

Annual Report 2007

## Enriching Life Through Communication





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# Unique Values

## Long-Term Partnership

Huawei has realized steady revenue growth for five straight years, with concomitant contributions from international markets. Supported by the momentum of well sustained growth, this solid track record has established Huawei as a major international supplier.

The company has fulfilled the needs of 70% of the world's top 50 telecom companies. Every year, more and more leading operators achieve long-term benefits from in-depth partnerships with Huawei. ■



## Continuous Innovation Based on Customer Needs

The company has maintained a strategy of continuous customer-centric innovation. Product R&D has remained responsive to projected and actual customer needs. With the goal of maximizing customer benefits and values, we continuously improved our technologies, solutions and services. For enhanced customer correspondence and optimal response, we established joint innovation centers with Vodafone, British Telecom, Telecom Italia, France Telecom, Telefonica and Deutsche Telekom. These centers expedite the translation of technological advantages into time and efficiency critical competitive advantages. ■



## Leading Solutions and Fast Response

Huawei has established a head start advantage in future-oriented transformation. Our next generation products and services embrace mobile, broadband, IP, optical network, value-added services and terminals, offering customers the most competitive telecom solutions.

Adhering to our proximity strategy, Huawei relocated essential decision-making centers, such as those of sales departments, financial departments and supply chains, to regional divisions. The company also established a three-level (local, regional and corporate) global service system to more precisely understand customers' demands and quickly respond with the most appropriate professional support. ■



## High Caliber Operations

Internationally, Huawei has achieved notable and increasing success at multiple levels of operations management from improved product deployment and enhanced quality controls to expedited network solutions and services, embracing the strict ethical requirements of all strategic partners including leading operators throughout Europe and in other developed markets.

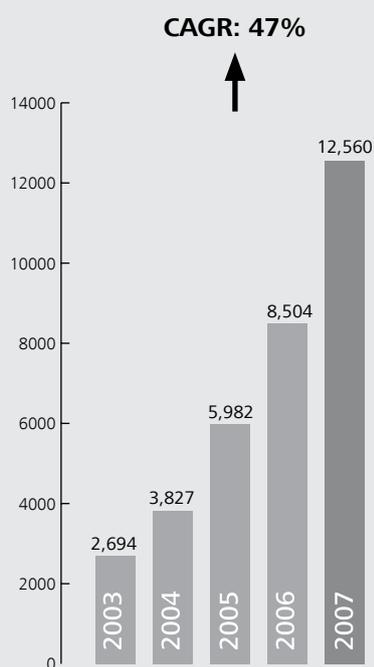
In 2007, Huawei inaugurated the IFS (Integrated Financial Service) program, addressing all essential financial reporting functionalities from a highly responsive worldwide platform. The new IFS program provides a uniquely strong backbone for Huawei's future business expansion and fulfillment of our global strategic goals. IFS's capabilities also fulfill the essential role of extending and deepening our partnership with leading operators. ■



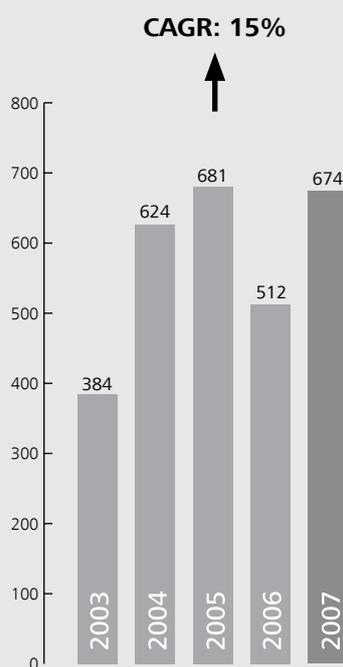
# Five-Year Summary

USD in millions

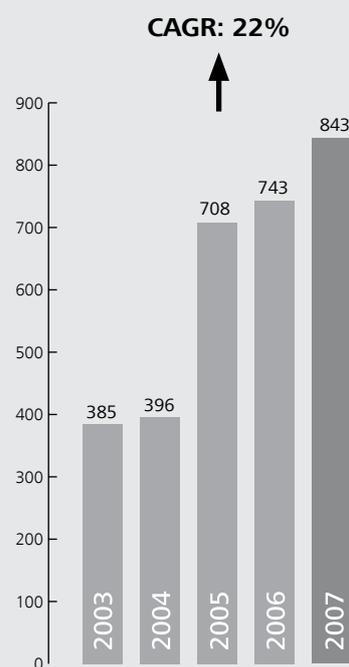
Years ended 31 December	2007	2006	2005	2004	2003
Revenue	12,560	8,504	5,982	3,827	2,694
Net Income	674	512	681	624	384
Cash Flows From Operations	843	743	708	396	385
Operating Profit Margin	7%	7%	14%	18%	19%
Return on Net Assets	22%	20%	30%	31%	23%



**Revenue**  
(USD in millions)



**Net Income**  
(USD in millions)



**Cash Flows from Operations**  
(USD in millions)

# Business Focus 2007

## Enhanced Mobile Service

In 2007, Huawei was awarded 45% of all new UMTS/HSPA contracts, garnering the company the prestige of global category leadership. Huawei has also become one of the top three suppliers in the global GSM market. In 2007 alone, 700,000 carrier frequencies of base station were shipped, the aggregate totals exceeded 1.5 million, serving over 300 million GSM users worldwide. Most notably, China Mobile awarded Huawei a 23.6% slice of a GSM group purchase project. In addition, Huawei's market-leading mobile softswitches now serve more than 670 million subscribers.

Winning 44.8% of all new contracts in 2007, Huawei has also earned leadership of the global CDMA category. Besides, the company has deployed 12 commercial WiMAX networks around the world. ■

## Leading Telecom Acknowledgment

Huawei has now been selected by a who's who of global leading operators, including Vodafone, British Telecom, Telefonica, France Telecom/Orange and China Mobile, as a trusted partner for future-oriented network transformation.

As a singular mark of recognition by the world's leading mobile operator, Vodafone awarded Huawei a 2007 Global Supplier Award citing delivery of highly competitive products and services across the group's network. Huawei was the only network equipment supplier to be awarded this specific accolade. ■

## Professional Services

Huawei has attached strategic importance to Professional Services. We have established a specialized professional services team and seven managed services centers across the world. Allowing customers to focus on their core business, Huawei now provides professional services and solutions in support of all aspects of network management, planning and optimization, as well as consultation and managed services. Huawei's services are specifically designed to help operators innovate business models and sharpen their competitive edge.

Huawei has achieved rapid growth in Managed Services, with 34 such contracts awarded by Vodafone, China Mobile, Etisalat, MTN, Warid and other international telecom incumbents in 2007. ■

## Environmental Protection and Energy Conservation

Huawei emphasizes the value of "green" in network deployment, power supply and product development. The policy of "green" is no longer solely an aspect of social responsibility; it has become a proven effective and practical means for operators to cut operating expenditure and maintain price competitiveness.

