Huawei Technologies (Denmark) ApS
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Denmark
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CVR no.: 30 81 53 86

Huawei Technologies (Denmark) ApS

Annual report 2017

The Annual General Meeting adopted the annual report on 20.03.2018

Chairman of the General Meeting

Page of contents

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
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 2017.

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 2017 and of the results of the Company's operations for the financial year 1st of January to 31st of December 2017.

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, 20.03.2018

Executive Board

Lan Yang
Managing Director

Board of Directors

史延丽

Li, Jian
Chairman

Shi, Yanli

Tang Xiaoming

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 2017 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2017 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 2017 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 continued

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.

Independent auditor's report continued

- 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 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, 20.03.2018
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Michael Sten Larsen
State Authorised
Public Accountant
mne10488

Management commentary

Financial highlights

EUR'000	2017	2016	2015*	2014*	2013*
Key figures					
Revenue	138,018	136,716	139,353	117,141	40,253
Gross profit	37,466	43,523	53,508	40,772	7,397
Ordinary operating profit	5,965	7,031	7,874	11,644	2,101
Profit from financial income and expenses	1,213	-2,241	-4,772	-7,875	-108
Profit for the year after tax	**5,910**	**3,557**	**2,054**	**3,000**	**1,478**
Non-current assets	14,244	13,683	19,215	24,318	1,495
Current assets	81,016	104,716	62,982	96,149	35,922
Total assets	**95,260**	**118,399**	**82,197**	**120,467**	**37,417**
Share capital	101	101	101	101	101
Equity	**16,297**	**10,387**	**7,094**	**5,040**	**2,039**
Provisions	4,848	3,185	2,495	4,567	2,023
Current liabilities other than provisions	73,350	103,421	72,609	110,861	33,355
Financial ratios					
Operating margin	**4%**	**5%**	**6%**	**10%**	**5%**
Return on invested capital	6%	3%	3%	3%	4%
Gross margin	**27%**	**32%**	**38%**	**35%**	**18%**
Current ratio	106%	100%	87%	87%	108%
Solvency ratio	**7%**	**3%**	**3%**	**3%**	**4%**
Return on equity	36%	34%	29%	60%	72%

*The figures for 2013-2015 have not been restated to reflect the transition to IFRS, hence the figures are according to Danish GAAP.

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 2017, and maintained the same level of revenue as in 2016. The revenue was EUR 138 million in 2017.

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 2018, TDC will maintain the position as the largest customer to Huawei Denmark and an broarder cooperation is expected. However, focus will also be on increasing all areas of the business and obtain new partners.

The Consumer Business Group has increased the market share in 2017 and has become one of the top android smartphone providers.

Enterprise business has experienced a breakthrough in 2016 and 2017. For 2018 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, a new cutting-edge technology which will bring speed of 1 Gbit/s to 70% of the Danish households by the end of 2018. For the coming years, focus will also be on extending the projects within NB-IoT, 5G and smart cities.

The revenue for 2018 is expected to increase around 10% compared to 2017 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

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 payables 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 2017, credit insured trade receivables amounted to 4,976 EUR'000 (2016: 7,472 EUR'000).

Human resources

Average number of employees in Huawei Technologies (Denmark) ApS has decreased from 234 to 226 in 2017.

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 – 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.

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

Integrity is one of Huawei's core values. Huawei Denmark strive 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, business ethics is a part of the contract with our suppliers, which they must sign. In 2017, 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.

Management commentary - continued

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.

Huawei Denmark requests suppliers to report if they find any irregularities in behaviour or business ethics from our employees. In 2017, 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 2017 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 three years in a row been evaluated by the Danish Technological Institute, please find the full report here:

https://tdcgroup.com/-/media/files/tdccom/documents/network/maaling-af-mobildatadaekning-23-06-2017.ashx
Furthermore, Huawei Denmark has in 2016 received the assignment to upgrade the YouSee cable network to GigaSpeed. By the end of June 2018, 70% 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 2017, the fourth group of 10 students went to China. In 2018, the fifth group will go.

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.

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 HUAWEI Mate 10 Pro which is smart, quick and adaptive, understanding and responding to real-world situations instantly. With cutting-edge 10 nm tech, an 8-core CPU and 12-core GPU, the HUAWEI Mate 10 Pro delivers premium performance at lightning speeds using much less power.

