Huawei Technologies (Denmark) ApS
Vestre Teglgade 9
2450 Copenhagen SV
Denmark
Phone: +45 70 27 08 01
CVR no.: 30 81 53 86

Huawei Technologies (Denmark) ApS

Annual report 2018

The Annual General Meeting adopted the annual report on 26.03.2019

Chairman of the General Meeting

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Company details

Company

Huawei Technologies (Denmark) ApS
Vestre Teglgade 9
2450 Copenhagen SV, Denmark
CVR No: 30 81 53 86

Phone: +45 70 27 08 01

Board of Directors

Li, Jian
Shi, Yanli
Gan, Jianhua

Executive Board

Lan Yang

Company Auditors

KPMG P/S
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 Copenhagen
Denmark
CVR No: 25 57 81 98

Management's statement on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Huawei Technologies (Denmark) ApS for the financial year 1st of January to 31st of December 2018.

The annual report has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU. Moreover, the Annual Report is prepared in accordance with additional Danish disclosure requirements.

It is our opinion that the financial statements give a true and fair view of the Company’s financial position at 31st of December 2018 and of the results of the Company's operations for the financial year 1st of January to 31st of December 2018.

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

We recommend that the annual report be adopted at the Annual General Meeting.

Copenhagen, 26.03.2019

Executive Board

Lan Yang
Managing Director

Board of Directors

Li, Jian **Chairman**	**Shi, Yanli**	**Gan, Jianhua**

Independent auditor's report

To the shareholders of Huawei Technologies (Denmark) ApS

Opinion

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2018 in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

Audited financial statements

Huawei Technologies (Denmark) ApS' financial statements for the financial year 1 January – 31 December 2018 comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including summary of significant accounting policies (the financial statements). The financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International 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 rules and requirements.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Management's responsibility for the financial statements

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

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 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 as to 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 may 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 judgement and maintain professional scepticism 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.

Independent auditor's report

- 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.
- tentional omissions, misrepresentations or the override of 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 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.

Copenhagen, 26.03.2019
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Michael Sten Larsen
State Authorised
Public Accountant
MNE10488

Rie Larsen
State Authorised
Public Accountant
MNE43596

Management commentary

Financial highlights

EUR'000	2018	2017**	2016**	2015*	2014*
Key figures					
Revenue	135,858	138,018	136,716	139,353	117,141
Gross profit	39,630	37,466	43,523	53,508	40,772
Ordinary operating profit	6,956	5,965	7,031	7,874	11,644
Profit from financial income and expenses	-1,142	1,213	-2,241	-4,772	-7,875
Profit for the year after tax	**4,389**	**5,910**	**3,557**	**2,054**	**3,000**
Non-current assets	2,822	14,244	13,683	19,215	24,318
Current assets	88,274	81,016	104,716	62,982	96,149
Total assets	**91,096**	**95,260**	**118,399**	**82,197**	**120,467**
Share capital	101	101	101	101	101
Equity	**15,768**	**16,297**	**10,387**	**7,094**	**5,040**
Provisions	1,326	4,848	3,185	2,495	4,567
Current liabilities other than provisions	73,770	73,350	103,421	72,609	110,861
Financial ratios					
Operating margin	**5.12%**	**4.32%**	**5%**	**6%**	**10%**
Return on invested capital	4.82%	6.20%	3%	3%	3%
Gross margin	**29.17%**	**27.15%**	**32%**	**38%**	**35%**
Current ratio	119.34%	105.63%	100%	87%	87%
Solvency ratio	**5.83%**	**7.48%**	**3%**	**3%**	**3%**
Return on equity	27.83%	36.26%	34%	29%	60%

*The figures for 2014-2015 have not been restated to reflect the transition to IFRS, hence the figures are according to Danish GAAP.

** The figures for 2014-2017 have not been restated to reflect the transition of IFRS 9 and 15, hence the figures are according to before implemantion of these standards.

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

For terms and definitions, please see the accounting policies.

Management commentary - continued

Operating review

Development in activities and finances

In spite of the challenging and competitive environment, Huawei Technologies (Denmark) ApS (the “Huawei Denmark”) performed as expected in 2018, and maintained the almost the same level of revenue as in 2017. The revenue was EUR 136 million in 2018.

Outlook

Huawei Denmark's principal activities are to provide innovative ICT solutions which can create long-term value and growth potential for our customers.

Our main products include not only wireless products, network production, application and software, but also smartphones and value-for-money terminals.

Through our commitment and strive for value, we have improved good relationship with our main customers who are major players within the Danish telecommunication market such as TDC, Hi3G and Telenor.

For 2019, the overall level for the carrier business is expected to decrease as a consequence of Huawei Denmark was not selected as partner for TDC roll out of nationwide commercial 5G, as part of a major network upgrade. Furthermore Huawei will not continue as service provider for the TDC wireless network. As a result this will have a negative impact in the revenue at around 26 mio. EUR, the profit will be estimated to be negative impacted by around 1.3 mio. EUR.

The focus for Carrier Business Group will be on developing all areas of the business and obtain new partners.

The Consumer Business Group has increased the market share in 2018 and has become one of the top android smartphone providers.

Enterprise Business Group has experienced a breakthrough from 2016. For 2019 the target is to strengthen the established partnerships and build new business cases. The revenue is expected to increase.

The Carrier Business Group will continue to focus on finishing the upgrade of the Yousee cable network to GigaSpeed in 2018, As of late 2018, Giga COAX technology has provided 30% of the Danish households with broadband access as fast as 1 Gb/s.

The revenue for 2019 is expected to decrease to around 132 mio. EUR.

Management commentary - continued

Risks

Operating risks

As seen on the consumer market among our competitors, it is more difficult to predict the trend and wishes of the fast developing market. As a consequence there is a risk of change in demand of our products in the consumer market.

Financial risks

Currency risk

The Company's transactions are mainly in DKK and EUR. DKK is considered to have a very low risk vs. EUR and consequently the Company is not subject to any significant foreign exchange risk.

Interest rate risk

The Company's financial assets and liabilities does primarily consist of short-term financial assets and liabilities which are not interest-bearing, hence the interest rate risk is limited.

Credit risk

Credit risk arises from bank deposits and trade receivables. The company uses a large international bank, and credit risk is considered limited.

The company’s credit risk arising from trade receivable is limited. Trade receivables from the company’s largest customer are transferred to a third party on a non-recourse basis whereas other trade receivables are credit insured to some extent. As of 31 December 2018, credit insured trade receivables amounted to 933 EUR'000 (2017: 4,796 EUR'000).

Human resources

Average number of employees in Huawei Technologies (Denmark) ApS has decreased from 226 to 186 in 2018.

Research and development activities

There are no research and development activities in Denmark.

Legal structure

Huawei Technologies (Denmark) ApS is a wholly owned subsidiary of Huawei Technologies Coöperatief U.A., Netherlands.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

For disclosure regarding non-adjusting event, please see note 18.

Management commentary - continued

Statutory disclosure on Corporate Social Responsibility

Like air and water, connectivity has become so pervasive that it is weaving its way into every aspect of life. A better connected world is taking shape – it is destined to profoundly influence every individual, organization, and industry. Connectivity is everywhere: between businesses, between people, between people and things, between things, and even between people's emotions. Enhanced connectivity will change the world for the better, allowing individuals to better sense and seize opportunities. However, our road ahead is beset with challenges.

