



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 2016

The Annual General Meeting adopted the annual report on 21 March 2017

Chairman of the General Meeting

A handwritten signature in black ink, written over a horizontal dashed line. The signature is stylized and appears to be the name of the 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

Wang Shengli, Chairman
Peng Qiuen
Tang Xiaoming

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 2016.

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

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 31st of December 2016 and of the results of the Company's operations for the financial year 1st of January to 31st of December 2016.

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

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

Shenzhen, 21 March 2017

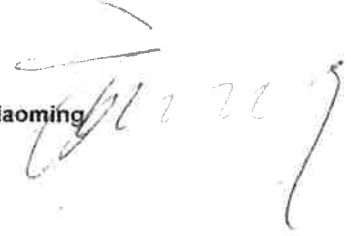
Executive Board


Lan Yang
Managing Director

Board of Directors


Wang Shengli
Chairman


Peng Qiuen


Tang Xiaoming



Independent auditor's report

To the shareholders of Huawei Technologies (Denmark) ApS

Opinion

We have audited the financial statements of Huawei Technologies (Denmark) ApS for the financial year 1 January – 31 December 2016 comprising accounting policies, income statement, balance sheet, statement of changes in equity, cash flow statement and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2016 in accordance with 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

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

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

Independent auditor's report continued

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 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 financial statement users made 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 company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent auditor's report continued

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.
- 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.

Copenhagen, 21 March 2017

KPMG

Statsautoriseret Revisionspartnerselskab

(CVR) no. 25 57 81 98


Michael Sten Larsen

State Authorised

Public Accountant



Management commentary

Financial highlights

| EUR'000 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|--------------|--------------|--------------|--------------|------------|
| Key figures | | | | | |
| Revenue | 142.979 | 139.353 | 117.141 | 40.253 | 15.908 |
| Gross profit | 49.785 | 53.508 | 40.772 | 7.397 | 3.046 |
| Ordinary operating profit | 9.151 | 7.874 | 11.644 | 2.101 | 301 |
| Profit from financial income and expenses | -2.245 | -4.772 | -7.875 | -108 | 294 |
| Profit for the year | 5.359 | 2.054 | 3.000 | 1.478 | 424 |

| | | | | | |
|---|----------------|---------------|----------------|---------------|--------------|
| Non-current assets | 23.724 | 19.215 | 24.318 | 1.495 | 8 |
| Current assets | 97.238 | 62.982 | 96.149 | 35.922 | 8.671 |
| Total assets | 120.962 | 82.197 | 120.467 | 37.418 | 8.679 |
| Share capital | 101 | 101 | 101 | 101 | 101 |
| Equity | 12.452 | 7.094 | 5.040 | 2.039 | 562 |
| Provisions | 3.185 | 2.495 | 4.567 | 2.023 | 612 |
| Current liabilities other than provisions | 105.325 | 72.609 | 110.861 | 33.355 | 7.505 |

Financial ratios

| | | | | | |
|----------------------------|--------------|--------------|--------------|--------------|--------------|
| Operating margin | 6,4% | 5,7% | 9,9% | 5,2% | 1,9% |
| Return on invested capital | 4,6% | 2,6% | 2,6% | 4,2% | 5,3% |
| Gross margin | 34,8% | 38,4% | 34,8% | 18,4% | 19,1% |
| Current ratio | 92% | 87% | 87% | 108% | 116% |
| Solvency ratio | 5,1% | 2,8% | 2,7% | 4,4% | 5,6% |
| Return on equity | 53,23 | 20,40 | 29,80 | 14,68 | 4,20 |

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 well in 2016, and succeeded in maintaining a positive development in revenue which in recent years grew extensively. Revenue was EUR 143 millions.

Outlook

The Company'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 2017, TDC will maintain the position as the largest customer to Huawei Denmark and an increased cooperation is expected. However, focus will also be on increasing all areas of the business and obtain new partners.

For the Consumer Business Group target is to increase the market share from 10% in 2016 and become one of the top android smartphone providers. Enterprise business has experienced a breakthrough in 2016, and the target is to strengthen the established partnerships and build new solid business cases.

