant

FINANCIAL HIGHLIGHTS

5-year summary:

	<u>2016/17</u>
Key figures (in DKK thousands)	
Revenue	71.713
Gross margin	10.355
Profit/loss before net financials (EBIT)	2.821
Net financials	521
Net profit for the year	2.606
Shareholders' equity at year-end	2.656
Total assets	128.005
Investments in tangible assets for the year	119
Number of employees	22
Ratios (%)	
Return on assets	2,2
Current ratio	72,1
Equity ratio	2,1
Return on equity	98,1

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

The ratios have been calculated in accordance with the recommendations and guidelines issued by the Danish Finance Society.

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 Global Technology Denmark ApS is a wholly owned subsidiary of Lenovo Global Technology B.V. in Amsterdam. The company's activities consist of sales to Danish companies. The product portfolio consists of Server sales and support services.

Business review

The company shows a profit for 2016/2017 of 2,606 TDKK and a total balance as at March 31, 2017 of 128,005 TDKK and equity of 2,656 TDKK, which management considers satisfying in view of the world wide financial market. The actual results are in line with the expectations set out for the year 2016/17.

Expectations for the future

On the same level as this year taking into account that 2016/17 only comprises 3 months, the management expect a positive result before tax for the accounting year 2017/18.

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.

ACCOUNTING POLICIES

The Annual Report of Lenovo Global Technology Denmark ApS has been presented in accordance with the provisions of the Danish Financial Statements Act as regards reporting class B enterprises and elective choice of certain provisions applying to reporting class C enterprises.

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.

Income statement

Revenue

Income from the sale of goods held for sale and finished goods is recognised in revenue at the time of delivery and when the risk passes to the buyer. VAT, indirect taxes and discounts are excluded from the revenue.

Income from the supply of services is recognised as revenue with reference to the stage of completion.

ACCOUNTING POLICIES - continued

Cost of goods sold

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

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:

	Useful life
Goodwill	10 years
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 includes current tax on the year's expected taxable income, the year's deferred tax adjustments less the share of the tax for the year that concerns items recognised directly in equity.

Current and deferred tax concerning changes in equity is taken directly to equity.

ACCOUNTING POLICIES - continued

Balance sheet

Intangible assets

Goodwill is measured at cost less accumulated amortisation and write-downs.

An impairment test is made for goodwill if there are indications of decreases in value. The impairment test is made for the activity or business area to which the goodwill relates. Goodwill is written down to the higher of the value in use and the net selling price for the activity or the business area to which the goodwill relates (recoverable amount) if it is lower than the carrying amount.

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.

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.

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.

ACCOUNTING POLICIES - continued

Liabilites payable

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

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent reporting years.

INCOME STATEMENT for August 12, 2016 - March 31, 2017**2016/17**

	Notes	DKK
Revenue	1	71.713.423
Cost of Goods Sold		62.155.951
Other External Income		797.523
Gross margin		10.354.995
Staff costs	2	6.480.575
Amortisation/depreciation and write-downs of intangible assets and property, plant and equipment	3	1.053.735
Profit before net financials		2.820.685
Other financial income	4	641.318
Other financial expenses	5	120.276
Profit before tax		3.341.727
Tax for the year	6	735.781
NET PROFIT FOR THE YEAR		2.605.946

BALANCE SHEET at March 31**2017**

	Notes	DKK
ASSETS		
Fixed assets		
Goodwill	7	37.564.853
Intangible assets		<u>37.564.853</u>
Other plant, operating equipment	8	105.291
Tangible assets		<u>105.291</u>
Total fixed assets		<u>37.670.145</u>
Current assets		
Trade receivables		26.676.702
Receivables from group enterprises		55.825.934
Other receivables		1.221.092
Deferred tax asset	9	205.449
Receivables		<u>83.929.177</u>
Cash		<u>6.406.173</u>
Total current assets		<u>90.335.350</u>
TOTAL ASSETS		<u>128.005.494</u>