As a key player in the ICT industry, Huawei Denmark leverages connectivity-focused ICT technologies – such as cloud computing, 5G, and the Internet of Things (IoT) – to drive sustainability and build an infrastructure, which connects Denmark to the world. Our innovative ICT technologies bring people closer together and reunite the separated – in all of Denmark. Our ICT technologies also spawn considerable business opportunities, deliver efficiency gains, and move the industry forward.

Huawei's vision for sustainability is to connect the future. In the future, we will bridge the digital divide in Denmark with communications technologies; honor our responsibilities to support network stability and security; deliver innovative technologies to make our world greener; devote ourselves to employee care and improve well-being; build harmonious communities; and partner with industry players in Denmark to achieve mutual benefits; and bring Denmark into the age of digitization.

With our flagship CSR project, Seeds for the Future, we aim to help develop local ICT talent, enhance knowledge transfer, promote a greater understanding of and interest in the ICT industry, and encourage greater participation in digital communities at regional and national levels. In June 2018, as has been in the past several years, 10 promising college students in Denmark were sent to visit and study at Huawei's headquarters in China. The students travelled to Beijing and Shenzhen in China to undergo an immersive training program, where they will learn about cutting-edge technology and the latest ICT industry trends. In November 2018, two representatives of the same batch of students were also selected to visit the European Commission and European Parliament, where a Student Seminar with MEPs was held, offering the students a precious opportunity to talk face to face with MEPs and be inspired.

During Christmas in 2018, we supported Red Barnet's Christmas auction that helped vulnerable children in Denmark get a Merry Christmas. The Christmas auction was on Lauritz.com for the benefit of vulnerable children and their families with bid on Huawei products. Huawei Denmark donated products to the auction and has additionally developed a digital campaign and campaign video that aimed to raise awareness about Red Barnet's charity campaign. The amount from the auction went to Save the Child's work for vulnerable children in Denmark and the rest of the world.

In addition, all suppliers to Huawei are required to sign Corporate Social Responsibility agreement, to make sure that our suppliers are also living up to the same CSR standards as we do.

Huawei Denmark is committed to fair, ethical and long-term engagement in Denmark

Integrity is one of Huawei’s core values. Huawei Denmark strives to comply with all relevant EU and DK legislation and national standards. We oppose price dumping and monopolies and aim to promote a harmonious business environment.

Furthermore, all suppliers to Huawei are required to sign Corporate Social Responsibility agreement, Non-Disclosure Agreement, as well as Honesty and Integrity Commitment agreement with Huawei, as part of our procurement process. In Engineering Services, additional Special Provisions on Cyber Security as well as Huawei and Supplier CSR (Corporate Social Responsibility) Agreement need to be signed. In Managed Service, Special Provisions on Cyber Security and Cyber Security Agreement (for Engineering Service Procurement) need to be signed. In Logistics, Supplementary Agreement on Logistic Security (for business scenario in which logistic service agreement has been signed) is required. All these agreements are part our efforts aimed to guarantee our suppliers are living up to the same standards in terms of cyber security, CSR, honesty and integrity, etc. as we do.

Protecting intellectual property

Intellectual property rights (IPRs) are a core competency of every enterprise.

Huawei Denmark respects the Intellectual Property Rights (IPRs) of other companies and works to ensure that its own innovations are protected. We comply with all common international rules on IPRs, making sure that we keep our IPR confidential and ensuring in our contracts that we protect our and others’ IPR.

This approach dovetails with the European Union’s action to help companies protect their patents, trademarks, design rights and copyrights with a view to strengthening their competitiveness.

Fighting against corruption and bribery

Integrity is at the core of our operations, and we have zero tolerance for bribery or corruption. Huawei Denmark is playing an active role in the fight against bribery and corruption. Every Huawei Denmark employee follows Huawei Denmark's Business Conduct Guidelines (BCG). The BCG serves as a guide for complying with laws and ethical standards.

Huawei Denmark recognizes that corruption can have a detrimental effect on society by undermining legal system, damaging social and economic development and free and fair competition. Huawei Denmark is committed to carrying out our business in an honest and ethical manner which is reflected within our Core Values that form the foundation of Huawei.

The main risk for Huawei Denmark will be breach of our business conduct guidelines, that could potentially lead to legal and financial consequence in short term, but could also be damaging on longer terms for our image. Therefore we keep focus on this by releasing a new version of the Statement of Anti-Bribery & Corruption Commitment in 2018. Huawei Denmark will comply in all respects with all applicable domestic and international laws, standards and principles relating to anti-bribery in Denmark. We request suppliers and employees to report if they find any irregularities in behaviour or business ethics from our employees. In 2018, no reports were made.

Bridging the digital divide

Access to ICT varies in Denmark as a result of factors such as age and geographical location.

Huawei Denmark has built the best 4G mobile network for the largest telecom operator in Denmark. This work was finished in 2015. Starting from 2017, we continued to upgrade and extend the network, always securing the best coverage and user experience. As a result, the new network offers 99% of all Danes access to high speed mobile network, meaning that all Danes experience a better call quality and faster streaming, which improves their ability to communicate no matter where you live or work in Denmark.

TDC mobile network, tested by the Danish Technological Institute, was acclaimed as the best mobile network in Denmark. The mobile network was also tested by the global company Open Signal and evaluated as the fastest in the world.

Furthermore, TDC asked Huawei to upgrade the entire COAX cable network with the cutting-edge DOCSIS 3.1 technology. This is the first time in the world for any company to upgrade an entire cable network, making Denmark a technology frontrunner. As of late 2018, Giga COAX technology has provided 60% of the Danish households (1.5m households) with broadband access as fast as 1 Gb/s.

Creating opportunities through education

Huawei Denmark acknowledges the need for further education of young ICT-talents to secure the talent pool in the future, both in Denmark and Europe. The latest report from IDA concludes that in 2025 Denmark will have a lack of 10,000 educated engineers. Therefore, Huawei Denmark have initiated the above-mentioned Seeds for the Future program, where we together with two universities, Technical University of Denmark and Aalborg University, send 10 ICT-students to visit China and Huawei headquarter every year on a two-week immersive summer course. During the trip, the students will receive training in the newest ICT-disciplines. The aim is to inspire more students to seek a career within ICT.

Caring for employees

A dedicated and passionate workforce is the most valuable asset that any business could have. Huawei Denmark places a great deal of emphasis on giving all employees career opportunities that match their talent.

Huawei Denmark aims to achieve diversity in nationality, gender, age, ethnicity, religion, etc. Huawei Denmark has 24 different nationalities. For a company with 180+ employees, we are proud to have such diversity and seeks to offer its staff a workplace that respects and values diverse backgrounds and perspectives. As a relatively new organization which holds employees with many different nationalities, a special focus is to put on the development of skills and expertise. Huawei Denmark has created various training opportunities and personal development tools to help employees reaching their potential and achieving their individual career development goals.

An example is a series of regular training sessions developed by HR for different groups of employees. Here, the attendees receive training for example within different management disciplines, how to achieve results in a multi-cultural workplace and how to develop the personal development plan.

One of the biggest risks is the employees retention, which we manage through our organisational climate survey every year to assess the engagement and satisfaction of the employees. Depending upon the result of the survey, action plans are being developed to secure satisfaction.

Huawei believe in sharing benefits with employees and grows with them. The long-term incentive mechanism aligns the personal contributions of employees with the company’s long-term development strategy. As a result, the mechanism encourages the top performing employees to remain dedicated and share benefits over the long term.

Environmental and climate protection

ICT solution providers have an important role to play in addressing environmental challenges. Huawei Denmark is spearheading efforts to make green communication a reality.