The NPU is a technological leap forward, delivering AI computation capabilities that boost efficiency by 50x and performance by 25x. Because the NPU in the HUAWEI Mate 10 Pro operates independently from standard cloud-based processing, your privacy is ensured.

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 2017 are men, we will work towards more diversity in our upper management team in 2018.

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 has been focus on these 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 2017 all rules and regulations was kept.

Management commentary - continued

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 25 different nationalities. For a company with around 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.

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. Taking on an open, transparent and sincere attitude, Huawei 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.

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 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, and Huawei Denmark has maintained the ISO 27001 Certification since 2014.

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

Statement of comprehensive income

1 January to 31 December

EUR'000

	Note	2017	2016
Revenue	1	138,018	136,716
Total Revenues		**138,018**	**136,716**
Cost of sales		-100,552	-93,193
Gross Profit		**37,466**	**43,523**
Other income		44	42
Other external costs		-4,822	-7,866
Staff costs	3	-25,593	-26,991
Depreciation and impairment		-1,130	-1,677
Operating profit/loss		**5,965**	**7,031**
Financial income	4	2,713	0
Financial expense	5	-1,500	-2,241
Profit from ordinary activities before tax		**7,178**	**4,790**
Tax on profit from ordinary activities	6	-1,268	-1,233
Profit for the year		**5,910**	**3,557**
Profit and other comprehensive income is attributable to:			
Equity holders of the Company		5,910	3,557
		5,910	**3,557**

Balance Sheet at 31 December

EUR'000

Assets	Note	2017	2016	1 January 2016
Non-current Assets				
Intangible assets				
Patents and software licences	7	15	70	229
Property, plant, and equipment	8			
Leasehold improvements		146	246	347
Fixtures and fittings, tools, equipment, IT		2,206	1,613	2,065
Long term trade receivables	9	9,543	9,366	3,946
Deferred tax assets	10	2,334	2,388	1,332
Total non-current assets		14,244	13,683	7,919
Current Assets				
Inventory				
Spare parts		1,803	6,243	1,347
Goods for sale		9,154	8,793	4,383
Work in progress		2,681	1,211	2,427
Total inventory		13,638	16,247	8,157
Receivables				
Trade receivables	9	51,350	47,454	41,212
Trade Receivables owed by group enterprises		5,715	1,278	1,192
Prepayments		5,316	10,211	16,692
Corporate tax (receivable)		-	-	86
Other receivables		40	837	99
Total receivables		62,421	59,780	59,281
Cash and bank deposits		4,957	28,689	6,577
Total current assets		**81,016**	**104,716**	**74,015**
Total Assets		**95,260**	**118,399**	**81,934**

Balance Sheet at 31 December

EUR'000

Liabilities and Owner's Equity	Note	2017	2016	1 January 2016
Owner's Equity				
Share capital	11	101	101	101
Retained earnings		16,196	10,286	6,730
Total owner's Equity		16,297	10,387	6,831
Non-current liabilities				
Other payable		765	1,406	1,289
Other provisions	12	1,501	1,539	1,495
Total non-current liabilities		2,266	2,945	2,784
Current Liabilities				
Other provisions	12	3,347	1,646	1,000
Trade payable		18,555	13,282	7,924
Payable to group enterprises		6,856	58,751	12,449
Prepayment received from customers		36,728	18,801	35,090
Corporate tax (payable)		2,573	1,723	0
Other payable		8,638	10,864	15,856
Total current liabilities		76,697	105,067	72,319
Total liabilties		78,963	108,012	75,103
Total Liabilities and Owner's Equity		**95,260**	**118,399**	**81,934**

Contractual obligations, contingencies	14
Related party disclosures	15
Financial risk management	16
Capital management	17
Events after the balance sheet date	18
First time adoption of IFRS	19

Statement of changes in equity

EUR '000

Equity	Share capital	Retained earnings	Total
Balance at 1 January 2016	101	6,730	6,831
			-
Profit for the period	-	3,556	3,556
Total comprehensive income for the period	**-**	**3,556**	**3,556**
Transactions with owners in their capacity as owners:			
Dividend	-	-	-
	-	-	-
Balance at 31 December 2016	**101**	**10,286**	**10,387**

EUR '000

Equity	Share capital	Retained earnings	Total
Balance at 1 January 2017	101	10,286	10,387
Profit for the period	-	5,910	5,910
Total comprehensive income for the period	**-**	**5,910**	**5,910**
Balance at 31 December 2017	**101**	**16,196**	**16,297**