The Carrier Business Group will focus on finishing the upgrade of the Yousee cable network to GigaSpeed, a new cutting-edge technology which will bring speed of 1 Gbit/s to the 50% of the Danish households by the end of 2017, when the upgrade finishes. For the coming year, focus will also be on extending the projects within NB-IoT and Tech City.

The revenue for 2017 is expected to be on the same level as 2016 revenue.



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 moving market of new products in this group. Consequently we have a higher risk of lower sales within this market.

Financial risks

Currency risk

We have contracts in USD which had a negative influence on our financial expenses. Work is being performed to lower the amount of USD contacts and to change them to EUR or DKK.

Interest rate risk

There is no debt and it is not expected that we will create any debt in 2017. For that reason it will not have any risk if there are changes in the interest rate.

Credit risk

Our customers are being continually monitored for any risk in receivables. Most of the revenue is generated from major telecom operators, who are considered a minimum risk. Currently there are no partners which are considered to be a risk. Before work with new partners will be initiated, we will evaluate on the financial risks of our potential partner, measuring on various key ratios and benchmarking against industry specific ratios.

Human resources

Average number of employees in Huawei Technologies (Denmark) ApS has decreased from 252 to 234 in 2016.

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.



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, from Copenhagen to Skagen. 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 make dreams come true; and partner with industry players in Denmark to achieve mutual benefits.

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

Integrity is one of our core values. Huawei Denmark fully complies 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, business ethics is a part of the contract with our suppliers, which they must sign. In 2016, all suppliers to Huawei Denmark had signed.

Protecting intellectual property

Huawei Denmark respects the Intellectual Property Rights (IPR) of other companies and works to ensure its own innovations are protected.

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

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.



Management commentary - continued

Huawei Denmark requests suppliers to report if they find any irregularities in behaviour or business ethics from our employees.

In 2016, 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 and in 2016 we continued to upgrade and extending 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 in Denmark you live or work.

The quality of the network is measured by the user experience. The TDC mobile network has for two years in a row been evaluated by the Danish Technological Institute, please find the full report here:

http://download.tdc.dk/pub/tdc/privat/mobil/netvaerksfejring/TI_rapport2016.pdf

Furthermore, Huawei Denmark has in 2016 received the assignment to upgrade the YouSee cable network to GigaSpeed. By the end of 2017, 50% of the Danish households will have access to speed of 1 Gbit/s. The project is a joint development project, where Huawei Denmark and YouSee will deploy new cutting-edge technology, making Denmark the first country in the world to have GigaSpeed rolled out on a whole cable network. With this roll-out, within 2 years we will offer speed which is 10 times faster than the goal for 2020 set by Danish Government.

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. A report from 2015 made by IDA and Danish Industry concludes that in 2025 Denmark will have a lack of 13,500 educated engineers. Therefore, Huawei Denmark have initiated the Seeds for the Future-program where we together with the two universities, Technical University of Denmark and Aalborg University, every year we will send 10 ICT-students to visit China and Huawei headquarter on a two-week summer course. Here the students will receive training in the newest ICT-disciplines. The aim is to inspire more students to seek a career within ICT. In 2016, the third group of 10 students went to China. In 2017, the fourth group will go.

Furthermore, for 2016 Huawei Denmark has joined the campaign "Engineer the Future" together with IDA and several other institutions and organizations. The campaign has three goals: More young people should be made interested in choosing an education within engineering, Denmark must invest in research and technology, and better use of knowledge and that the Danes perception of what it is to be an actual engineer should be contemporary.



Management commentary - continued

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 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.

Moreover, different departments within Huawei Denmark go for team building activities in a regular fashion. This shows that the team cares about the effort and work that their team members contribute to the organisation.

Huawei Denmark has implemented an 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.

The organizational climate survey was in 2016 conducted for the third year in a row. The employee satisfaction had especially been raising within the areas Trust and Authorization within Teams, Effective Communication and Mutual Trust.

Huawei Denmark shares 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.

While the ICT industry improves our lives in many ways, it is also an energy-intensive industry. ICT solution providers have an important role to play in addressing environmental challenges. Huawei Denmark works to provide energy-efficient solutions.

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.



Management commentary - continued

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.