The upgrade of the mobile network for TDC includes changing old equipment on more than 3,500 masts with new more energy sufficient equipment with much more efficient ventilations systems and lower energy consumption.

Huawei established a Product Environmental Information platform regarding consumer products. We also analysed the carbon and water footprints of nine smartphones and published the reports on the platform. Our goal is to minimize the impact of our products on the environment.

In 2016, Huawei Denmark began testing Tech City. Together with TDC, Huawei Denmark has set up 5 sites in Copenhagen in the area surrounding Tivoli and the Main Station where we among other things are testing smart water metering together with the company Kamstrup and air pollution monitors together with the company Leapcraft. Huawei Denmark, together with TDC, DTU and Leikr participated in IoT4Life project which are funded by Eureka Innovation Fund Denmark. Huawei supplied the equipment and implementation to TDC to provide nationwide NB-IoT coverage in 2018.

In 2017, five Huawei smartphones (P10, P10 Plus, P10 Lite, Mate 10, and Mate 10 Pro) received the highest level (Gold) UL110 certification, 7 types of Huawei routers and switches have received TÜV Rheinland's Green Product Mark certificates.

One of the biggest risks is the for our product to have increased negative impact on environment and climate. In order to manage that we continuously strive to sell the most innovative technologies, which will can handle the ever pressing environmental and climate challenges.

Management commentary - continued

During Mobile World Congress 2018, GSMA awarded the "Green Mobile" award to Huawei's TubeStar solution. This solution reduces the footprint of a traditional macro site by over 96% (from approximately 50 m2 to less than 2 m2) and makes site deployment 70% faster. In terms of energy consumption, the solution features a highly efficient (98%) power supply module, a site-level power-saving system, and air-conditioner-free design. Energy efficiency is 30% higher than that of traditional sites. In 2018, rapid deployment also lowers labour and engineering costs, enabling a significant drop in the carbon footprint per site.

Human Rights

Huawei Denmark believes in abiding by the laws of the country they are present, as Human Rights are often expressed and guaranteed by law, in the form of treaties, customary international law and general principles. Huawei Denmark makes sure to integrate local laws and customizes their global policy according to the local requirements.Huawei Denmark advocates fair trade and abides by all applicable laws and regulations and prohibits the use of child labour or forced labour.

The other important factor that encompasses Human Rights is the diversity an organization has. Huawei Denmark aims to achieve diversity in nationality, gender, age, ethnicity, religion, etc. Huawei Denmark has 24 different nationalities. For a company with 180+ employees, we are proud to have such diversity. Our policies are framed in such a way that all employees are treated equally and with respect.

The main risks for human rights are to our activities include work accidents especially for our operational staff. This is managed by having health checks and detailed work instructions for the field service employees, who has potential higher risk of work accident. .

In 2018, no breach to their human rights policy was recorded

Gender equality in management

As an organisation we strive to create equality and represent both men and women in an equal fashion. While the management team members in 2018 are all men, we will work towards more diversity in our management team in 2019.

For our board, we have three board members and currently one of these is a women. We constantly strive to have the best qualified persons in the organization, which also includes our board of directors. Our target is to have women represent at least 33 % of the board. This target was fulfilled in 2017.

To keep supporting the development of more women in the Huawei Denmark, there is focus on these points:

- Focus on recruiting more women to Huawei Denmark
- Focus on treating women and men equally in Huawei Denmark
- Focus on developing women talent in Huawei Denmark

We will continue to work actively for the equal positional possibilities between men and women colleagues at all levels.

Management commentary - continued

Cyber Security and Privacy Protection

New technologies like cloud computing, the Internet of Things (IoT), big data, and 5G are improving our lives and also causing profound changes in the ICT industry recently, these changes are making the digital economy more vibrant, but at the same time greater challenges relating to cyber security are emerging. Cyberspace and the physical world are increasingly converging and connectivity has become a ubiquitous part of our life. Notwithstanding the tremendous personal, social, and enterprise benefits that we have realized as a result of the digital and broadband revolutions, security threats are increasing, and vandalism, theft, and disruption are ongoing issues.

Meanwhile, data traffic is continuing to surge with more and more personal data stored and processed in ICT systems. Complex privacy issues related to personal data protection continue to emerge. Countries promulgate their own data protection laws, which vary from country to country even though cross-national data transfer has become very common.

We should build security through innovation, enhance security through collaboration, and work together to build a digital world that we can trust. This is our core approach to Cyber Security. Huawei Denmark is willing to work with all governments, customers and partners to jointly cope with cyber security threats and challenges. This commitment is the guiding principle for our operations. Huawei Denmark comply with Danish and EU laws and regulations and take all necessary measures to boost privacy protection in accordance with laws and regulations.

Regular awareness training and education on cyber security and privacy protection is conducted for all Huawei Denmark employees. Fostering a company-wide climate and culture of cyber security awareness helps ensure that every employee accounts for cyber security and privacy protection in their everyday work.

Huawei Denmark has set up an extensive security evaluation in cooperation with Danish authorities and TDC. A network Operation Center based in Denmark was established in 2014 operated by employees who are all security cleared.

Huawei Denmark has maintained the ISO 27001 Certification since 2014. Furthermore, Huawei Denmark undergoes ISRS4400 audit every year for the agreed upon procedure related to Huawei’s operations of TDC’s Mobile infrastructure.

Huawei Actively Responds to Requirements of GDPR (EU General Data Protection Directive) and Customers, and has an increasingly deeper understanding of Privacy. Huawei Denmark's privacy protection organizations continuously interpret Privacy Requirements, turn them into Huawei business control requirements, and implement them through existing business processes and systems to meet customers and DPAs' privacy expectations of Huawei Denmark.

Huawei Denmark will work with all stakeholders to improve the level of personal data and privacy protection, so that people can enjoy the convenience of new technologies with maximized protection of personal data and privacy.

Statement of comprehensive income

1 January to 31 December

EUR'000

	Note	2018	2017
Revenue	1	135,858	138,018
Total Revenues		**135,858**	**138,018**
Cost of sales		-96,228	-100,552
Gross Profit		**39,630**	**37,466**
Other income		56	44
Other external costs		-7,171	-4,822
Staff costs	3	-24,404	-25,593
Depreciation and impairment		-1,155	-1,130
Operating profit/loss		**6,956**	**5,965**
Financial income	4	27	2,713
Financial expense	5	-1,169	-1,500
Profit from ordinary activities before tax		**5,814**	**7,178**
Tax on profit from ordinary activities	6	-1,425	-1,268
Profit for the year		**4,389**	**5,910**
Debt instruments measured at FVOCI - net change in fair value		132	0
Profit and other comprehensive income is			
Proposed dividends		0	0
Equity holders of the Company		4,521	5,910
		4,521	**5,910**

Balance Sheet at 31 December

			EUR'000
Assets	**Note**	**2018**	**2017**
Non-current Assets			
Intangible assets	7		
Patents and software licences		4	15
Property, plant, and equipment	8		
Leasehold improvements		45	146
Fixtures and fittings, tools, equipment, IT		1,335	2,206
Long term trade receivables	9	0	9,543
Deferred tax assets	10	1,438	2,334
Total non-current assets		2,822	14,244
Current Assets			
Inventory			
Spare parts		1,932	1,803
Goods for sale		1,421	9,154
Total inventory		3,353	10,957
Contract assets		32,389	2,681
Receivables			
Trade receivables	9	14,904	51,350
Trade Receivables owned by group enterprises		5,960	5,715
Prepayments		166	5,316
Corporate tax (receivable)		113	0
Other receivables		63	40
Total receivables		53,595	65,102
Cash and bank deposits		31,326	4,957
Total current assets		88,274	81,016
Total Assets		**91,096**	**95,260**