Cash Flow Statement

	2017	2016
		EUR'000
Operating activities:		
Profit for the year	**5,910**	**3,557**
Adjustments for:		
Depreciation	1,176	1,592
Amortisation	**55**	**6,596**
Patents and licences	55	185
Right of Use	0	4,143
Affect of IFRS switch	0	2,268
Foreign exchange losses/(gains) for bank accounts	13	-7
Net finance costs	193	22
Slow moving items provision	-2,523	3,251
Provision Adjustments for other	**1,664**	**690**
Provision for Goods Discount	367	1,022
Provision For Warranty	-32	272
Provision for Vouchers	792	-604
Provision for Claim	537	0
	578	**12,144**
Changes in :		
Inventories	5,131	-11,340
Trade and other receivables	-11,963	-12,648
Prepayment received from customers	17,926	-16,289
Trade and other payables	-40,303	45,992
Taxes	850	1,809
	-28,359	**7,524**
Net cash used in operating activities	**-21,871**	**23,225**
Investing activities:		
Acquisition of fixed assests	-1,669	-1,039
Net cash used in investing activities	**-1,669**	**-1,039**
Financing activities:		
Interest paid	-193	-10
Net cash used in financing activities	**-193**	**-10**
Net increase/decrease in cash and cash equivalents	**-23,733**	**22,176**
Cash and cash equivalents at 1 January	28,689	6,577
Effect of foreign exchange rate changes	1	-64
Cash and cash equivalents at 31 December	**4,957**	**28,689**
Cash and cash equivalents:		
Cash at bank	4,957	28,689
Total	**4,957**	**28,689**

Accounting policies

Reporting entity

Huawei Technologies (Denmark) ApS (the Company) is establised 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, 2017, 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.

The financial statements are the first financial statements prepared in accordance with IFRS. The Company has applied the standards which are mandatory for 31 December 2017 year end financial statements. No standards not yet effective have been implemented.

The 2016 comparative figures have been restated to IFRS. Refer to note 19 for disclsoure about the impact of the transition to IFRS

The financial statements are prepared in a historic cost basis.

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

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 expenses

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.

Accounting policies

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 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.

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.

Accounting policies

Impairment of non-current 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 writedown of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the writedown or loss occurs.

Accounting policies

Receivables

Receivables are initally 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.

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 recieved relating to income in subsequent years. Prepayments are measured at the consideration received or receivable.

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 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.

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 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 nonoccurrence 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 warranties
The Company provides warranty on its products for a period typically covering 12 to 24 months. The Company estimates the costs that may be incurred under its warranty obligations and records a liability in the amount of such costs when revenue is recognised. Warranty costs generally include spare parts, labour costs and service centre support. Factors that affect the Company's warranty liability include the number of installed units, historical and anticipated rates of warranty claims. The Company periodically reassesses its warranty liabilities and adjusts the amounts as necessary.

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.

Accounting policies

Cash flow statement

Cash flow from operating activies
The cash flows from operating activites 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 shortterm, 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.

Other Provisions
The Company makes provisions for onerous contracts, 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, 2017

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 15, *Revenue from contracts with customers*	January 1, 2018
IFRS 9, *Financial instruments*	January 1, 2018
IFRS 16, *Leases*	January 1, 2019
Amendments to IAS 7, *Statement of cash flows: Disclosure initiative*	January 1, 2017
Amendments to IAS 12, *Recognition of Deferred Tax Assets for Unrealised Losses*	January 1, 2017

The main changes and expected impacts are:

IFRS 15, *Revenue from contracts with customers*

IFRS 15 is a comprehensive framework for recognising revenue from contracts with customers, replacing IAS 18, *Revenue*, IAS 11, *Construction contracts* and IFRIC 13 *Customer Loyalty Programmes*. The overall requirement is to identify the performance obligations in a contract with a customer and allocate the transaction price of the contract to each identified performance obligation and recognise revenue as each of the performance obligation is satisfied.

