Huawei Technologies (Denmark) ApS
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Denmark
Phone: +45 70 27 08 01
CVR no.: 30 81 53 86

Huawei Technologies (Denmark) ApS

Annual report 2019

The Annual General Meeting adopted the annual report on 19.03.2020

Chairman of the General Meeting

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Company details

Company

Huawei Technologies (Denmark) ApS
Støberigade 14, 2nd floor
2450 Copenhagen SV, Denmark
CVR No: 30 81 53 86

Phone: +45 70 27 08 01

Board of Directors

Li, Jian
Shi, Yanli
Gan, Jianhua

Executive Board

Lichao Jiang

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 2019.

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 2019 and of the results of the Company's operations for the financial year 1st of January to 31st of December 2019.

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.

19.03.2020

Executive Board

Lichao Jiang
Managing Director

Board of Directors

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

Independent auditor's report

To the shareholders of Huawei Technologies (Denmark) ApS

Opinion

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2019 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 2019 comprise the statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement, statement of accounting policies and notes (the financial statements). The financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark.

Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Independent auditor's report

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

Management's responsibility for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent auditor's report

- conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 19.03.2020
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Michael Sten Larsen
State Authorised
Public Accountant
MNE10488

Management commentary

Financial highlights

EUR'000	2019	2018***	2017**	2016**	2015*
Key figures					
Revenue	112,349	135,858	138,018	136,716	139,353
Gross profit	44,580	39,630	37,466	43,523	53,508
Ordinary operating profit	4,687	6,956	5,965	7,031	7,874
Profit from financial income and expenses	-1,439	-1,142	1,213	-2,241	-4,772
Profit for the year after tax	**2,547**	**4,389**	**5,910**	**3,557**	**2,054**
Non-current assets	7,330	2,822	14,244	13,683	19,215
Current assets	75,554	88,274	81,016	104,716	62,982
Total assets	**82,884**	**91,096**	**95,260**	**118,399**	**82,197**
Share capital	101	101	101	101	101
Equity	**18,316**	**15,768**	**16,297**	**10,387**	**7,094**
Provisions	1,336	1,326	4,848	3,185	2,495
Current liabilities other than provisions	62,020	73,770	73,350	103,421	72,609
Financial ratios					
Operating margin	**4.17%**	**5.12%**	**4.32%**	**5%**	**6%**
Return on invested capital	3.07%	4.82%	6.20%	3%	3%
Gross margin	**39.68%**	**29.17%**	**27.15%**	**32%**	**38%**
Current ratio	121.02%	119.34%	105.63%	100%	87%
Solvency ratio	**3.94%**	**5.83%**	**7.48%**	**3%**	**3%**
Return on equity	13.91%	27.83%	36.26%	34%	29%

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

** The figures for 2016-2017 have not been restated to reflect the transition of IFRS 9, 15 and 16, hence the figures are according to before implementation of these standards.

*** The figures for 2018 have not been restated to reflect the transition of IFRS 16, hence the figures are according to before implementation of these standards.

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations & 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 (herinafter reffered to as “Huawei Denmark”) performed as expected in 2019. Revenue was EUR 112 million in 2019.

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 IT and AI Products, smartphones and value-for-money terminals.

The Carrier Business Group has built the steady industry-leading commercial DOCSIS 3.1 network for TDC GigaSpeed in 2019, and we will keep focusing on finishing all the upgrades of the Yousee cable network. For 2020, the overall level for the carrier business is expected to decrease as a consequence of Huawei Denmark not being selected as partner for the TDC roll out of nationwide commercial 5G. The focus for Carrier Business Group will be on developing all areas of the business and new opportunities.

For 2020, the target of Enterprise Business Group is to strengthen the established partnerships and focus more on Danish enterprise and society digitalization transformation. Huawei Denmark already has certain initial cooperation with Danish AI companies to support Danish enterprises for efficiency improvement. Revenue is expected to increase.

The sale of consumer devices, such as smartphones and laptops, has become a new and fast growing business of the company. We pursue to stay on the leading technology edge with our partners to improve the final customers’ experience.

Management commentary - continued

Financial risks

Currency risk

Huawei Denmark'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

Huawei Denmark's financial assets and liabilities 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. Huawei Denmark uses a large international bank, and credit risk is considered limited.

Huawei Denmark's credit risk arising from trade receivables is limited. Trade receivables from the company's largest customer are transferred to a third party on a non-recourse basis whereas other trade receivables are credit insured to some extent. As of 31 December 2019, credit insured trade receivables amounted to 685 EUR'000 (2018: 796 EUR'000).

Human resources

The average number of employees in Huawei Denmark has decreased from 186 to 133 in 2019.