Balance Sheet at 31 December

Liabilities and Owner's Equity	Note	2018	2017
			EUR'000
Owner's Equity			
Share capital	11	101	101
Fair value reserve		-8	0
Retained earnings		15,675	16,196
Total owner's equity		15,768	16,297
Non-current liabilities			
Other payable		233	765
Other provisions	12	1,125	1,501
Total non-current liabilities		1,358	2,266
Current Liabilities			
Other provisions	12	201	3,347
Trade payable		15,360	18,555
Contract liabilities		27,787	0
Payable to group enterprises		12,186	6,856
Prepayment received from customers		0	36,728
Corporate tax (payable)		0	2,573
Other payable		18,436	8,638
Total current liabilities		73,971	76,697
Total liabilties		75,329	78,963
Total Liabilities and Owner's Equity		**91,096**	**95,260**

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Statement of changes in equity

EUR '000

Equity	Share capital	Fair value reserve	Retained earnings	Total
Balance at 1 January 2017	101	0	10,286	10,387
Profit for the period	0	0	5,910	5,910
Other comprehensive income for the period	0	0	0	0
Total comprehensive income for the period	**0**	**0**	**5,910**	**5,910**
Transactions with owners in their capacity as owners:				
Dividend	0	0	0	0
Balance at 31 December 2017	**101**	**0**	**16,196**	**16,297**

EUR '000

Equity	Share capital	Fair value reserve	Retained earnings	Total
Balance at 31 December 2017	101	0	16,196	16,297
IFRS 15&9 switch	0	-140	-4,910	-5,050
Balance at 1 January 2018	**101**	**-140**	**11,286**	**11,247**
Profit for the period	0	0	4,389	4,389
Other comprehensive income for the period	0	132	0	132
Total comprehensive income for the period	**0**	**132**	**4,389**	**4,521**
Transactions with owners in their capacity as				
Dividend	0	0	0	0
Balance at 31 December 2018	**101**	**-8**	**15,675**	**15,768**

Cash Flow Statement

EUR'000

	2018	2017
Operating activities:		
Profit for the year	**-522**	**5,910**
Adjustments for:		
Depreciation	1,144	1,176
Amortisation	**10**	**55**
Patents and licences	10	55
Right of Use	0	0
Affect of IFRS switch	0	0
Foreign exchange losses/(gains) for bank accounts	50	13
Net finance costs	217	193
Slow moving items provision	61	-2,523
Provision Adjustments for other	**-530**	**1,664**
Provision for Goods Discount	2,727	367
Provision For Warranty	-597	-32
Provision for Vouchers	-2,123	792
Provision for Claim	-537	537
	952	**578**
Changes in:		0
Inventories	8,847	5,131
Trade and other receivables	20,773	-11,963
Prepayment received from customers	-36,727	17,926
Trade and other payables	35,842	-40,303
Taxes	-2,686	850
	26,049	**-28,359**
Net cash used in operating activities	**26,479**	**-21,871**
Investing activities:		
Acquisition of fixed assests	-33	-1,669
Net cash used in investing activities	**-33**	**-1,669**
Financing activities:		
Interest paid	-28	-193
Net cash used in financing activities	**-28**	**-193**
Net increase/decrease in cash and cash equivalents	**26,418**	**-23,733**
Cash and cash equivalents at 1 January	4,956	28,689
Effect of foreign exchange rate changes	-48	1
Cash and cash equivalents at 31 December	**31,326**	**4,957**
Cash and cash equivalents:		
Cash at bank	31,326	4,957
Total	**31,326**	**4,957**

Accounting policies

Reporting entity

Huawei Technologies (Denmark) ApS (the Company) is established in Copenhagen, Denmark. The Company's registered office is at Vestre Teglgade 9, 2450 København SV.

The Company principally provide Information, Communication and Technology solutions. This includes marketing of telecom network equipment, IT products and solutions and smart devices for telecom carriers, enterprises and consumers.

Basis of preparation

The financial statements for the year ended December 31, 2018, are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted in EU and the additional Danish disclosure requirements.

For all periods up to and including the year ended 31 December 2016, the Company prepared its financial statements in accordance with the Danish Financial Statements Act.

Changes in significant accounting policies

The Company has applied the standards which are mandatory for 31 December 2018 year end financial statements. No standards not yet effective have been implemented.

For 2018 IFRS 9 and 15 were adopted using the modified approach with changes reported in retained earnings and no restatement of comparative figures. Please see note 19 for details.

Foreign currency translation

Functional and presentation currency

Items in the financial statements are measured in the currency of the primary economic environment in which the company operates (the functional currency). The functional currency of the Company is EUR.

The financial statements have been presented in EUR and is rounded off to 1,000 EUR.

Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

Accounting policies

Income statement

Revenue

The Company has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). This policy applied for the contract that still open in 1 Jan 2018.Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18 and related interpretations.

Policy applicable from 1 January 2018

Revenue is measured based on the consideration specified in the contract with the customer and excludes variable consideration and amounts collected on behalf of third parties. The Company recognises revenue when it transfers control over a product or service (or bundle) to a customer.

i. Contract combinations and modifications

Within the Carrier Network Business Group (CNBG) and Enterprise Business Group (EBG), Huawei combines separate customer contracts with the same customer if those contracts are priced together, are significantly interdependent or have a single commercial objective. Contract modifications are typically deemed to be new contracts or result in a prospective change to an existing contract.

ii. Performance Obligations (PO)

In the Consumer Business Group (CBG) POs are typically terminal devices, accessories and services. In the CNBG there are significantly more POs due to the nature of the contracts which typically involve sales of networking hardware, software and a wide range of services. In the EBG where Huawei is delivering bespoke end-to-end solutions, there may in some cases only be a few POs.

In the CNBG and EBG customer warranties are recognised as a distinct service and are allocated revenue. The consumer group warranty on terminal devices and accessories is generally standard in nature and is accounted for as an assurance warranty at the time of the sale.

iii. Timing of revenue recognition

Most CNBG contracts include multiple POs for which revenue is recognised when the company transfers control of each obligation, either a point in time such as delivery or acceptance, or overtime as the obligation is being fulfilled or the customer obtains control of the goods and/or services. Some CNBG construction contracts represent a single or a few POs for which revenue is recognised proportionately over the delivery period.

Within the EBG most of its customer construction contracts constitute a single or a small number of POs for which revenue is recognised proportionately over the delivery period. Revenue is recognised for the remaining contracts with multiple POs when each obligation transfers control, either at a point in time, such as delivery or acceptance, or over time as the obligation is being fulfilled and the customer obtains control of the goods and/or services.

Sales of terminal devices and accessories by the CBG to its distribution channels is recognised when control of the goods has transferred, which is upon sell-in in most cases and only in a limited number of cases when the goods are sold to the second tier or end-users.

iv. Variable consideration

Revenue is measured at the fair value of the consideration received or receivable, adjusted at contract inception for returns, trade discounts, volume rebates and other sales incentives, such as vouchers or coupons, provided that the level of expected return of goods, volume rebates and other incentives given can be estimated reliably. The Company considers several factors, including but not limited to, contract commitments, business practices, historical experience, customer take-up rates, and expected purchase volumes.