A long battery life is crucial for smartphones. To save energy, a mobile phone must have a powerful chip. Thus, the new processors are launched, which ensures high performance while at the same time decreasing energy consumption. An example is the phone P10, launched in February 2017, which has a Kirin 960 SoC chipset, making the GPU 125% more effective than the predecessor Kirin 930. Several leading designs translate into a 70% reduction in energy consumption, such as state-of-the-art heat dissipation and smart temperature control.

Gender equality in management

As an organisation we strive to create equality and represent both men and women in an equal fashion. While all upper management team members in 2014 were men, then in 2015 the composition changed and three of the management team members were women. This is still the case in 2016.

For our board, we have three board members and currently none of these are women. We constantly strive to have the best qualified persons in the organization, which also includes our board of directors.

To keep supporting the development of more women in the Huawei Denmark, there has been developed a policy with 3 focus points:

- Focus on recruiting more women to Huawei Denmark
- Focus on treating women and men equal 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.

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 and in 2016 all rules and regulations was kept.

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 has many nationalities. For a company with 200+ 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.



Management commentary - continued

Cyber Security and Privacy Protection

With the flourishing of various new technologies including cloud computing, virtualization, Big Data, IoT, and mobile Internet in recent years, 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. Whether people like it or not, personal data are collected and used by enterprises and individuals. 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.

Huawei Denmark always treats cyber security as an important corporate strategy and has implemented an end-to-end global cyber security system. We emphasize that our commitment to cyber security will never be outweighed by the consideration of commercial interests. This commitment is the guiding principle for our operations.

Similar to our cyber security efforts, Huawei Denmark makes a solemn commitment to the public, governments, and customers on privacy protection and honors this commitment as part of our corporate social responsibility. We comply with Danish and EU laws and regulations and take all necessary measures to boost privacy protection in accordance with laws and regulations.

Huawei Denmark has set up an extensive 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, and Huawei Denmark has maintained the ISO 27001 Certification.

Huawei Denmark ApS has high focus on the preparation for implementing GDPR (EU General Data Protection Directive).



Accounting policies

The annual report of Huawei Technologies (Denmark) ApS for 2015 has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

With reference to the Danish Financial Statement Act §86, section 4, the cash flow statement is omitted. Instead we refer to the Annual Report for the ultimate parent company.

With reference to the Danish Financial Statements act §96, section 1, the presentation of net revenue segregated on activities and geographical areas is omitted, since this may cause significant damage to the business.

As from 1 January 2016, act no. 738 of 1 June 2015 has been implemented. The implementation has not caused any changes regarding measurement of recognition. The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Recognition and measurement

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

Liabilities are recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

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

Receivables and payables and other monetary items denominated in foreign currencies and that have not been settled at the balance sheet date, are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

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



Accounting policies

Income statement

Revenue

Revenue from the sale of goods comprising sale of equipment and software to the telecommunications industry in Denmark 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 income can be reliably measured and is expected to be received.

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

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

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 expenses

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

Staff costs

Staff costs comprise salaries and wages as well as social security costs, pension contributions, etc for the Company's staff.

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 directly in equity by the portion attributable to entries directly in equity.

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 carryforwards, 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.



Accounting policies

Balance sheet

Intangible assets

On initial recognition, intangible assets are measured at cost.

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining patent period, and licences are amortised over the licence period.

If the benefit period of an intangible asset that arises from contractual other than effective period arises from legal rights, the amortization period shall not exceed the benefit period.

If the effective period of an intangible asset arises from legal rights other than benefit period arises from contractual. The amortization period shall not exceed the effective period.

The useful life of an intangible asset that arises from both contractual and legal rights, the amortization period shall not exceed the shorter of benefit period and the effective period.

Software licenses are depreciated over a 3 year period.

Intellectual property (including patents, non-patented technologies, trademarks, copyrights, franchises) and Right of Use are depreciated over the contract 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 ended 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.



Accounting policies

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment is subject to a quarterly 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.

Leases

Leases for non-current assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are initially recognised in the balance sheet at cost, corresponding to the lower of fair value and the net present value of future lease payments.

In calculating the net present value of the future lease payments, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Company's other non-current assets.

The capitalised residual lease obligation is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

All other leases are treated as operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease.

The Company's total obligation relating to operating leases and other leases is disclosed in contingencies.

Inventories

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

Cost of goods for resale, raw materials and consumables consist of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.