The Company is currently assessing the impacts of adopting IFRS 15 on its financial statements, including on transition. It is expected that the revenue will be recognised earlier than previously, the effect for 2018 can not be estimated yet.

i. Timing of revenue recognition
The Company's existing revenue recognition policies are disclosed in page 20; generally revenue arising from the provision of services is recognised over the period that the services are provided and revenue from the sale of goods is recognised when the risks and rewards of ownership have passed to the customers. Under IFRS 15, revenue will be recognised when the customer obtains control of the promised good or service in the contract. Further analysis is required to determine whether and how this new requirement with its focus on the transfer of control will materially impact the financial statements.

ii. Variable consideration
The Company currently recognises revenue from the sale of goods at the fair value of the consideration received or receivable, adjusted for returns, trade discounts and volume rebates provided the level of expected return of goods and amount of trade discounts and volume rebates can be estimated reliably. Under IFRS 15, such adjustments are included in the estimate of variable consideration and will be included in the transaction price to the extent that it is highly probable that there will be no significant reversal when any uncertainties are resolved. Further analysis is required to determine whether and how this new requirement on variable consideration will impact the financial statements.

iii. Stand-alone selling prices
IFRS 15 requires that the transaction price of a contract with a customer should be allocated to each performance obligation in proportion to its stand-alone selling price. The Company is assessing whether and how this allocation method will affect the timing of revenue recognised compared to its current allocation methodologies.

Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended December 31, 2017 (continued)

IFRS 9
IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, *Financial Instruments: Recognition and Measurement.*

Impairment of financial assets
Under IFRS 9, credit loss recognition is on an expected loss basis not an incurred loss basis on all financial assets held at amortised cost. The expected loss basis reflects all credit losses that the Company expects to incur based on the probability that customers or issuers will default within 12 months of the balance sheet date, or where there has been a significant deterioration in the credit quality since the initial recognition, over the lifetime of the financial asset.

For all accounts receivable, the Company will recognise lifetime expected losses from the date of original recognition.

The Company expects that IFRS 9 will lead to earlier credit loss recognition for accounts receivable.

Transition to IFRS 9 and IFRS 15
The Company currently plans to adopt IFRS 15 using the modified retrospective method and IFRS 9 on January 1, 2018 and will not restate comparative figures for 2017.

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 has not yet made a thorough impact assessment of the new standard. However, it is expected that IFRS 16 will not have material impact.

Notes to Financial Statements

1. Revenue

	2017	2016
		EUR '000
Products	85,707	88,749
Services	52,311	47,967
Total	**138,018**	**136,716**

2. Fees to auditor appointed at the general meeting

	2017	2016
		EUR '000
Statutory audit	65	58
Total	**65**	**58**

3. Staff cost

	2017	2016
		EUR '000
Wages and salaries	24,126	25,457
Pensions	1,269	1,340
Other social security costs	198	194
Total	**25,593**	**26,991**

	2017	2016
Average number of full-time employees	226	234

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.

4. Financial income

	2017	2016
		EUR '000
Foreign exchange income	2,705	0
Other financial income	8	0
Total	**2,713**	**0**

5. Financial expenses

	2017	2016
		EUR '000
Foreign exchange loss	0	1,234
Interest expense	0	13
Other financial expenses	1,500	994
Total	**1,500**	**2,241**

Notes to Financial Statements

6. Tax on the profit of the year

EUR '000

	2017	2016
Current tax on profits for the year	1,183	2,371
Current tax on profits for previous years	31	-83
Total current tax expense	**1,214**	**2,289**
Deffered tax on profits for the year	358	-1,293
Deffered tax on profits for previous years	-304	237
Total deferred tax assets	**54**	**-1,056**
Income tax expenses for the period	**1,268**	**1,233**
Income tax expenses are specified as follows:		
Calculated 22.0% tax on profit for the year before income tax	**1,579**	**1,054**
Tax effects of:		
Non-deductable expenses	37	28
Adjustments in respect of prior years	-273	154
Other	-75	-3
	1,268	1,233

7. Intangible assets

EUR '000

	Patents and software licenses
Cost at 1 January 2016	575
Additions	25
Disposals	
Cost at 31 December 2016	600
Impairment losses and amortisation at 1 January 2016	-345
Amortisation	-185
Impairment losses and amortisation at 31 December 2016	-530
Carrying amount at 31 December 2016	**70**
Cost at 1 January 2017	600
Additions	-
Disposals	-
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**