By the end of 2007, Huawei had deployed over 100,000 GSM green base stations, saving approximately 570 million kilowatt-hours (kWh) or 170,000 tons of coal. ■



# Message from Huawei EMT

## Dear Colleagues:

In 2007, Huawei realized global contract sales of USD16 billion, an increase of 45% over 2006. International markets accounted for 72% of all sales revenues. Huawei achieved growth of more than 150% in developed markets such as Europe, the United States and Japan, while maintaining strong growth momentum in emerging markets including the Asia-Pacific region, Latin America, the Middle East and North Africa. Backed by several years of steady growth, Huawei has now become an undisputed industry leader. For this success, we gratefully credit our customers, our partners and our employees. Thank you all for your long-term trust and unflagging support.

The world, as well as the information industry itself is becoming increasingly flatter as a result of fast evolving information technologies. Blurring initial borders, telecom networks, Internet, digital media and consumer electronics industry are rapidly converging in the same direction. This trend exposes the conventional telecom industry to unprecedented challenges and forces operators to reconsider and transform their business operating models in order to maintain position in the industry chain.

All-IP based FMC has become the consensus among most operators as the solution for continued transformation. All-IP architecture and convergence across every network layer will help operators simplify network structure, save transmission and operating costs and enable a wide variety of innovative applications. End users will be able to enjoy consistent communication experiences anytime, anywhere via any terminal.

In developed markets, more and more convergence-based services are marketed every month.

Operators hope to gain new revenue streams through developing all-IP broadband services while enhancing profitability through optimizing competitive cost structures. Meanwhile, in many emerging markets, billions of people are still unable to access basic communication services. Operators are focusing on rapid coverage of low ARPU (Average Revenue Per User) areas. To succeed in this new industry environment, a demonstrated reliable equipment supply partner, capable of ensuring future-oriented transformation and providing on-target solutions based on deep understanding of real world challenges, becomes essential.

Globally, nationally or regionally, Huawei is just such a proven partner. Providing critical support for operators in this age of all-IP convergence, we have established comprehensive strengths in all essential fields, from fixed and mobile network to continuous data communication technological innovation. Furthermore, we continuously introduce on-target and highly competitive products and solutions designed to enhance operators' profitability and Total Value of Ownership (TVO). Universally, Huawei is committed to cooperating with industry chain partners to build a winning business ecosystem with operators at the core to ensure long-term competitiveness for all parties.

In retrospect, we truly understand your continued success is at the heart of our sustained growth. Going forward, Huawei will continue to advocate a corporate culture of dedication, and encourage employees to devote themselves to creating long-term value for customers through consistent hard work and innovation. Working together, we will all succeed in enriching life through optimizing communications across the world.

**Executive Management Team**  
Huawei Technologies Co., Ltd.

# Continuous Innovation Based on Customer Needs





We believe that any advanced technology or product has to be translated into customers' commercial success before it can generate any value. Giving top priority to customers' specific needs, Huawei listens attentively and continuously innovates focusing on individual challenges and opportunities.

### Product R&D Driven by Customer Needs

Huawei launched the Integrated Product Development (IPD) program. Product R&D has remained responsive to projected and actual customer needs. Through widely applied modularization, standardization and technology sharing, we now present the integrated advantages of "Speed, Quality and Cost", to maximize customer benefits and value.

### R&D Investment

Huawei reinvested no less than 10% of sales revenue in R&D and 10% of the R&D budget in cutting-edge technologies and fundamental technologies.

Our R&D system is now applied worldwide. Strategically located R&D institutes in the US, Europe, India, and throughout China, leverage the highest quality global human and technological resources.

### Patents and Standards

By December of 2007, Huawei had filed 26,880 patent applications in aggregate. The number of UMTS 3G essential patent applications filed saw Huawei ranked among world's top five.

Huawei is a member of 83 standardization organizations (including ITU, 3GPP and 3GPP2) with over one hundred positions accepted. In 2007, a total of 3,072 proposals were submitted, including over 800 proposals in fiber transmission, access network, NGN, IP QoS and security, and more than 1,500 proposals in mobile core network, service application and radio access. ■

## No.4

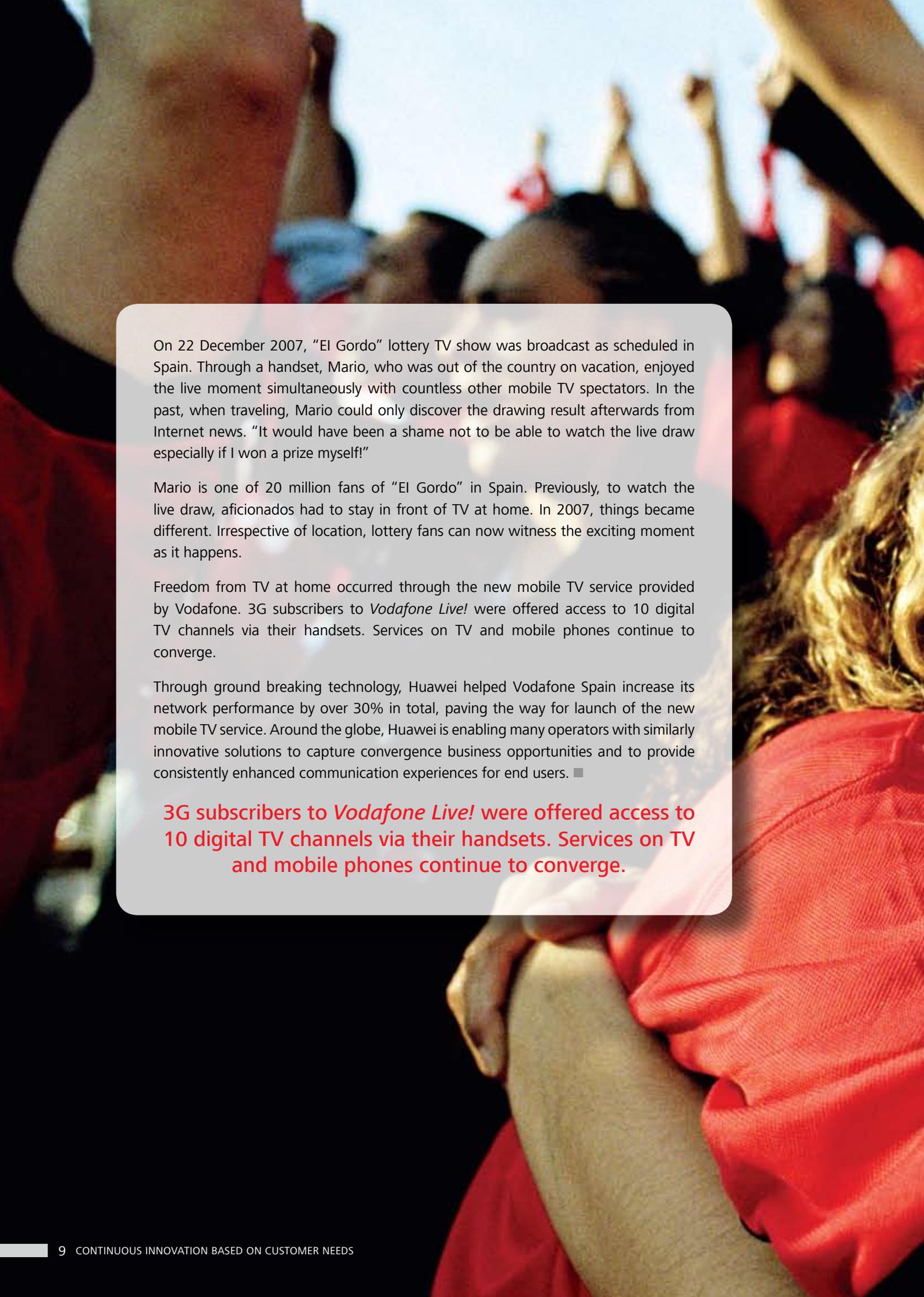
Huawei ranked as the fourth largest patent applicant under the Patent Cooperation Treaty (PCT) of the World Intellectual Property Organization (WIPO).