Accounting policies

Receivables

Receivables are measured at amortised cost usually equalling nominal value less provisions for bad debts.

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.

Non-recourse guarantee commitments

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period. Non-recourse guarantee commitments are recognised and measured at nominal value on the basis of prior years' experience.

Prepayments received from customers

Prepayments received from customers comprises of payments received relating to income in subsequent years.

Other financial liabilities

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

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 years 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 goodwill which is not deductible for tax purposes and on office premises and other items 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.



Accounting policies

Corporation tax and deferred tax - continued

Deferred tax assets, including the tax value of tax loss carryforwards, 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 comprise anticipated costs related to warranties, etc. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation.

Provisions are measured at net realisable value. If the obligation is expected to be settled far into the future, the obligation is measured at fair value.

Warranties comprise obligations to make good any defects within the warranty period of one to five years. Provisions for warranties are measured at net realisable value and recognised based on past experience.



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 | $\text{operating profit} / \text{revenue}$ |
| Return on invested capital | $(\text{net income} - \text{dividends}) / \text{Total capital such as Invested capital can be in buildings, projects, machinery, other companies}$ |
| Gross margin | $\text{revenue} - \text{COGS} / \text{revenue} * 100$ |
| Current ratio | $\text{current assets} / \text{current liabilities}$ |
| Solvency ratio | $\text{Profit after tax} / \text{ST and LT liabilities}$ |
| Return on equity | $\text{net income} / \text{shareholder equity}$ |

**Income statement**

1 January to 31 December

| | | EUR'000 | |
|---|----------|----------------|----------------|
| | Note | 2016 | 2015 |
| Revenue | | 142.979 | 139.353 |
| Total Revenues | | 142.979 | 139.353 |
| Cost of sales | | -93.193 | -85.845 |
| Gross Profit | | 49.785 | 53.508 |
| Other income | | 42 | 9 |
| Other external costs | <u>1</u> | -7.866 | -11.759 |
| Staff costs | <u>2</u> | -26.991 | -28.315 |
| Depreciation and impairment | | -5.820 | -5.569 |
| Operating profit/loss | | 9.151 | 7.874 |
| Financial income | <u>3</u> | -4 | 9 |
| Financial expense | <u>4</u> | -2.241 | -4.781 |
| Profit from ordinary activities before tax | | 6.906 | 3.102 |
| Tax on profit from ordinary activities | <u>5</u> | -1.547 | -1.048 |
| Profit for the year | | 5.359 | 2.054 |
| Proposed profit appropriation | | | |
| Proposed dividends | | - | - |
| Retained earnings | | 5.359 | 2.054 |



Balance Sheet at 31 December

| | | EUR'000 | |
|--|-------------|----------------|---------------|
| Assets | Note | 2016 | 2015 |
| Non-current Assets | | | |
| Intangible assets | <u>6</u> | 12.500 | 16.803 |
| <i>Patents and licences</i> | | 70 | 229 |
| <i>Right of Use</i> | | 12.430 | 16.574 |
| Property, plant, and equipment | <u>7</u> | 1.859 | 2.412 |
| <i>Leasehold improvements</i> | | 246 | 347 |
| <i>Fixtures and fittings, tools, equipment, IT</i> | | 1.613 | 2.065 |
| Long term trade receivables | <u>8</u> | 9.366 | 3.946 |
| <i>Total non-current assets</i> | | 23.724 | 19.215 |
| Current Assets | | | |
| Inventory | | | |
| <i>Spare parts</i> | | 6.243 | 1.347 |
| <i>Goods for sale</i> | | 8.793 | 4.383 |
| <i>Work in progress</i> | | 1.211 | 2.427 |
| <i>Total inventory</i> | | 16.247 | 8.157 |
| Receivables | | | |
| Trade receivables | <u>8</u> | 47.454 | 41.212 |
| Trade Receivables owned by group enterprises | | 1.278 | 1.192 |
| Deferred tax assets | <u>9</u> | 2.692 | 1.484 |
| Prepayments | | 40 | 261 |
| Corporate tax (receivable) | <u>12</u> | - | 54 |
| Other receivables | | 837 | 99 |
| <i>Total receivables</i> | | 52.301 | 48.248 |
| Cash and bank | | 28.690 | 6.576 |
| <i>Total current assets</i> | | 97.238 | 62.982 |
| Total Assets | | 120.962 | 82.197 |