Accounting policies

Income statement

v. Significant financing component

The promised amount of consideration in a sales contract is adjusted for the existence of significant financing in determining the transaction price when the payment terms exceed one year in duration between performance and payment. Interest income or expense is recognised over the period between the date of settlement and the date that the promised goods or services are transferred to the customer.

vi. Stand-alone selling prices (SSP)

The transaction price of a contract with a customer is allocated to each PO in proportion to its stand-alone selling price. The CNBG and EBG primarily use estimated SSP and the CBG uses directly observable SSP.

Within CNBG and EBG, the Company establishes the SSP using an average price approach by category. Average prices are established based on several factors, including but not limited to customer, geography, competition, company growth strategy, market share, market penetration objectives, product family, costs and company profit objectives (including by Business Group, Product Family and Product Line).

When a significant discount is granted and is specifically attributable to one or more POs that discount is allocated to the identified PO(s). In all other cases the discount is allocated to the contract overall.

vii. Contract Costs

Certain acquisition costs (those paid to acquire a contract such as commission) and fulfilment costs (those incurred to deliver services to customers) are capitalised and recognised over the period of expected benefit, which is generally the associated revenue contract duration.

viii. Contract assets and liabilities

When revenue is recognised under a contract with a customer before consideration is received or the right to consideration is unconditional, a contract asset is recognised. When consideration is received (or the right to consideration is unconditional) before revenue is recognised, a contract liability is recognised.

Trade receivables are recognised when the right to consideration under a revenue contract becomes unconditional, regardless of the billing date.

ix. Refund liabilities

A refund liability, such as the accrued rebates to customers and other sales-based incentives granted, is recognised when the Company receives consideration from the customer and expects to refund some or all of that consideration to the customer.

Policy applicable before 1 January 2018

Revenue is measured at the fair value of the consideration received or receivable. Where it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

Sale of goods and provision of services

Revenue from sale of goods, comprising sale of equipment and software to the telecommunications industry in Denmark, is recognised when the significant risks and rewards of ownership of goods have been transferred to the buyer. Revenue from the provision of services is recognised at the time when the services are provided. Revenue from service subscription agreements is recognised straight line over the contract period. No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due, associated costs or the return of goods. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts, sales rebates and incentives.

Cost of Sales

Cost from the sale of goods comprising of purchase of equipment and software and is recognized in the income statement provided that delivery and transfer of risk to the buyer has taken place before year end and that the cost can be reliably measured and is expected to be paid.

Cost from rendering of services is recognized at the time when the services are provided. Furthermore, delivery must have taken place before year end and cost must be reliably measured and expected to be paid.

Cost is measured at the fair value of the agreed consideration ex. VAT, duties and sales discounts.

Other external cost

Other external expenses comprise expenses for distribution, sale, marketing, administration, premises, bad debts, operating leases etc.

Staff costs

Salaries, profit-sharing and bonus payments, paid annual leave and contributions to defined contribution retirement plans and the cost of nonmonetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Financial income and expenses

Financial income and expenses comprise interest income and interest expenses, realised and unrealised losses on securities and transactions in foreign currencies, as well as tax surcharge and relief under the Danish Tax Prepayment Scheme.

Income taxes

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit/loss for the year and recognised in other comprehensive income for gains and losses recognised in other comprehensive income and directly in equity by the portion attributable to equity transactions.

The current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year’s taxable income, adjusted for prepaid tax.

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Balance sheet

Intangible assets

On initial recognition, intangible assets are measured at cost.

Software licences are measured at cost less accumulated amortisation and impairment losses. Software licenses are amortised on a straight-line basis over a 3 year period.

Plant and equipment

Tools and equipment are measured at cost less accumulated depreciation and impairment losses. The basis of depreciation is cost less any residual value after useful life.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when the asset is ready to be put into operation.

Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures, fittings, tools and equipment:	3 years
Leasehold improvements:	2 years

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement as depreciation under other operating income or other operating costs.

Impairment of non financial assets

The carrying amount of intangible assets and property, plant and equipment is subject to a annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. If any indication shows that the recoverable amount of an asset is lower than its carrying amount, impairment provision shall be recognized.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the expected net income from the use of the asset or the group of assets and expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Leased assets

The Company's leases are operating leases which do not transfer substantially all the risks and rewards of ownership to the Company.

Payments made under the leases are charged to profit or loss straight line over the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

Inventories

Inventories are measured at the lower of cost under the weighted average method and net realisable value.

Cost of goods for resale, raw materials and consumables includes expenditures incurred in acquiring the inventories and bringing them to their present location and condition.

The Company estimates losses for obsolescence and adjustment to net realisable value of the inventories periodically. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. Any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

Financial instruments

The Company has adopted IFRS 9 Financial Instruments, with effect from 1 January 2018 applying the standard retrospective approach. As permitted by the standard, comparative figures have not been restated and these are presented in accordance with previous policies. Both the new and the old accounting policies are described below where appropriate.

(i) Recognition and de-recognition

Financial instruments, comprising financial assets and financial liabilities, are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or where it neither transfers nor retains substantially all of the risks and rewards of ownership and loses control. When control is retained, the entity continues to recognise the financial asset to the extent of its continuing involvement.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

(ii) Classification and measurement

Policy applicable from 1 January 2018

All financial assets and liabilities are initially recognised at fair value, which is usually the transaction price including, where appropriate, transaction costs, with the exception of trade receivables without a significant financing component, which are measured at transaction price, determined in accordance with the entity's accounting policies for revenue.

Financial assets measured at fair value through profit or loss (FVPL)

Financial assets are classified at fair value through profit or loss if they arise from contracts which do not give rise to cash flows which are solely principal and interest, or otherwise where they are held in a business model which mainly realises them through sale. Such assets are re-measured to fair value at the end of each reporting period. Gains and losses arising from re-measurement are taken to profit or loss, as are transaction costs.

Financial assets measured at fair value through other comprehensive income (FVOCI)

Financial assets are classified at fair value through other comprehensive income where they arise from contracts which give rise to cash flows which are solely principal and interest and which are held in a business model which realises some through sale and some by holding them to maturity are recognised initially at fair value plus any directly attributable transaction costs, or in the case of trade receivables, at the transaction price.

At the end of each reporting period they are re-measured to fair value, and the cumulative gain or loss compared to their amortised cost being recognised in other comprehensive income and in the fair value reserve. Interest income, and foreign exchange gains or losses on these assets are included in finance income or expenses in profit or loss. These assets are also subject to impairment.

When these assets are derecognised, the cumulative gain or loss is reclassified from equity to profit or loss.

Accounting policies

Policy applicable before 1 January 2018

All financial assets and liabilities are initially recognised at fair value, which is usually the transaction price including, where appropriate, transaction costs. Subsequently, measurement depends on their classification as follows:

Trade and other receivables

Receivables are initially measured at fair value which is usually equal to the nominal amount. Receivables are subsequently measured at amortised cost usually equalling nominal value less provisions for bad debts.

Trade and other payables

Other financial liabilities are measured at amortised cost which usually corresponds to nominal value.

Impairment of assets

(i) Impairment of financial assets

Policy applicable from 1 January 2018

The Company recognises an allowance for impairment on financial assets held at FVOCI and AC, and also on contract assets, lease receivables and some financial guarantees on an expected credit loss basis. Increases and decreases in the impairment allowance are recognised in profit or loss.