## 83

Member of 83 standardization organizations (including ITU, 3GPP and 3GPP2).

## 35,000

35,000 employees (43% of all employees worldwide) are engaged in R&D.



On 22 December 2007, “El Gordo” lottery TV show was broadcast as scheduled in Spain. Through a handset, Mario, who was out of the country on vacation, enjoyed the live moment simultaneously with countless other mobile TV spectators. In the past, when traveling, Mario could only discover the drawing result afterwards from Internet news. “It would have been a shame not to be able to watch the live draw especially if I won a prize myself!”

Mario is one of 20 million fans of “El Gordo” in Spain. Previously, to watch the live draw, aficionados had to stay in front of TV at home. In 2007, things became different. Irrespective of location, lottery fans can now witness the exciting moment as it happens.

Freedom from TV at home occurred through the new mobile TV service provided by Vodafone. 3G subscribers to *Vodafone Live!* were offered access to 10 digital TV channels via their handsets. Services on TV and mobile phones continue to converge.

Through ground breaking technology, Huawei helped Vodafone Spain increase its network performance by over 30% in total, paving the way for launch of the new mobile TV service. Around the globe, Huawei is enabling many operators with similarly innovative solutions to capture convergence business opportunities and to provide consistently enhanced communication experiences for end users. ■

**3G subscribers to *Vodafone Live!* were offered access to 10 digital TV channels via their handsets. Services on TV and mobile phones continue to converge.**



# Convergence



Consistent  
communication  
experience  
for everyone

People expect integrated multimedia information services and consistent communication experiences anywhere, anytime, at home, at office or on the road regardless of the network they access.



## Customer Demands

Telecom networks, IT, digital media and consumer electronics are evolving to offer more comprehensive and in-depth convergence.

To sustain growth, operators need to transform existing communication networks into more flexible, open and affordable all-IP networks and, in the process, achieve a convergence of network technologies to provide end users with a commensurate communication experience.

## Huawei Innovations

To help expedite evolution and ensure sustained commercial success, Huawei has launched innovative solutions for network, technology and service convergence.

### Network Convergence: Pooling Value

Huawei leads the way in evolving every network layer to IP. The company has now realized in-depth convergence at every level from access to transport and core networks.

By way of example, Huawei IMS-based innovative ISE/TSE dual-engine eliminates the borders between telecommunications and Internet, making it possible for users and services in the two areas to converge.

### Technology Convergence: Minimizing Operators' Investment Risk

Huawei's fourth generation base station platforms allow future convergence of GSM, CDMA, UMTS, LTE and WiMAX technologies. For operators, this resolves decision making and helps save considerable construction and operating costs encountered when attempting to combine diverse technological solutions.

### Service Convergence: Capturing Market Opportunity and Driving Revenue Growth

Huawei provides uniform FMC service solutions, offering operators richer multimedia VAS to convert network advantages into revenue growth. For example, Huawei's Convergent Billing Solution allows for the flexible combination and personalized marketing of all services. With a shorter time to market, operators can more quickly gain critical market initiatives. ■

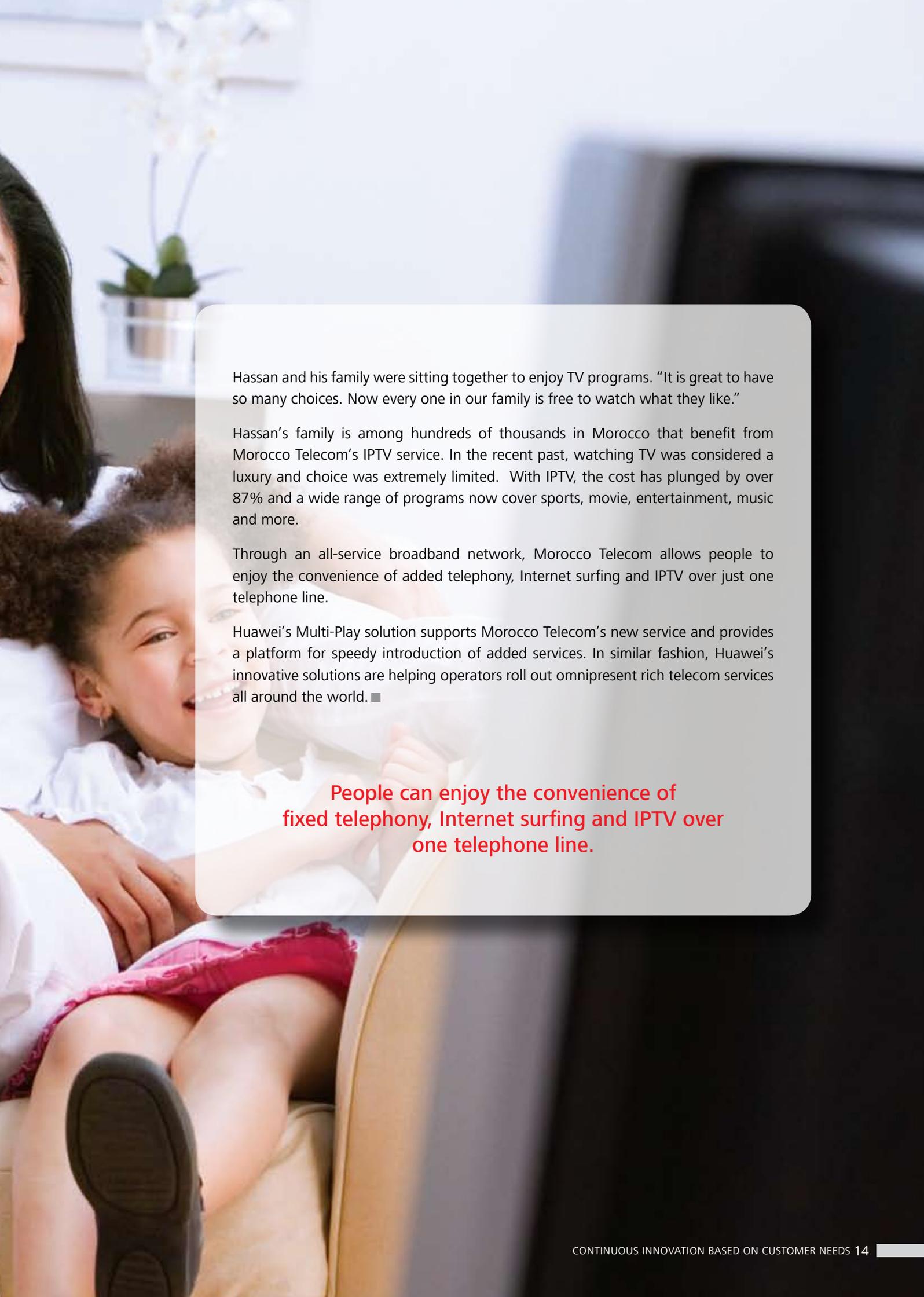
## 30%

Huawei helped Vodafone Romania deploy a unified 2G/3G core network, with TCO savings of 30%.