Notes to Financial Statements

8. Property, Plant and Equipment

EUR '000

	Leasehold improvements	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2016	487	4,148	4,635
Additions	-	1,039	1,039
Disposals			-
Cost at 31 December 2016	487	5,187	5,674
Impairment & depreciation at 1 January 2016	-140	-2,083	-2,223
Depreciation	-101	-1,491	-1,592
Depreciation, disposed assets			-
Impairment & depreciation at 31 December 2016	-241	-3,574	-3,815
Carrying amount at 31 December 2016	**246**	**1,613**	**1,859**
Cost at 1 January 2017	487	5,187	5,674
Additions	-	1,669	1,669
Disposals			-
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			-
Impairment & depreciation at 31 December 2017	-341	-4,650	-4,991
Carrying amount at 31 December 2017	**146**	**2,206**	**2,352**

Notes to Financial Statements

9. Receivables

	2017	2016
		EUR '000
Trade receivables at 31 December	60,893	56,820
Less provision for impairment of trade receivables	-27	-126
Trade receivables net	**60,866**	**56,694**
Current	51,350	47,454
Non-current	9,543	9,366
	60,893	**56,820**
Movement on the Company provision for impairment of receivables are as follows:		
At 1 January	**126**	**72**
Provision and reversal during the year	-99	54
At 31 December	**27**	**126**
Allocation of overdue net receivables (not written off) by maturity period are as follows:		
0-6 months	348	1,624
7-12 months	0	120
1-2 years	6	7
Overdue net receivables at 31 December	**354**	**1,751**

10. Deferred Tax

	2017	2016
		EUR '000
Deferred tax at 1 January	2,388	1,332
Adjustment of deferred tax	-54	1,056
Deferred tax at 31 December	**2,334**	**2,388**
Deferred tax relates to:		
Accrued expense	744	629
Property, plant and equipment	237	247
Provision	1,353	1,512
Total	**2,334**	**2,388**

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	

12. Other provisions

EUR '000	2017	2016
Other provisions comprises of:		
Provision for Write down of inventory	1,386	1,019
Provision for Voucher	1,003	211
Provision for Claims	537	0
Provision for Price warranty	0	12
Provision for Warranty	1,922	1,943
Total	**4,848**	**3,185**
Other provisions at 1 January	3,185	1,495
Reversal	-3,185	-1,495
Provision for the year	4,848	3,185
Other provisions at 31 December	**4,848**	**3,185**
The provisions are expected to be payable in:		
0-1 year	3,347	1,646
After 1 year	1,501	1,539
Total	**4,848**	**3,185**

Notes to Financial Statements

13. Financial assets and liabilities

	2017	2016
		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	9,543	9,366
Current		
Trade receivables	51,350	47,454
Trade Receivables owed by group enterprises	5,715	1,278
Other receivables	40	837
Cash and bank deposits	4,957	28,689
Total Loans and receivables	**71,605**	**87,624**
Financial liabilities:		
Financial liabilities at amortised cost:		
Trade payable	18,555	13,282
Payable to group enterprises	6,856	58,751
Total Financial liabilities at amortised cost	**25,411**	**72,033**

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 made provision for different claims. The provision is 537 EUR '000.

Lease obligations

The Company has entered into leases.

	2017	2016
		EUR '000
Operating lease obligations total	1,187	1,186
Operating lease obligations falling due within 1 year	956	519
Operating lease obligations falling due between 2 and 5 years	231	667
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
Tang Xiaoming
Lan Yang

Notes to Financial Statements

15. Related party disclosures (continued)

The following transactions were carried through with related parties:

		EUR '000 2017	2016
Transactions with parent:			
Huawei Technologies Coöperatief U.A.	Purchase	108	194
Transactions with other related parties:			
Huawei Technologies Co., Ltd.	Purchase	59	25,026
Shenzhen Smartcom Business Co., Limited	Purchase	6	4
Huawei Tech. Investment Co., Limited	Purchase	335	16,555
Huawei Marine Networks Co.,Ltd.	Purchase	2,243	0
Smartcom (Hong Kong) Co., Limited	Purchase	15	51
Huawei International Pte. Ltd.	Purchase	7	56
Huawei Device (Hong Kong) Co., Limited	Purchase	25,023	10,915
Huawei International Co. Limited	Purchase	50,014	38,941
Huawei Device (Hong Kong) Co., Limited	Sales	251	37
Huawei International Co. Limited	Sales	11,241	2,694