Balance Sheet at 31 December

EUR'000

| Liabilities and Owner's Equity | Note | 2016 | 2015 |
|--|-------------|----------------|---------------|
| Owner's Equity | | | |
| Share capital | <u>10</u> | 101 | 101 |
| Retained earnings | | 12.352 | 6.993 |
| <i>Total owner's equity</i> | | 12.452 | 7.094 |
| Provisions | | | |
| Other provisions | <u>11</u> | 3.185 | 2.495 |
| <i>Total provisions</i> | | 3.185 | 2.495 |
| Current Liabilities other than Provisions | | | |
| Trade payable | | 13.282 | 7.924 |
| Payable to group enterprises | | 58.751 | 12.449 |
| Prepayment received from customers | | 18.801 | 35.090 |
| Corporate tax (payable) | <u>12</u> | 2.220 | - |
| Other payable | | 12.270 | 17.146 |
| <i>Total liabilities other than provisions</i> | | 105.325 | 72.609 |
| Total Liabilities and Owner's Equity | | 120.962 | 82.197 |
| Contingent liability | <u>13</u> | | |
| Related party disclosures | <u>14</u> | | |

**Statement of
changes in equity**

EUR '000

| Equity | Share capital | Retained earnings | Proposed dividend | Total |
|---|--------------------------|------------------------------|------------------------------|---------------|
| Balance at beginning of year | 101 | 6.993 | - | 7.094 |
| Transferred, e.f. profit appropriation | - | 5.359 | - | 5.359 |
| Balance at end of year | 101 | 12.352 | 0 | 12.452 |



Notes to Financial Statements

1. Fees to auditor appointed at the general meeting

| | EUR '000 | |
|-----------------|-----------|-----------|
| | 2016 | 2015 |
| Statutory audit | 58 | 57 |
| Total | 58 | 57 |

2. Staff cost

| | EUR '000 | |
|-----------------------------|---------------|---------------|
| | 2016 | 2015 |
| Wages and salaries | 25.457 | 26.697 |
| Pensions | 1.340 | 1.389 |
| Other social security costs | 194 | 229 |
| Total | 26.991 | 28.315 |

| | | |
|---------------------------------------|-----|-----|
| Average number of full-time employees | 234 | 253 |
|---------------------------------------|-----|-----|

With reference to the Danish financial statement act §86 section 4, Board and management remuneration is omitted, since only one person is in scope and receives remuneration.

3. Financial income

| | EUR '000 | |
|-------------------------|-----------|----------|
| | 2016 | 2015 |
| Foreign exchange income | -4 | 9 |
| Total | -4 | 9 |

4. Financial expenses

| | EUR '000 | |
|--------------------------|--------------|--------------|
| | 2016 | 2015 |
| Foreign exchange loss | 1.235 | 4.021 |
| Interest expense | 13 | 92 |
| Other financial expenses | 994 | 668 |
| Total | 2.241 | 4.781 |



Notes to Financial Statements

5. Tax on the profit of the year

EUR '000

| | 2016 | 2015 |
|----------------------------------|--------------|--------------|
| Current year tax | 2.838 | 1.099 |
| Adjustment related to prior year | -83 | 389 |
| Deffered tax | -1.208 | -441 |
| Total | 1.547 | 1.048 |

6. Intangible assets

EUR '000

| | Right of Use | Patents and licenses | Total |
|---|--------------|----------------------|---------|
| Cost of beginning balance | 24.170 | 575 | 24.745 |
| Additions | 0 | 25 | 25 |
| Disposals | 0 | 0 | 0 |
| Cost of ending balance | 24.170 | 600 | 24.770 |
| Impairment losses and amortisation of beginning | -7.596 | -346 | -7.942 |
| Amortisation | -4.143 | -185 | -4.328 |
| Impairment losses and amortisation of ending | -11.740 | -530 | -12.270 |
| Carrying amount at end of year | 12.430 | 70 | 12.500 |

Software licenses are depreciated over a 3 year period.
Intellectual property (including patents, non-patented technologies, trademarks, copyrights, franchises) and Right of Use are depreciated over the contract period.