## 1 day

Huawei's Convergent Billing Solution enables the operator to launch a service package in a matter of hours instead of the previous months.





Hassan and his family were sitting together to enjoy TV programs. "It is great to have so many choices. Now every one in our family is free to watch what they like."

Hassan's family is among hundreds of thousands in Morocco that benefit from Morocco Telecom's IPTV service. In the recent past, watching TV was considered a luxury and choice was extremely limited. With IPTV, the cost has plunged by over 87% and a wide range of programs now cover sports, movie, entertainment, music and more.

Through an all-service broadband network, Morocco Telecom allows people to enjoy the convenience of added telephony, Internet surfing and IPTV over just one telephone line.

Huawei's Multi-Play solution supports Morocco Telecom's new service and provides a platform for speedy introduction of added services. In similar fashion, Huawei's innovative solutions are helping operators roll out omnipresent rich telecom services all around the world. ■

**People can enjoy the convenience of fixed telephony, Internet surfing and IPTV over one telephone line.**

# All-IP Broadband



Omnipresent  
rich telecom  
services

Driven by information communication technologies, profound changes have taken place in people's communication needs and habits: universally users expect increasingly smoother and enriched communications experiences.



## Customer Demands

End-to-end all-IP is a major symbol of the broadband era. On this backbone, operators will deploy networks and services from two aspects to satisfy user needs: 3G/HSPA/LTE networks to support mobile broadband services and fixed broadband networks to satisfy the demands for super high-bandwidth services.

## Huawei Innovations

Huawei has enabled end-to-end transformation of entire telecom networks into all-IP, increasing the throughput of overall systems and boosting operators' flexible deployment of broadband services.

### Mobile Broadband Solutions

Huawei's 3G/LTE Solution enables operable mobile broadband networks, paving the way for mobile Internet services and allowing operators to profit from future-oriented competencies. The Femto cell home solution satisfies enterprises' and families' demands for indoor broadband; the MBMS mobile TV solution ensures lively mobile broadband service experiences enhanced by high-quality images.

Huawei's IPTIME (IP Transport Infrastructure for Mobile Evolution) Solution is an all-IP based transport solution for enhanced broadband experiences and structural TCO reduction in 2G/3G mobile networks.

In addition, Huawei's WiMAX solution is designed to meld with existing CDMA, GSM, NGN and IMS systems, enabling cost-effective deployment of mobile broadband networks and providing seamless and convergent mobile broadband service experiences.

### Fixed Broadband Solutions

Huawei's IPBase (IP Broadband Architecture for Service Experience) Solution is an all-IP broadband solution, which ensures uninterrupted service and high quality of experience.

For IPBase, Huawei launched a T-bit optical access platform, a 160T multi-chassis cluster router, and a T-bit OTN with 40G WDM. The capabilities of the triple T-bit have built an end-to-end ultra broadband network.

### Broadband Terminals

Keeping ahead of mobile and broadband trends, Huawei provides operators with abundant fixed and mobile broadband terminal products. Supporting a wide range of services, Huawei broadband terminals enable operators to cut operating costs and quickly expand user bases. ■

1,300

Based on first phase success, US Leap once again contracted Huawei this time to deploy the second phase of its all-IP DORA network in Chicago, the first such network in the US, involving 1,300 base stations.

50%

Huawei's broadband multi-carrier digital power amplifier increases output efficiency by 50% and substantially improves coverage.





Marie, a 54-year-old mother, pressed her mobile phone keyboard carefully, her hands trembling. She was making a phone call to her son who had been away from home for two years. Crossing almost impassable desert, mountains and rivers, the radio wave finally reached the son with its message of motherly concern. "My son is always on the move for his work. With my mobile, he's only a fingertip away", the mother exclaimed.

Marie is one of the millions upon millions of mothers in Senegal who are finally able to correspond across country through mobile communications services. Until recently, the scattered population of the region where Marie lives completely lacked basic telecommunications infrastructure because of the low ROI (Return on Investment).

With Huawei's cost effective end-to-end GSM solution, Orange rapidly extended its network coverage to vast outlying areas. Apart from a substantially reduced overall investment, Orange obtained a highly profitable network, very effectively strengthening its competitive values.

Huawei persistently enhances the value of operators' networks through continuous innovation. Globally, Huawei works hand in hand with operators, constantly striving to extend the coverage of communication and information services to more people in more places. ■

**With my mobile, he's only a fingertip away.**

# Enhancing Network Value



More people will enjoy the convenience of communication and information services

In remote areas where networks are unavailable, people are in need of basic communications access; in developed markets, people expect high quality information service at affordable prices.



## Customer Demands

Constructing a profitable network to support constant evolution is at the heart of requests from all operators, no matter whether in markets of low ARPU or high operating costs. Universally, operators need to promote network performance and efficiency while reducing the overall cost of ownership and protecting initial investments.

## Huawei Innovation

Huawei's innovative products and solutions help customers reduce TCO (Total Cost of Ownership) while promoting the TVO (Total Value of Ownership).

### EnerG GSM Solution

In emerging markets, Huawei's EnerG GSM Solution enables wider coverage with fewer sites, accelerating construction speed and reducing investment and maintenance costs.

### Equipment Sharing and Smooth Evolution

Huawei has introduced a series of equipment sharing and smooth evolution and upgrade solutions, designed to help operators protect existing investments while reducing overall investment cost. For example, Huawei's base stations fully support smooth evolution and are capable of realizing full system conversion through simple software upgrades. In addition, core network sharing allows customers to reduce TCO and further protect their investment.

### Distributed Base Station

In regions where expenses such as equipment room rental, electricity, and installation and maintenance costs are extremely high, operators are understandably concerned with the accrual of total operating costs over the 5-10 year life-cycle of equipment. Huawei's distributed base station makes traditional equipment rooms redundant. With minimal site construction costs and lower rental and equipment installation expense, Huawei's distributed base station helps operators save more than 30% of former operating costs. ■

## 50%

By adopting the innovative technologies of IP over E1 and IP over STM-1, Huawei helped TATA save over 50% of transmission resources and greatly reduced transmission cost.

## 0.33 billion

Huawei's pan-network based multi services ensured Saudi Arabia Telecom's accommodation of peak traffic during the annual Mecca pilgrimage for the third consecutive year. Within the few days of the pilgrimage, the system processed a staggering 0.33 billion calls and 0.168 billion instant messages without interruption.