	Receivable 31.12.2017	EUR '000 Payable 31.12.2017
Outstanding with parent:		
Huawei Technologies Coöperatief U.A, Netherlands.	0	108
Outstanding with other related parties:		
Huawei Technologies Co., Ltd.	0	2,054
Shenzhen Smartcom Business Co., Limited	0	151
Huawei Tech. Investment Co., Limited	0	0
Huawei Marine Networks Co.,Ltd.	0	51
Smartcom (Hong Kong) Co., Limited	0	8
Huawei International Pte. Ltd.	0	4
Huawei Device (Hong Kong) Co., Limited	432	1,461
Huawei International Co. Limited	5,283	3,019

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 payables 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 2017, credit insured trade receivables amounted to 4,976 EUR'000 (2016: 7,472 EUR'000).

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 2016			
Trade payables	13,282		13,282
Other payables	12,270		12,270
	25,552	-	**25,552**
At 31 December 2017			
Trade payables	18,555		18,555
Other payables	9,403		9,403
	27,958	-	**27,958**

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

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

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

Notes to Financial Statements

19. First time adoption of IFRS

The Company has adopted IFRS in its financial statements for 2017. The following represents the reconciliations from Danish GAAP to IFRS for respective periods noted for the financial statements.

The transition to IFRS has resulted in the folllowing changes to the accounting policies:

Under the current accounting policies, a payment made to a customer as part of entering into a contract with them has been classified as a intangible asset to be amortised over the contract term. Under IFRS, the payment is treated as a discount granted to the customer and hence offset against revenue over the term of the contract. The difference results in the following adjustments:

Income statement:	**2016**
Reduction of Revenue	-6,263
Reversal of amortisation on right of use asset	4,143
Financial income	4
Profit before tax	-2,116
Tax impact	314
Profit for the year	-1,802

Balance sheet:	**31-Dec-16**	**1-Jan-16**
Right of use asset	-12,430	-16,574
Prepayments	10,171	16,431
Deferred tax assets	-304	-152
Owner's equity	-2,066	-263
Corporate tax (receivable)	-497	32

The Company has not presented a statement of other comprehensive income under Danish GAAP. Currently no items are recognised within other comprehensive income.

The Company has not presented a cash flow statement under Danish GAAP. The cash flow statement in these financial statements is therefore the first cash flow statement presented.

Further, the transition to IFRS has resulted in the following reclassifications:

	31-Dec-16	**1-Jan-16**
"Other provisions" reclassified to		
Non-current provision	1,539	1,495
Current provision	1,646	1,000
"Deferred tax assset" reclassified		
Non-current Deffered tax asset	2,388	1,332
Current Deferred tax asset	0	0

The impact on the income statement and balance sheet is presented on the following pages.

First time adoption
Statement of comprehensive income
1 January to 31 December 2016

EUR'000

	Note	Previous GAAP	Effect of transition to IFRS	IFRS
Revenue		142,979	-6,263	136,716
Total Revenues		**142,979**	**-6,263**	**136,716**
Cost of sales		-93,193	-	-93,193
Gross Profit		**49,786**	**-6,263**	**43,523**
Other income		42	-	42
Other external costs		-7,866	-	-7,866
Staff costs		-26,991	-	-26,991
Depreciation and impairment		-5,820	4,143	-1,677
Operating profit/loss		**9,151**	**-2,120**	**7,031**
Financial income		-4	4	-
Financial expense		-2,241	-	-2,241
Profit from ordinary activities before tax		**6,906**	**-2,116**	**4,790**
Tax on profit from ordinary activities		-1,547	314	-1,233
Profit for the year		**5,359**	**-1,802**	**3,557**
Profit and other comprehensive income is attributable to:				
Equity holders of the Company		5,359		3,557
		5,359		**3,557**

First time adoption
Balance Sheet at 31 December 2016

EUR'000

Assets	Note	Previous GAAP	Effect of transition to IFRS	IFRS
Non-current Assets				
Intangible assets				
Patents and licences		70	-	70
Right of Use		12,430	-12,430	-
Property, plant, and equipment				
Leasehold improvements		246	-	246
Fixtures and fittings, tools, equipment, IT		1,613	-	1,613
Long term trade receivables		9,366	-	9,366
Deferred tax assets		-	2,388	2,388
Total non-current assets		23,725	-10,042	13,683
Current Assets				
Inventory				
Spare parts		6,243	-	6,243
Goods for sale		8,793	-	8,793
Work in progress		1,211	-	1,211
Total inventory		16,247	-	16,247
Receivables				
Trade receivables		47,454	-	47,454
Trade Receivables owned by group enterprises		1,278	-	1,278
Deferred tax assets		2,692	-2,692	-
Prepayments		40	10,171	10,211
Corporate tax (receivable)		-	-	-
Other receivables		837	-	837
Total receivables		52,301	7,479	59,780
Cash and bank deposits		**28,689**	**-**	**28,689**
Total current assets		97,237	7,479	104,716
Total Assets		**120,962**	**-2,563**	**118,399**