Expected credit losses are the difference between the contractual cash flows (or transaction price) and the cash flows expected to be received at the end of the reporting period based on the Company's past loss experience and reasonable and supportable expectations about future credit conditions.

For trade and bills receivable, contract assets，the company recognises impairment both individually and using provision matrices based on the probability that the customer will default during the lifetime of the asset, and the loss that will be incurred given the default (the lifetime expected loss).

In respect of trade and other receivables, the Company regularly performs assessment of creditworthiness on all customers for the Company's commercial transactions to monitor the risk arising from customers' inability or unwillingness to make full and timely payments. These evaluations focus on the customer's current ability to pay, historical payment records and take into account information specific to the customer as well as pertaining to the country and economic environment in which the customer operates.

The credit period of trade receivables is agreed and reviewed for each individually significant project. The Company has a department to monitor and control the collection of past due trade receivables. The Company will consider allowance for debts due from customers with poor credit records. Further transactions with these customers are carefully analysed and authorised by senior management of the Company. If necessary, the Company requires collateral or other credit enhancements from customers, which include third-party guarantees, fixed-asset pledges, performance index monitoring etc. The value and efficacy of collateral or other credit enhancements will be assessed at the project review phase and reviewed on a regular basis during the whole business cycle.

All receivable and contract assets impairment calculations are done automatically according to data published and valid at the moment of calculation. And the rate for calculation as below for 2018：

Customer Credit Rating	Contract Assets	Accounts recievable						
		Undue	Overdue 0-3M	Overdue 4-6M	Overdue 7-12M	Overdue 1-2Y	Overdue 2-3Y	Overdue 3Y
A	0.10%	0.10%	0.18%	0.95%	2.41%	10.60%	50.83%	100.00%
B	0.20%	0.20%	0.37%	2.37%	5.40%	16.54%	57.01%	100.00%
C	0.41%	0.41%	0.74%	3.65%	7.56%	20.19%	64.29%	100.00%
D	0.77%	0.77%	1.39%	6.05%	12.71%	29.10%	69.08%	100.00%
E	1.53%	1.53%	2.77%	17.25%	26.14%	45.09%	77.94%	100.00%

Policy applicable before 1 January 2018
Trade and other receivables are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a receivable portfolio has been impaired. If there is an objective indication that an individual receivable has been impaired, a write-down is made.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's credit risk management policy. The objective indicators used in relation to portfolios are determined based on historical loss experience.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of the expected cash flows, including the realisable value of any collateral received.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. The proposed dividend for the financial year is disclosed as a separate item under equity.

Prepayments received from customers

Prepayments received from customers compromises of payments received relating to income in subsequent years. Prepayments are measured at the consideration received or receivable.

Corporation tax and deferred tax

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

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to assets and liabilities where temporary differences arise at the date of acquisition without affecting either profit/loss for the year or taxable income.

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

Deferred tax assets, including the tax value of tax loss carry forwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Provisions

Provisions are recognised for liabilities of uncertain timing or amount when the company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be reliably estimated, disclosure is made of the contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

The main types of provisions are as follows:

Provision for warranty

Standard warranty (bundled with equipment sales) for the consumer products, such as for mobile phones. It is required by law that Huawei should provide replacement or repair services for defective products it sold. Such warranties provide the customer with assurance that the products will comply with specifications stipulated in the contract and no additional assurance or service is provided. As such, standard warranty for device products is determined as assurance-type warranty and will not be considered as a separate performance obligation. Under IAS 37 it should be treated as a warranty provision.

Provision for product sales

The company may provide rebates to customers and other sales based incentives based on contractual agreements or specific incentive programmes. The provisions for such incentives are estimated, and regularly reviewed, based on various factors including, but not limited to, contractual terms, customary business practices, expected take up rates, experience of similar contracts, and historical experience.

The company also provides sales incentives in the form of discounts when eligible purchases exceed a defined value or volume and may be either for a fixed or variable amount depending on the nature of the contractual agreement. These provisions are estimated, and regularly reviewed, based on several factors, including but not limited to, expected purchase volumes, contractual terms, customary business practices and historical experience.

Cash flow statement

Cash flow from operating activities

The cash flows from operating activities is reported using the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and deposits comprise cash at bank and on hand, demand deposits with banks and other financial institutions, demand deposits with third party merchants, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are also included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting policies

Financial ratios

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

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

Operating margin	Operating profit / revenue
Return on invested capital	(Profit before tax - dividends) / Total capital such as Invested capital can be in buildings, projects, machinery, other companies
Gross margin	Revenue - COGS / revenue * 100
Current ratio	Current assets / current liabilities
Solvency ratio	Profit after tax / ST and LT liabilities
Return on equity	Profit after tax / shareholder equity

Accounting judgements and estimates

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

The judgments, estimates and assumptions made are based on historical experience and other factors that Management considers to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise. The most critical judgments, estimates and assumptions for the individual items are described below.

The Company is also subject to risks and uncertainties that may lead to actual results differing from these estimates, both positively and negatively.

Net realisable value of inventories

The net realisable value of inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market condition and the historical experience of distributing and selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles or other changes in market condition. Management will reassess the estimations at the end of each reporting period.

Provisions

The Company makes provisions for product sales, outstanding litigations and claims based on project budgets, contract terms, available knowledge and past experience. The Company recognises provisions to the extent that it has a present legal or constructive obligation as a result of a past event; that it is probable that an outflow of resources will be required to settle the obligation; and that the amount can be reliably estimated. Judgement is required in making such estimates and the ultimate outcome may be different.

Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended December 31, 2018

The IASB has issued a number of new standards and amendments which will affect the financial statements in subsequent accounting periods. Those most relevant to the Company are set out below:

	Effective for accounting periods beginning on or after
IFRS 16, *Leases*	January 1, 2019

The main changes and expected impacts are:

IFRS 16, Leases

IFRS 16 replaces IAS 17, Leases and will affect how the Company accounts for leasing transactions as lessee. The main change is that the Company will recognise an asset in respect of the right to use assets held under operating leases, and a liability for its obligations to make payments under such leases.

The Company will recognise new assets and liabilities for its operating leases of premisses and vans. The nature of expenses related to those leases will change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Based on the information currently available, the Company estimates that it will recognise additional lease liabilities of EUR 250 thousand on 1 January 2019.

The Company plans to apply IFRS 16 initially on 1 January 2019 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

Notes to Financial Statements

1. Revenue

EUR '000	2018	2017
Products	83,278	85,707
Services	52,580	52,311
Total	**135,858**	**138,018**

With reference to the Danish financial statement act §96, section 1. Further disclosures is omitted, since this can give our competitors a market advantage, this could lead to significant damages for the company.

2. Fees to auditor appointed at the general meeting

EUR '000	2018	2017
Statutory audit	71	65
Total	**71**	**65**

3. Staff cost

EUR '000	2018	2017
Wages and salaries	22,943	24,126
Pensions	1,462	1,269
Other social security costs	-	198
Total	**24,404**	**25,593**

	2018	2017
Average number of full-time employees	186	226

With reference to the Danish financial statement act §98b, section 3 no. 2 Board and management remuneration is omitted, since only one person is in scope and receives remuneration.