Tom sat happily in a small café in Palermo, Sicily. Making a long distance appointment with his customer via his handset, he might not have been aware he was enjoying the convenience provided by Huawei's next generation green station. Compared with traditional types, the new base station consumes half the energy while doubling output efficiency. Just one such base station saves 3,900 kWh electricity a year.

As an environmentally responsible organization, Telecom Italia has partnered with Huawei to minimize the impact of its operations on the environment. ■

**The new base station consumes half the energy while doubling the output efficiency.**

# Green Solutions, Green World



Technological and economic benefits in harmony with the environment

With its rapid development, the information industry has become a major energy consumer and emitter of harmful carbons. According to statistics, the carbon dioxide discharge of ICT devices accounts for 2% of the world's total. Our industry's top priorities have become the promotion of equipment efficiency, the adoption of green energy and the reduction of emission and energy consumption.



## Customer Demands

Energy conservation and emission reductions have become an imperative social responsibility of operators. In the meantime, they hope to cut operating expenditure, maintain competitiveness and create a winning ecosystem by addressing global environmental concerns.

## Huawei Innovations

With a series of innovative green solutions, Huawei is a true pioneer in this era of environmental awareness.

### Green Base Station

Huawei's next generation green base station solution adopts best-in-class power amplification technology, increasing amplification efficiency by 45% and effectively reducing power consumption. The distributed architecture enables the amplifier to be mounted on a tower to reduce feeder loss. Consequently, power consumption can be reduced by over 20% without any loss of coverage. The drop in power consumption makes it possible to utilize air ventilation and green power supply, resulting in less use of air conditioners and minimal noise pollution.

### Green Core Network

Huawei provides a unified 2G/3G core network, enabling optimal sharing of existing equipment. The efficient MSC pool configuration solution promotes network efficiency and cuts energy consumption by 20%. The all-IP solution reduces the cost of transport resources and also reduces power consumption. Combined with low power consumption components and heat emulation technology, power demand per user is expected to drop by 10% in 2008.

### Green Broadband Network

Huawei green broadband network can help operators save 30% of energy in three years: the multi-chassis cluster router cuts power consumption by 60%; the hardware compatibility of optical transport series products helps effectively protect initial investment; the industry-first no-fan design for FTTx realizes 20% energy saving.

### Green Equipment Room

The modular design of Huawei's green equipment room greatly simplifies transportation and installation. This facility is especially relevant for locations where large scale transport was previously inhibited by height and terrain -- equally true of urban high rise apartment buildings and mountainous areas. It only takes four people one day to install a green site. Augmenting the environmental benefits, meticulous equipment layout minimizes the overall footprint and an optimal temperature control method can be adopted to balance with the outside environment. With Huawei's green base station, land and electric use are dramatically reduced. ■

## 60%

Huawei's "Green Site" reduces the emission of carbon dioxide by 60%.

## 10%

Responding to low traffic hours at night, the core network equipment is able to automatically change the working frequency, saving electric costs by an average of 10%.

# Products and Services

Huawei offers innovative technologies and solutions to propel telecom networks and services into the age of all-IP and FMC.





## Taking Telecom Networks and Services into the Age of All-IP and FMC

After years of dedication to the communications industry, and by establishing comprehensive advantages in core areas such as fixed network, mobile network and data communication technology, Huawei has emerged as a leader in the age of all-IP and convergence.

In the next few years, Huawei will focus on 3G/LTE, IMS and Multi-Play, to promote the progress of all-IP network and the implementation of FMC services. The end users' dream of "enjoying consistent communication experiences anywhere, anytime via any terminal" will soon become a reality.

Meanwhile, Huawei will continue investing and making improvements in traditional areas to achieve maximum sharing and smooth evolution of network equipment, constantly protecting customer investments and increasing network value. ■

## Mobile Network: Innovate for Your Future

In the field of Mobile Network, Huawei championed the now widely accepted concept of all-IP and is at the forefront of "Convergence, Broadband, Green and Evolution" trends. Our series of innovative products and solutions energizes the broadband capabilities of mobile networks, provides smooth network convergence and evolution, and reduces Total Cost of Ownership (TCO). These capabilities are enhanced by our leadership in energy conservation and environmental protection.

### Milestones 2007

- Won 45% of all new UMTS/HSPA contracts to become the leader in these next-generation mobile networks
- One of the top three suppliers in the global GSM market with a 23.6% share of China Mobile's GSM group purchase project.
- Won 44.8% of new CDMA contracts, continuing our leadership in this market.
- 12 commercial WiMAX networks deployed around the world.

## Bearer and Broadband Access: Delivering Green Ultra Broadband

Transforming fixed and mobile networks to a user-centric all-IP network has become an effective approach for operators to realize higher value. Huawei provides end-to-end all-IP broadband solutions. We are committed to helping our customers overcome challenges of all-IP broadband transformation, and achieve even greater business success through carrier-grade all-IP and green ultra broadband.

### Milestones 2007

- Ranked No.1 in the MSAN market with a 45.5% market share in 2007; ranked No.1 in the IP DSLAM market in Q3 and Q4 2007, and leading supplier of GPON FTTx solution.
- Ranked No.2 in shipments of optical network products; one of the top three suppliers of routers and Ethernet switches for the operator market.
- Awarded three InfoVision Awards 2007 by the International Engineering Consortium in recognition of our exceptional contributions to the global telecom industry in optical access, optical transport and resource control.

## Core Network: Convergence Expert

Huawei core network solutions are the key to operational excellence, the foundation for generating new revenue streams and the key differentiator for competitive services.

### Milestones 2007

- Won 59 commercial and trial IMS contracts, placing Huawei solidly in the top three global telecommunications vendors.
- Continued to be the market leader in shipments of NGN and mobile softswitches with 600 million mobile users and 100 million fixed-line users.
- Installed innovative all-IP mobile solutions, including MSC Super Pool and Access Layer IP connectivity for leading carriers, including China Mobile and Warid Telecom.

## Application & Software: Dedicated, Convergent and Innovative

Value-added service is becoming the prime driver of revenue growth in the telecom industry. Huawei provides a range of innovative services and convergent solutions, such as Convergent Billing, Digital music, Messaging Applications, IP Call Center, Mobile Media, IPTV and Enterprise Information. Our overarching goal is to create long term value and potential growth for our customers.

### Milestones 2007

- Commercially launched the Convergent Billing Solution based on the intelligent network solution which serves over 300 million users in the world
- Digital Music Solution serves five of the top 10 operators; ring back tone services serve more than 375 million subscribers
- Messaging applications used by more than 200 operators; ranking No.2 worldwide in the SMS business
- The Call Center Solution is currently serving more than 60,000 agents; won the largest market share in China by revenue in 2007.



### Terminals: Customization, Partnership and Value

In the era of all-IP and convergence, people expect to have consistent communication experiences no matter what type of terminal they use. Huawei offers a variety of products including mobile phones, data cards, FMC terminals, fixed stations, video-conference systems, set top boxes, home gateways, video phones, and modules. Huawei's high-quality, cost-effective products and excellent service enable operators to attract more customers through a broad range of competitive terminals, while also reducing OPEX.