BALANCE SHEET at March 31**2017**

	Notes	DKK
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	10	50.000
Retained earnings		2.605.946
Total shareholders' equity		<u>2.655.946</u>
Liabilities other than provisions		
Payables to group enterprises		88.812.219
Income taxes payable		941.230
Other payables		25.046.127
Deferred income	11	10.549.972
Short-term liabilities		<u>125.349.548</u>

BALANCE SHEET at March 31**2017**

	Notes	DKK
EQUITY AND LIABILITIES - continued		
Total liabilities other than provisions		125.349.548
TOTAL EQUITY AND LIABILITIES		<u>128.005.494</u>
Proposed distribution of profit	12	
Contingent liabilities	13	
Related parties	14	
Share-based remuneration	15	
Post balance sheet events	16	

STATEMENT OF CHANGES IN EQUITY

	Share capital	Retained earnings/ Accumulated loss	Total
Shareholders' equity at 12/8 2016	50.000		50.000
Transfer in the year		2.605.946	2.605.946
Shareholders' equity at 31/3 2017	50.000	2.605.946	2.655.946

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.

2016/17
DKK

Note 2. Staff costs

Analysis of staff costs:

Wages and salaries	5.888.596
Pension costs	397.122
Other staff costs	194.858
	<hr/>
	6.480.575
Average number of employees	22

Pursuant to section 98b (3), (ii) of the Financial Statement Act, salaries to the Executive Board are not disclosed. No remuneration has been paid to the Supervisory Board.

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

Goodwill	1.040.308
Other plant, operating equipment and inventory	13.427
	<hr/>
	1.053.735

NOTES

2016/17

DKK

Note 4. Other financial income

Interest income	0
Exchange gains	641.318
	<u>641.318</u>

Note 5. Other financial expenses

Interest expenses	10.407
Invoice financing fees	32.513
Exchange losses	77.355
	<u>120.276</u>

Note 6. Tax for the year

Estimated income tax charge, excl. interest surcharges	941.230
Change in provision for deferred tax	-205.449
	<u>735.781</u>
analysed as follows:	
Tax for the year	735.781
Total	<u>735.781</u>

NOTES

2017
DKK

Note 7. Intangible assets

Goodwill

Cost

Balance at August 12 2016	0
Additions in the year	38.605.161
Impairment adjustment	0
Cost at March 31	38.605.161

Amortisation

Balance at August 12 2016	0
Amortisation in the year	1.040.308
Impairment adjustment	0
Amortisation at March 31	1.040.308
Carrying amount at March 31	37.564.853

NOTES

2017
DKK

Note 8. Other plant and equipment

Other plant, operating equipment

Cost

Balance at August 12 2016	0
Additions in the year	118.718
Disposals in the year	0
Cost at March 31	<u>118.718</u>

Depreciation and write-downs

Balance at August 12 2016	0
Depreciation in the year	13.427
Accumulated depreciation and write-downs of disposals	0
Depreciation and write-downs at March 31	<u>13.427</u>
Carrying amount at March 31	<u>105.291</u>

NOTES

2017
DKK

Note 9. Deferred tax asset

Balance 12 August 2016	0
Movement in tax asset during the year	205.449
Balance 31 March 2017	<u>205.449</u>

The tax asset relates to temporary differences in goodwill and in accruals for bad debt losses, 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 10. Share capital

Analysis of the Company's share capital, DKK 50,000:

500 class A shares of DKK 100 each	50.000
	<u>50.000</u>

All shares have the same share class.

NOTES

2017
DKK

Note 11. Deferred income

Prepayments received	-
Deferred income	10.549.972
	<u>10.549.972</u>

Note 12. Proposed distribution of profit

Retained earnings	2.605.946
	<u>2.605.946</u>

Note 13. Contingent liabilities

There are no contingent liabilities.

Note 14. Related parties

The Danish Group companies 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 Global Technology International B.V. hold 100% of the shares in Lenovo Global Technology Denmark 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 for intercompany transactions and normal management remuneration.

NOTES

Note 15. Share-based remuneration

At March 31, 2017, 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. The utilization depends on the executives' employment at the time of utilization. At March 31, 2017, the share option scheme consists of 143.664 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.

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.