First time adoption
Balance Sheet at 31 December 2016

EUR'000

Liabilities and Owner's Equity	Note	Previous GAAP	Effect of transition to IFRS	IFRS
Owner's Equity				
Share capital		101	-	101
Retained earnings		12,352	-2,066	10,286
Total owner's Equity		12,453	-2,066	10,387
Non-current liabilities				
Other payable		-	1,406	1,406
Other provisions		-	1,539	1,539
Total non-current liabilities		-	2,945	2,945
Current Liabilities				
Other provisions		3,185	-1,539	1,646
Trade payable		13,282	-	13,282
Payable to group enterprises		58,751	-	58,751
Prepayment received from customers		18,801	-	18,801
Corporate tax (payable)		2,220	-497	1,723
Other payable		12,270	-1,406	10,864
Total current liabilities		108,509	-3,442	105,067
Total liabilities		108,509	-497	108,012
Total Liabilities and Owner's Equity		**120,962**	**-2,563**	**118,399**

First time adoption
Balance Sheet at 1 January 2016

EUR'000

Assets	Note	Previous GAAP	Effect of transition to IFRS	IFRS
Non-current Assets				
Intangible assets				
Patents and licences		229	-	229
Right of Use		16,574	-16,574	-
Property, plant, and equipment				
Leasehold improvements		347	-	347
Fixtures and fittings, tools, equipment, IT		2,065	-	2,065
Long term trade receivables		3,946	-	3,946
Deferred tax assets		-	1,332	1,332
Total non-current assets		23,161	-15,242	7,919
Current Assets				
Inventory				
Spare parts		1,347	-	1,347
Goods for sale		4,383	-	4,383
Work in progress		2,427	-	2,427
Total inventory		8,157	-	8,157
Receivables				
Trade receivables		41,212	-	41,212
Trade Receivables owned by group enterprises		1,192	-	1,192
Deferred tax assets		1,484	-1,484	-
Prepayments		261	16,431	16,692
Corporate tax (receivable)		54	32	86
Other receivables		99	-	99
Total receivables		44,302	14,979	59,281
Cash and bank deposits		**6,577**	-	**6,577**
Total current assets		59,036	14,979	74,015
Total Assets		**82,197**	**-263**	**81,934**

First time adoption
Balance Sheet at 1 January 2016

EUR'000

Liabilities and Owner's Equity	Note	Previous GAAP	Effect of transition to IFRS	IFRS
Owner's Equity				
Share capital		101	-	101
Retained earnings		6,993	-263	6,730
Total owner's Equity		7,094	-263	6,831
Non-current liabilities				
Other payable		-	1,289	1,289
Other provisions		-	1,495	1,495
Total non-current liabilities		-	2,784	2,784
Current Liabilities				
Other provisions		2,495	-1,495	1,000
Trade payable		7,924	-	7,924
Payable to group enterprises		12,449	-	12,449
Prepayment received from customers		35,090	-	35,090
Corporate tax (payable)		-	-	-
Other payable		17,145	-1,289	15,856
Total current liabilities		75,103	-2,784	72,319
Total Liabilities		75,103	-	75,103
Total Liabilities and Owner's Equity		**82,197**	**-263**	**81,934**

First time adoption
Reconciliation of Equity

		EUR'000
	31 December 2016	1 January 2016
Owner's Equity under Danish GAAP	**12,453**	**7,094**
IFRS adjustments:		
Reversal of amortisation of Right of use asset	11,740	7,596
Defferal of prepayment	-13,999	-7,739
IFRS adjustments before tax	**-2,259**	**-143**
Tax of IFRS adjustments	**193**	**-120**
Total IFRS adjustments	**-2,066**	**-263**
Owner's Equity under IFRS	**10,387**	**6,831**