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#### Milestones 2007

- Shipped 10 million mobile broadband products, the most in the industry.
- Shipped more than 20 million handsets.
- Total shipments of fixed wireless terminal reached 20 million units, ranking No.1 globally.

### Service: Your Trusted Partner

Huawei Service provides end-to-end solutions ranging from Network Rollout & Integration, Customer Support, Network Technology Service, Managed Services, Learning Service and Advisory Service. Huawei has over 14,300 employees engaged in service, of which 73% are local hires in our overseas operations. We also work with more than 13,200 engineers from certified partners to provide the most comprehensive services industry wide.

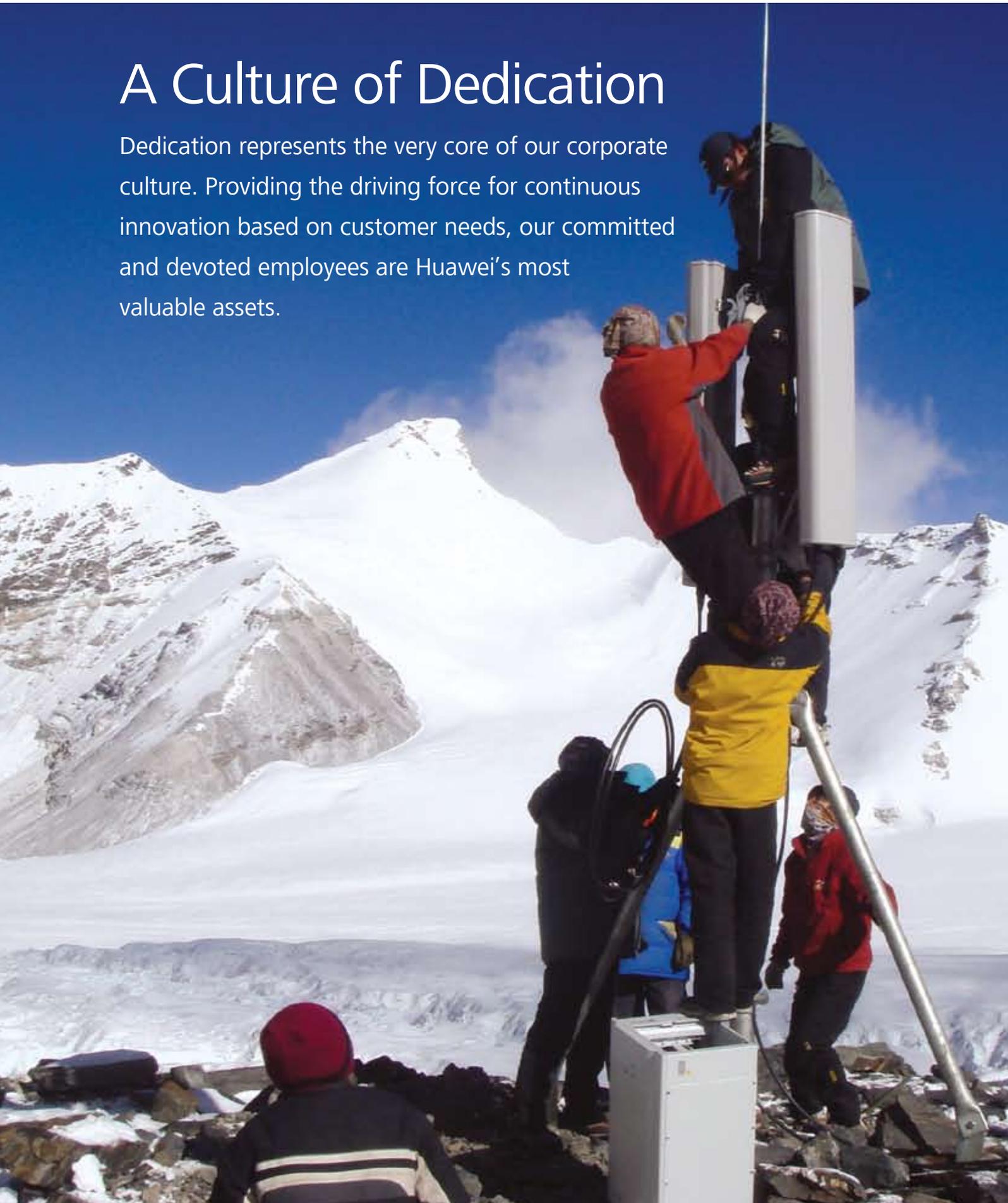
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#### Milestones 2007

- Service deliveries grew by 33% over 2006.
- Network planning and optimization services doubled from the previous year.
- Awarded 34 managed services contracts worldwide.

# A Culture of Dedication

Dedication represents the very core of our corporate culture. Providing the driving force for continuous innovation based on customer needs, our committed and devoted employees are Huawei's most valuable assets.





**D**uring the development of any enterprise, human resources are the most vitally active factor with the most infinite potential. Demonstrating this value on a daily basis, an unflagging combination of focused purpose is recognized as an integral characteristic of Huawei people all over the world.

The 200% commitment of every Huawei employee has won us respect and trust from the customers everywhere. "Passionate and devoted," "fast response and customized solutions," are typical of compliments gratefully received from operators around the world.

We believe our persistent dedication to creating value for customers will ensure Huawei's sustainable growth for many years to come.

### 6,500 Meters

Huawei engineers braved extreme weather and physical challenges to deploy the world's highest base station at an altitude of 6,500 meters on Mt. Everest – fulfilling a pledge to extend China Mobile's coverage to the Peak of the World.

### Making the Impossible a Reality

During the torrential downpours of Brazil's rainy season, Huawei engineers carried out GSM ground installation under a sheet of tarpaulin quickly switching to the tower whenever the rains paused. By making use of every moment, under cover or in open air, they installed over 1,000 base stations in just one month, keeping the company's commitment to our customer. ■

# Corporate Social Responsibility

Besides commercial value, Huawei is also committed to being a globally responsible corporate citizen, contributing to the sustainable development of our world's social economy, to the environment, and to the establishment of a harmonious business ecosystem.



## Bridging the Digital Divide

Deep in the Argentinian Patagonian glacial mountain region lies the town of El Calafate. Thanks to Huawei's recent donation of a CDMA450 ultra-wide coverage mobile communication system, local residents can, for the first time in their lives, access global information services via the Internet without the hardship of a considerable journey.

Huawei is committed to bridging the digital divide in the world. On one hand, we help operators build cost effective communication networks with wide-coverage in rural areas, providing basic communication services to more people; on the other we continue to make meaningful contributions to local school systems and actively support development of education communications technologies.

In the past year alone, so that local students could receive improved education by communicating with the outside world over the Internet, Huawei donated educational network equipment to Ghana, Venezuela and many other countries.

Huawei plays an equally active role in nurturing local communication talent. The company has established 31 training centers in Nigeria, Kenya, Tunisia and other places worldwide. Every year, we offer 100 free training opportunities for the Egyptian Next Generation Fund to expedite the development of next generation telecom experts. In Indonesia, we helped establish the Depok Training Center and donated USD3.6 million worth of next generation network equipment.