4. Financial income

EUR '000	2018	2017
Foreign exchange income	35	2,705
Other financial income	-8	8
Total	**27**	**2,713**

5. Financial expenses

EUR '000	2018	2017
Foreign exchange loss	0	0
Interest expense	0	0
Other financial expenses	1,169	1,500
Total	**1,169**	**1,500**

Notes to Financial Statements

6. Tax on the profit of the year

EUR '000

	2018	2017
Current tax on profits for the year	463	1,183
Current tax on profits for previous years	79	31
Total current tax expense	**542**	**1,214**
Deffered tax on profits for the year	962	358
Deffered tax on profits for previous years	-79	-304
Total deferred tax assets	**883**	**54**
Income tax expenses for the period	**1,425**	**1,268**
Income tax expenses are specified as follows:		
Calculated 22.0% tax on profit for the year before income tax	**1,279**	**1,579**
Tax effects of:		
Non-deductable expenses	70	37
Adjustments in respect of prior years	0	-273
Other	76	-75
	1,425	**1,268**

7. Intangible assets

EUR '000

	Patents and software licenses
Cost at 1 January 2017	600
Additions	0
Disposals	0
Cost at 31 December 2017	600
Impairment losses and amortisation at 1 January 2017	-530
Amortisation	-55
Impairment losses and amortisation at 31 December 2017	-585
Carrying amount at 31 December 2017	**15**
Cost at 1 January 2018	600
Additions	0
Disposals	0
Cost at 31 December 2018	600
Impairment losses and amortisation at 1 January 2018	-585
Amortisation	-11
Impairment losses and amortisation at 31 December 2018	-596
Carrying amount at 31 December 2018	**4**

Notes to Financial Statements

8. Property, Plant and Equipment

EUR '000

	Leasehold improvements	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2017	487	5,187	5,674
Additions	0	1,669	1,669
Disposals	0	0	0
Cost at 31 December 2017	487	6,856	7,343
Impairment & depreciation at 1 January 2017	-240	-3,575	-3,815
Depreciation	-101	-1,075	-1,176
Depreciation, disposed assets	0	0	0
Impairment & depreciation at 31 December 2017	-341	-4,650	-4,991
Carrying amount at 31 December 2017	**146**	**2,206**	**2,352**
Cost at 1 January 2018	487	6,856	7,343
Additions	0	172	172
Disposals	0	-5	-5
Cost at 31 December 2018	487	7,023	7,510
Impairment & depreciation at 1 January 2018	-341	-4,650	-4,991
Depreciation	-101	-1,043	-1,144
Depreciation, disposed assets	0	5	5
Impairment & depreciation at 31 December 2018	-442	-5,688	-6,130
Carrying amount at 31 December 2018	**45**	**1,335**	**1,380**

Notes to Financial Statements

9. Receivables

	2018	2017
		EUR '000
Trade receivables at 31 December	14,904	60,893
Less provision for impairment of trade receivables	-101	-27
Trade receivables net	**14,803**	**60,866**
Current	14,904	51,350
Non-current	0	9,543
	14,904	**60,894**
Movement on the Company provision for impairment of receivables are as follows:		
At 1 January	**27**	**126**
Provision and reversal during the year	74	-99
At 31 December	**101**	**27**
Allocation of overdue net receivables (not written off) by maturity period are as follows:		
0-6 months	4,356	348
7-12 months	23	0
1-2 years	0	6
Overdue net receivables at 31 December	**4,378**	**354**

10. Deferred Tax

	2018	2017
		EUR '000
Deferred tax at 1 January	0	2,388
Adjustment of deferred tax	1,438	-54
Deferred tax at 31 December	**1,438**	**2,334**
Deferred tax relates to:		
Accrued expense	435	744
Property, plant and equipment	277	237
Provision	726	1,353
Tax loss	0	0
Total	**1,438**	**2,334**

Notes to Financial Statements

11. Share Capital

	EUR '000
Share Capital at end of year	**101**
Share Capital consists of 7,500 shares at 100 DKK, equivalent of 101 thousand EUR. All shares are ranked equally and have not been divided into classes.	
There are no changes in share capital in the past five financial years.	

12. Other provisions

	EUR '000	
	2018	**2017**
Other provisions comprises of:		
Provision for Write down of inventory	0	1,386
Provision for Voucher	0	1,003
Provision for Claims	0	537
Provision for Warranty	1,326	1,922
Total	**1,326**	**4,848**
Other provisions at 1 January	1,923	3,185
Reversal	-1,923	-3,185
Provision for the year	1,326	4,848
Other provisions at 31 December	**1,326**	**4,848**
The provisions are expected to be payable in:		
0-1 year	201	3,347
After 1 year	1,125	1,501
Total	**1,326**	**4,848**

Notes to Financial Statements

13. Financial assets and liabilities

	2018	2017
		EUR '000
The below table sets out the carrying amount of recognised financial assets and liabilities.		
Financial assets:		
Loans and receivables:		
Non-current		
Long term trade receivables	0	9,543
Current		
Trade receivables	14,904	51,350
Trade Receivables owed by group enterprises	5,960	5,715
Other receivables	62	40
Cash and bank deposits	31,326	4,957
Total Loans and receivables	**52,252**	**71,605**
Financial liabilities:		
Financial liabilities at amortised cost:		
Trade payable	15,360	18,555
Payable to group enterprises	12,186	6,856
Total Financial liabilities at amortised cost	**27,546**	**25,411**

14. Contractual obligations, contingencies, etc.

Contingent assets

Huawei Technologies (Denmark) ApS is not party in any pending lawsuit and has not filed for damages amounts.

Contingent liabilities

Huawei Technologies (Denmark) ApS has not made provision for any claims.

Lease obligations

The Company has entered into leases.

	2018	2017
		EUR '000
Operating lease obligations total	931	1187
Operating lease obligations falling due within 1 year	847	956
Operating lease obligations falling due between 2 and 5 years	84	231
Operating lease obligations falling due after 5 years	0	0

Notes to Financial Statements

15. Related party disclosures
Huawei Technologies (Denmark) ApS related parties comprise of the following:

Parties exercising control
Huawei Technologies Coöperatief U.A, Netherlands.
Huawei Technologies Coöperatief U.A holds 100% of the share capital in the Company.

Ultimate parent company
Huawei Investment & Holding Co., Ltd., China
The consolidated financial statements of Huawei Investment & Holding Co., Ltd. are available at Company's website http://www.huawei.com/en/press-events/annual-report

Related parties	Nature of business
Huawei Technologies Co., Ltd.	Equipment/Software
Shenzhen Smartcom Business Co., Limited	Service
Huawei Tech. Investment Co., Limited	Service
Huawei Marine Networks Co.,Ltd.	Equipment/Software
Smartcom (Hong Kong) Co., Limited	Service
Huawei International Pte. Ltd.	Equipment/Software
Huawei Device (Hong Kong) Co., Limited	Equipment/Software
Huawei International Co. Limited	Equipment/Software

Board and Management
Shi, Yanli
Li, Jian
Gan, Jianhua
Lan Yang

Notes to Financial Statements

15. Related party disclosures (continued)

The following transactions were carried through with related parties:

		2018	2017
			EUR '000
Transactions with parent:			
Huawei Technologies Coöperatief U.A.	Purchase	105	108
Transactions with other related parties:			
Huawei Technologies Co., Ltd.	Purchase	17,815	59
Shenzhen Smartcom Business Co., Limited	Purchase	5	6
Huawei Tech. Investment Co., Limited	Purchase	0	335
Huawei Marine Networks Co.,Ltd.	Purchase	0	2,243
Smartcom (Hong Kong) Co., Limited	Purchase	0	15
Huawei International Pte. Ltd.	Purchase	0	7
Huawei Device (Hong Kong) Co., Limited	Purchase	23,440	25,023
Huawei International Co. Limited	Purchase	12,336	50,014
Huawei Device (Hong Kong) Co., Limited	Sales	297	251
Huawei International Co. Limited	Sales	4,920	11,241

	Receivable 31.12.2018	Payable 31.12.2018
		EUR '000
Outstanding with parent:		
Huawei Technologies Coöperatief U.A, Netherlands.	0	105
Outstanding with other related parties:		
Huawei Technologies Co., Ltd.	0	7,737
Shenzhen Smartcom Business Co., Limited	0	71
Huawei Tech. Investment Co., Limited	6	0
Huawei Marine Networks Co.,Ltd.	0	0
Smartcom (Hong Kong) Co., Limited	0	0
Huawei International Pte. Ltd.	0	0
Huawei Device (Hong Kong) Co., Limited	2,158	2,891
Huawei International Co. Limited	3,802	1,381

Notes to Financial Statements

16. Financial risk management

Financial risk factors

Market risk
Foreign exchange risk
The Company's transactions are mainly in DKK and EUR. DKK is considered to have a very low risk vs. EUR and consequently the Company is not subject to any significant foreign exchange risk.