7. Property, Plant and Equipment

EUR '000

| | PP&E under construction | Leasehold improvements | Fixtures and fittings, tools and equipment | Total |
|--|-------------------------|------------------------|--|--------------|
| Cost of beginning balance | 0 | 487 | 4.148 | 4.635 |
| Additions | 0 | 0 | 1.039 | 1.039 |
| Disposals | 0 | 0 | 0 | 0 |
| Cost of ending balance | 0 | 487 | 5.187 | 5.674 |
| Impairment & depreciation of beginning balance | 0 | -140 | -2.083 | -2.223 |
| Depreciation | 0 | -101 | -1.492 | -1.592 |
| Depreciation, disposed assets | 0 | 0 | 0 | 0 |
| Impairment & depreciation of ending balance | 0 | -240 | -3.575 | -3.815 |
| Carrying amount at end of year | 0 | 246 | 1.613 | 1.859 |

Property, Plant and Equipment is depreciated using a straight line method over a 3 year, while leasehold improvements are depreciated over contract period



Notes to Financial Statements

8. Receivables

| | EUR '000 | |
|---|----------|-------|
| | 2016 | 2015 |
| Amounts falling due more than one year after the balance sheet date, but less than 5 years after the balance sheet date | 9.366 | 3.946 |

9. Deferred Tax

| | EUR '000 | |
|------------------------------------|--------------|--------------|
| | 2016 | 2015 |
| Deferred tax at 1 January | 1.484 | 1.043 |
| Adjustment of deferred tax | 1.208 | 441 |
| Deferred tax at 31 December | 2.692 | 1.484 |
| Deferred tax relates to: | | |
| Intangible assets | 289 | 746 |
| Property, plant and equipment | 247 | -527 |
| Provisions | 1.528 | 650 |
| Liabilities other than provisions | 629 | 614 |
| Total | 2.692 | 1.484 |

10. 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. | |

11. Other provisions

| | EUR '000 | |
|---|---------------|---------------|
| | 2016 | 2015 |
| Other provisions at 1 January | -2.495 | -4.567 |
| Reversal | 2.418 | 4.567 |
| Provision for the year | -3.108 | -2.495 |
| Other provisions at 31 January | -3.185 | -2.495 |
| The provisions are expected to be payable in: | | |
| 0-1 year | -1.097 | -1.219 |
| After 1 year | -2.088 | -1.276 |
| Total | -3.185 | -2.495 |
| Provisions due within 1 year is the warranty provision. | | |

**Notes to Financial Statements****12. Corporation tax payable**

| | EUR '000 | |
|---|-----------------|-------------|
| | 2016 | 2015 |
| Corporation tax payable at 1 January | 54 | -1.599 |
| Tax on corporate income for the year | -2.755 | 54 |
| Corporation tax paid during the year | 481 | 1.599 |
| Corporation tax payable at 31 December | -2.220 | 54 |

13. 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 is not party in any pending lawsuit so there is no outcome that will affect in any way the Company's financial position.

Lease obligations

| | EUR '000 | |
|---|-----------------|-------------|
| | 2016 | 2015 |
| The Company has entered into leases. | | |
| Operating lease obligations total | 1.186 | 2.015 |
| Operating lease obligations falling due within 1 year | 519 | 1.120 |

14. 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.

Related parties

Huawei Technologies Co. Ltd, P.R. China

Huawei Tech. Investment Co. Ltd. Hong Kong

Huawei International Pte. Ltd. Singapore

Huawei International Co. Limited

Huawei Technologies Hungary KFT. Hungary

Smartcom (HongKong) Co., Limited

Shenzhen Smartcom Business Co., Limited

Board and Management

Shengli Wang

Qiuen Peng

Tang Xiaoming

Lan Yang



Notes to Financial Statements

Related party transactions

The company has chosen only to disclose transactions that are not carried out on an arm's length basis in accordance with section 98c(7) of the Danish Financial Statements Act.

The Company has registered the following shareholders to hold more than 5% of the voting share capital or of the nominal value of the share capital:

Huawei Technologies Coöperatief U.A, Netherlands.

The consolidated financial statements of Huawei Investment & Holding Co., Ltd. are available at Company's website www.huawei.com.