To encourage electronic engineering students to better complete their studies, we set up a "Huawei Scholarship" at the Bengal Engineering and Science University and funded additional scholarships at the Bangalore College of Engineering & Technology. ■

## Environmental Protection

With "Green Huawei, Green Communications, Green World" as our creed, environmental protection is a mandate throughout all our product development processes and business activities. Huawei complies with all international laws and regulations pertaining to environmental protection and develops green products and solutions through technological innovations (see "Green Solutions, Green World").

In Huawei offices worldwide, the company takes similarly effective measures to save energy and reduce emissions:

### Air Conditioner

Air conditioners consume approximately 40% of the total electricity in Huawei headquarters. In summer, we generally adjust the indoor temperature to 26°C or above. Consequently nearly four million kWh electricity was saved in 2007.

## The Global Compact

A member of the Global Compact

### 560,000

Donated e-learning networks worth USD560,000 to the Tajikistan Ministry of Education for use in four schools.

### 1 million

Donated educational network equipment worth USD1 million to the Venezuelan Ministry of Education.

### 5.35 million

Invested USD5.35 million to build a joint IT lab with the University of Engineering and Technology (UET) in Lahore, Pakistan.

## Applied environmental protection standards

- ISO 14001:2004
- OHSAS 18001:1999
- RoHS and WEEE
- The Directive 2005/32/EC on the eco-design of Energy-using Products (EuP)
- Environment, Health and Safety (EHS) management system

### 6.3%

From 2003 to 2007, Huawei's energy consumption per USD10,000 output decreased annually by an average of 6.3%.

### **Illumination**

We replaced ordinary fluorescent lamps with new energy-efficient T5 lamps which decrease electric demand by over 40%. At Huawei's headquarters, outdoor illumination optical controls saved 1.3 million kWh last year alone.

### **Recyclable Chopsticks**

Recyclable chopsticks are used in all Huawei canteens throughout China, saving the equivalent of 16,800 fully grown trees or 1,800 tons of CO<sub>2</sub> emission in a single year. ■

## **Social Contributions**

**W**ith tuition fees and living expenses donated by Huawei India, Lali, a 9-year-old girl in Delhi was finally able to return to the school she longed for. Her wish was turned into reality by the "Concern India Foundation" program of Huawei. The fund was founded in New Delhi, India in October 2007, and is dedicated to helping deprived Indian girls complete their school education.

As a responsible corporate citizen, Huawei has made similarly remarkable contributions to public welfare, education, and disaster relief in many regions and communities. Last year, we also donated medical materials to Guinea and Comorin; sponsored the First Lady Fund of Zambia and the Children Foundation in Mali; donated food to Kenya Red Cross, and made donations to flood affected areas in Bengal.

In developed countries, Huawei plays an active role in contributing to local communities. In the UK, we sponsored The Prince's Trust Program, a charity initiated to provide re-education, job and development opportunities for UK teenagers; we also donated hearing aids to Westwood Farm Infant School to help deaf and mute children. In Italy, we donated an ambulance to the Red Cross.

Huawei also encourages its employees to help those in need. The Charity Association of Huawei provides an open channel for employees to make donations.

Every year, hundreds of thousands of people from different regions of the world find their lives improved because of the welfare programs of Huawei. Altruism is a guiding force behind all our innovations. ■

## **240 tons**

Every year, the amount of recycled cartons in Huawei equals approximately 240 tons of CO<sub>2</sub> emission.

## **3 million**

In early 2008, the South of China suffered from the severity of a blizzard not experienced in 50 years. Without any encouragement, Huawei staff spontaneously donated CNY3 million (around USD411,000) through the company's Charity Association.

## **6 tons**

Huawei donated 6 tons of corn powder to the Red Cross in Kenya.

## Socially Responsible Supply Chain

Huawei operates according to the social responsibility management practices of the international standard of SA8000, integrating socially responsible requirements into the verification, selection and management of suppliers.

We have set up a supplier social responsibility verification program to carry out systematic training of procurers and suppliers on SA8000, TL9000 and ISO14000, to ensure that every link in our supply chain is in compliance with published standards.

Huawei has drawn a clear green procurement roadmap to ensure our suppliers meet all requirements of ecological design such as environmental protection, energy saving and emissions reduction. Huawei prohibits the purchase of materials containing poisonous or hazardous substances. Across the world, we manage materials based on a unified platform and select environmentally friendly materials to reduce dependence on non-recyclables, decrease the weight of products and promote the reusability of products. ■

## Employee Growth and Security

Recognizing the loyalty of dedicated employees, Huawei has established preferential policies in respect of career opportunities and compensation packages. These benefits, and others, are also incorporated into the company's human resources management principles, to ensure continued employee contributions are responded to with meaningful rewards.

Huawei offers a Dual Career Development Path for all employees. This program is comprised of a managerial and a professional path, allowing every employee to choose an appropriate career goal for future development. In order to create more growth opportunities for employees, we also established a comprehensive training center (Huawei University) and various training centers across the world, providing training programs covering both managerial and technical aspects.

At Huawei, the Corporate Employee Security System consists of social security and commercial insurance. The latter, which is not legally compulsory, is fully funded by the company. In time of emergency, the employee in need can be transferred by chartered plane to reach the best equipped facility and the most appropriate medical treatment.

Huawei understands the importance of our employees' well being, and pays utmost attention to our employees' physical and mental health. In addition to securing open communication channels to respond to employee needs and interests, we have set up a wide variety of clubs and associations to enrich extracurricular life. ■

# 334

From 2004 to 2007, Huawei verified 334 companies or 52% of its regular suppliers according to these measures of social responsibility.

# 840 million

In 2007, Huawei contributed CNY840 million (USD115 million) to ensure employee welfare and security.

# Consolidated Income Statement

## Huawei Technologies Corporation and Subsidiary Companies

Years ended 31 December	2007 USD '000	2006 USD '000
Revenue	12,560,356	8,503,897
Cost of sales	(8,298,080)	(5,424,011)
<b>Gross profit</b>	<b>4,262,276</b>	<b>3,079,886</b>
Operating expenses	(3,315,669)	(2,352,862)
Other operating income/loss	(79,511)	(106,029)
<b>Income from operations</b>	<b>867,096</b>	<b>620,995</b>
Net financing expenses	(189,662)	(38,918)
Share of losses of associates	(7,273)	(15,025)
<b>Income before taxes and minority interest</b>	<b>670,161</b>	<b>567,052</b>
<b>Net income for the year</b>	<b>673,542</b>	<b>512,188</b>