Interest rate risk
The Company's financial assets and liabilities does primarily consist of short-term financial assets and liabilities which are not interest-bearing, hence the interest rate risk is limited.

Credit risk
Credit risk arises from bank deposits and trade receivables. The company uses a large international bank, and credit risk is considered limited.

The company's credit risk arising from trade receivables is limited. Trade receivables from the company's largest customer are transferred to a third party on a non recourse basis whereas other trade receivables are credit insured to some extent. As of 31 December 2018, credit insured trade receivables amounted to 796 EUR'000 (2017: 4,796 EUR'000).

No actual credit loss has incurred in 2018. Below table show impaired for 2018 split on credit risk group.

	EUR'000
Credit risk group	Impairment
A	0
B	23
C	33
D	0
E	5
Total	61

Liquidity risk
The table below analyses the Company's financial liabilities into relevant maturity groupings based on the

	Less than 6 months EUR'000	**More than 6 months EUR'000**	**Total EUR'000**
At 31 December 2017			
Trade payables	18,555	0	18,555
Other payables	9,403	0	9,403
Total	27,958	0	27,958
At 31 December 2018			
Trade payables	15,360	0	15,360
Other payables	18,288	381	18,669
Total	33,648	381	34,029

The company has sufficient cash and cash inflow from operations to settle the liabilities as they fall due.

Notes to Financial Statements

17. Capital Management

The company Board determines the appropriate level of capital on an ongoing basis. The company has no specific target for capital.

18. Events after the balance sheet date

Huawei Denmark was not selected as partner for TDC roll out of nationwide commercial 5G, as part of a major network upgrade. Furthermore Huawei will not continue as service provider for the TDC wireless network, which is a non adjusting event and will not have influence of the evaluation of the 2018 annual report.

As a result not being selcted as partner, this will in 2019 have a negative impact on the revenue at around 26 mio. EUR, the profit will be estimated to be negative impacted by around 1.3 mio. EUR.

Notes to Financial Statements

19. Changes in significant accounting policies

IFRS 9 and 15 and were adopted using the modified approach with changes reported in retained earnings and no restatement of comparative figures.

The transition to IFRS and 9 and 15 has resulted in the folllowing changes to the accounting:

Change in recogntion
IFRS 15
 - Acceleration of revenue recognition caused by change recognition time point for example, change from performance acceptance to delivery to customer, (when the client takes a control over the product or service delivery) and change of method of revenue recognition from output to input method
 - Adjustment of warranty revenue - it concerns warranty considered as separate performance obligation with revenue deferred and recognised on the straight line basis over the warranty period. Till end of 2017 this revenue has been regonized together with equipment at the same time at point of equipment delivery.
IFRS 9
 - Requires that financial assets are classified and measured depending on their contractual terms and how the assets are managed to realize cash (the business model). The classifications differ from those under the Company’s previous accounting policies which has led to some financial assets being reclassified. The Company’s accounting for financial liabilities is unaffected. The main changes are Accounts receivable.
 - Accounts receivable in business models where the Company’s policy is to factor significant amounts of receivables are measured at fair value in the balance sheet with gains and losses being presented in other comprehensive income.

New report items
Summary of changes in primary reports
 - Statement of financial position: include separate report items for contract assets disaggregated into current and non-current portion, report other contract costs in inventory, include separate report items for contract liabilities disaggregated into current and non-current portion, report refund liabilities in other liabilities, add a new reporting line within equity for financial assets measured at fair value through other comprehensive income (FVOCI);
 - Statement of profit or loss and other comprehensive income: include a new line (revaluation reserve) in other compenhenive income section for hold to collect and sell accounts receivable
 - Statement of changes in equity: include new report item (fari value reserve) to report pre-tax adjustments on initial application of IFRS 9 and its associated tax impact, report in retained earnings pre-tax adjustments on initial application of IFRS 15 and its associated tax effect, review and report impact on statutory legal reserve, if any;

Notes to Financial Statements

19. First time adoption of IFRS 9 and 15 (continued)

EUR '000

	At 31 December 2017	Impact on initial application of IFRS 15	Impact on initial application of IFRS 9	At 1 January 2018
Deferred tax assets	2,334	-16	39	2,357
Non-current assets	**2,334**	**-16**	**39**	**2,357**
Good for sale	9,154	-854	0	8,300
Contract assets	0	29,286	-64	29,223
Trade receivables	51,351	-3,261	-293	47,797
Work in progress/Contract asset	2,681	33	0	2,714
Current assets	**63,186**	**25,204**	**-357**	**88,034**
Total assets	**65,520**	**25,188**	**-318**	**90,391**
Fair value reserve	0	0	-140	-140
Retained earnings	16,196	-4,733	-177	11,286
Total equity	**16,196**	**-4,733**	**-318**	**11,146**
Other Provisions	3,347	-3,736	0	-389
Other payable	8,638	261	0	8,900
Contract liabilities	0	70,082	0	70,082
Prepayment received from customers	36,728	-36,728	0	0
Trade payable	18,555	42	0	18,597
Currrent liabilities	**67,268**	**29,921**	**0**	**97,189**
Total equity and liabilities	**83,464**	**25,188**	**-318**	**108,335**

Further details of these changes are set out in sub-sections (A) and (B) of this note.

Notes to Financial Statements

19. First time adoption of IFRS 9 and 15 (continued)

EUR '000

A. IFRS 15 Revenue from Contracts with Customers

The following table summarises the impact of transition to IFRS 15 on retained earnings at 1 January 2018:

	Impact of adopting IFRS 15 at 1 January 2018
Retained earnings	
Acceleration of revenue recognition	350
Revenue recognised for warranty commitments CBG only	-810
Other affected adjustments	-4,273
Impact at 1 January 2018	**-4,733**

EUR '000

B. IFRS 9 Financial Instruments

The following table summarises the impact of transition to IFRS 9 on the opening balance of reserves and retained earnings:

	Available-for-sale reserve	**FVOCI reserve**	**Retained earnings**
Balance at 1 January 2018	0	0	0
Reclassify from available-for-sale reserve to FVOCI reserve	0	0	0
Reclassify from available-for-sale reserve to retained earnings	0	0	0
Remeasurement from AC to fair value under IFRS 9	0	-140	-177
Remeasurement of expected credit loss under IFRS 9	0	0	0
Adjusted balance at 1 January 2018	**0**	**-140**	**-177**