# Consolidated Balance Sheet

## Huawei Technologies Corporation and Subsidiary Companies

As of 31 December	2007 USD '000	2006 USD '000
<b>Assets</b>		
Cash and cash equivalents	1,686,153	1,056,042
Trade and other receivables	5,713,968	3,650,086
Investments		64
Inventories	1,829,857	1,420,455
<b>Total Current Assets</b>	<b>9,229,978</b>	<b>6,126,647</b>
Property, plant and equipment	868,822	890,154
Long-term leasehold prepayments	52,172	49,630
Intangible assets	12,429	10,937
Investments	85,402	237,286
Deferred tax assets	341,386	181,529
<b>Total Non-current Assets</b>	<b>1,360,211</b>	<b>1,369,536</b>
<b>Total Assets</b>	<b>10,590,189</b>	<b>7,496,183</b>
<b>Liabilities and Shareholders' Equity</b>		
Interest-bearing loans and borrowings	144,938	332,883
Income tax payable	72,614	163,312
Trade and other payables	6,232,457	4,183,046
Provision for warranties	141,910	80,122
<b>Total Current Liabilities</b>	<b>6,591,919</b>	<b>4,759,363</b>
Interest-bearing loans and borrowings	215,280	39,790
Other payables	301,263	25,894
<b>Total Non-current Liabilities</b>	<b>516,543</b>	<b>65,684</b>
<b>Minority Interest</b>	<b>8,002</b>	<b>4,286</b>
<b>Total Capital and Reserves</b>	<b>3,473,725</b>	<b>2,666,850</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>10,590,189</b>	<b>7,496,183</b>

# Consolidated Statement of Cash Flow

## Huawei Technologies Corporation and Subsidiary Companies

Years ended 31 December	2007 USD '000	2006 USD '000
<b>Cash Flows from Operating Activities</b>		
Cash generated from Operations	1,194,055	928,363
Interest and income tax paid	(351,102)	(184,991)
<b>Cash Flows from Operating Activities</b>	<b>842,953</b>	<b>743,372</b>
<b>Cash Flows (used in)/from Investing Activities</b>	<b>(175,725)</b>	<b>(78,243)</b>
<b>Cash Flows (used in)/from Financing Activities</b>	<b>(94,559)</b>	<b>(511,556)</b>
Net Increase/(decrease) in Cash and Cash Equivalents	572,669	153,573
Cash and Cash Equivalents at 1 January	1,056,042	883,029
Effect of foreign exchanges rate changes	57,442	19,440
<b>Cash and Cash Equivalents at 31 December</b>	<b>1,686,153</b>	<b>1,056,042</b>

Notes:

- All the financial data are quoted from the unqualified auditing reports by KPMG which are presented in accordance with IFRSs (International Financial Reporting Standards).
- The consolidated financial statements of the year ended 31 December 2007 have been translated to US dollars at the rate of USD1.00 = CNY7.3046 (2006:USD1.00 = CNY7.8041)

## Reporting Entity

Huawei Technologies Co., Ltd. (the "Company") is a company domiciled in Shenzhen in the People's Republic of China (the "PRC"). The consolidated financial statements of the Company and its subsidiaries ("the Group") for the year ended 31 December 2007 comprise the Company and its subsidiaries and the Group's interest in associates. The Group's activities involve research and development, production and sale of telecommunications equipment and provision of related services.

## Revenue Recognition Policy

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated income statement as follows:

### i) Sale of goods and services rendered

Revenue from sales of goods is recognized when the significant risks and rewards of ownership of goods have been transferred to the buyer. Revenue from provision of services is recognised at the time when the services are provided. No revenue is recognized if there are significant uncertainties regarding the recovery of the consideration due, associated costs or the possible return of goods. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

### ii) Construction Revenue

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimate total contract costs for the contract; and

When the outcome of a construction contract cannot be estimated reliably, revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable.

### iii) Rental income from operating leases

Rental income receivable under operating leases is recognized in the consolidated income statement in equal installments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in the consolidated income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

## Property, plant and equipment

	Buildings	Machinery, electronic equipment and other	Motor Vehicles	Construction in progress	Investment property	Decoration and Leasehold improvements	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
<b>Cost</b>							
At 31 December 2006	372,244	817,258	43,850	28,251	52,476	191,635	1,505,715
At 31 December 2007	398,497	946,148	52,281	46,483	59,427	212,780	1,715,615
<b>Depreciation and impairment loss</b>							
At 31 December 2006	50,830	440,400	27,433	-	13,258	83,640	615,561
At 31 December 2007	76,138	568,302	31,871	-	20,322	150,160	846,794
<b>Carrying amounts</b>							
At 31 December 2006	321,414	376,859	16,417	28,251	39,218	107,995	890,154
At 31 December 2007	322,358	377,846	20,409	46,483	39,105	62,620	868,822

## Investment properties

The Group is engaged in the manufacturing, sales and marketing of telecommunications equipment and the provision of related services. Beginning from 1 January 2004, it leased certain buildings to an ex-subsiary and a former related company. Such buildings are classified as investment properties.

The carrying value of investment properties as of 31 December 2007 is \$39,105 thousand (2006: \$39,218 thousand). The fair value of investment properties as of 31 December 2007 is estimated by the directors to be \$62,594 thousand (2006: \$43,583 thousand). The investment properties have not been valued by an external independent valuer.

The fair value of investment property is determined by the Group internally by reference to market conditions and discounted cash flow forecasts. The Group's current lease agreements, which were entered into on an arm's-length basis, were taken into account.

## Inventories

	2007 USD'000	2006 USD'000
Raw materials	284,161	314,255
Work in progress	144,454	184,636
Finished goods	721,665	459,576
Goods delivered but not completely installed	679,578	461,988
<b>Total</b>	<b>1,829,857</b>	<b>1,420,455</b>

## Trade and Other Receivables

	2007 USD'000	2006 USD'000
Trade receivables	5,303,412	3,432,795
Other receivables	410,538	217,291
Pledged deposit	18	-
<b>Total</b>	<b>5,713,968</b>	<b>3,650,086</b>

## Cash and Cash Equivalents

	2007 USD'000	2006 USD'000
Cash and bank balances	1,686,153	1,056,042

## Trade and Other Payables

	2007 USD'000	2006 USD'000
Trade payables	4,588,717	2,746,124
Dividends payables	5	49
Other payables	1,643,735	1,436,873
<b>Total</b>	<b>6,232,457</b>	<b>4,183,046</b>

## Operating Leases

### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2007 USD'000	2006 USD'000
Less than one year	33,434	43,710
Between one and two years	20,281	27,643
Between two and five years	11,007	4,483
<b>Total</b>	<b>64,722</b>	<b>75,836</b>

The Group leases a number of warehouses, factory facilities, office premises and staff apartments under operating leases. The leases typically run for an initial period of between one and five years. None of the leases includes contingent rentals.

During the year ended 31 December 2007, \$144,142 thousand was recognized as an expense in the consolidated income statement in respect of operating leases (2006: \$117,365 thousand).

### Leases as lessor

The Group leases out certain of its properties under operating leases. Non-cancellable operating lease rentals are receivable as follows:

	2007 USD'000	2006 USD'000
Less than one year	6,752	3,994
Between one and five years	5,097	11,982
<b>Total</b>	<b>11,849</b>	<b>15,976</b>

During the year ended 31 December 2007, \$8,505 thousand was recognized as rental income in the consolidated income statement (2006: \$6,155 thousand).



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**HUAWEI TECHNOLOGIES CO., LTD.**

HUAWEI Industrial Base  
Bantian Longgang  
Shenzhen 518129, P.R.China

[www.huawei.com](http://www.huawei.com)