Research and development activities

Starting in 2019, the Company began to engage in developing hardware security.

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.

In this period, since March 2020, the outbreak of a novel coronavirus (COVID-19) has disrupted commercial and economic activities in Denmark. Huawei Denmark has taken robust measures to ensure the health of its employees. The COVID-19 epidemic is not expected to have significant impact on Huawei Denmark's sales in 2020, and will not have a substantial impact on Huawei Denmark's ability to continue as a going concern.

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 Artificial Intelligence (AI), 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.

We are also fully capable and prepared to drive green digitization. 5G is already here. Huawei takes environment protection into account in all its technologies, products, and solutions, and will continue to do more in the future. Huawei's 5G Power solution supports solar power supplies and uses Huawei developed high-efficiency solar modules. This helps maximize the use of sunlight, conserve energy, and protect the environment. We have also used high integration chips, high-efficiency power amplifiers, and 5G-enabled power shutdown technology, cutting 5G equipment power consumption by 15%.

With our flagship CSR project, Seeds for the Future, we aim to help develop local ICT talent, enhance knowledge transfer, promote a greater understanding of and interest in the ICT industry, and encourage greater participation in digital communities at regional and national levels. We renewed our partnership with DTU and AAU for another 5 years with 10 students each year, based on the good work of 50 students already trained over the past five years. In October to November 2019, as has been in the past several years, 10 promising college students in Denmark were sent to visit and study at Huawei's headquarters in China. The students travelled to Beijing and Shenzhen in China to undergo an immersive training program, where they learn about cutting-edge technology and the latest ICT industry trends. In the sending-off ceremony in Christiansborg for the Seeds for the Future students 2019, Ulla Tørnæs said "As a society, we need our curious young people to travel out into the world and come back with new ideas and experiences.

Management commentary - continued

It is crucial to the development and improvement of our country's welfare and cohesion," "I hope you return with new knowledge about the solutions we as a society need in the future." Those words further encouraged our commitment of helping cultivate ICT talent in the Danish society. As a result, we decided to open some positions inside the organization towards Danish university graduates and look forward to recruiting young talents from the country that we operate in.

We also encourage our ICT experts to give guest lectures in various institutes of higher education here in Denmark, like CBS, DTU, AAU, etc. Most recently in December 2019, a lecture focusing on the digital development of the telco industry at the Center for Communication, Media and information technologies in Aalborg University Copenhagen gained enormous interest from both university professors and students.

We are keen to share our knowledge and expertise in ICT, not only to industry insiders, in the form of speeches at conferences and workshops, but also ordinary Danish citizens with an open door, as long as they want to learn more about technologies. Take the 5G truck roadshow in June 2019 as an example: we had kindly asked all possible channels to distribute information about the truck. Inside, it was presenting 5G technologies and products in front of you, and experts stood ready to explain and answer all questions. We were very pleased to have welcomed industry outsiders to the truck who wanted to know more about 5G technologies. Their appreciation toward our efforts in spreading knowledge also served as encouragement for us to further increase our efforts in this regard.

We also encourage our employees to give back to society. Some of our employees are engaged in organizations and activities that benefit the local communities. For example, one of our employees is a tutor at Mind Your Own Business. With entrepreneurship as a focal point, Mind Your Own Business engages boys ages 13 to 19 from vulnerable residential areas across the country. In collaboration with volunteer venture pilots from civil society and business partners from business, boys are enabled to establish their own micro business. In the work, the boys strengthen their professional and social skills and gain a stronger connection to the education system and the labour market. When the MYOB boys visited Huawei Denmark's office at Sydhavn, we felt privileged to have been able to contribute to the noble cause with our expertise in the ICT market, which they found enormously interesting.

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

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

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

Management commentary - continued

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

Protecting intellectual property

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

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

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

The *Huawei White Paper on Innovation and Intellectual Property, Respecting and Protecting Intellectual Property: the Foundation of Innovation* was proactively distributed in Denmark to demonstrate our position on IPR.

Fighting against corruption and bribery

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

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

The main risk for Huawei Denmark will be breach of our business conduct guidelines, which could potentially lead to legal and financial consequence in short term, but could also be damaging on longer terms for our image. Huawei Denmark will comply in all respects with all applicable domesticand international laws, standards and principles relating to anti-bribery in Denmark. We request suppliers and employees to report if they find any irregularities in behaviour or business ethics from our employees. In 2019, 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.

We are dedicated to support both TDC, Hi3G and Føroya Tele etc. to maintain the high quality telecom network to enrich Danish people's life through better communication. We also help TDC build a brand-new D3.1-based HFC network, providing an Ultra-broadband access network with a download rate of up to 1 Gbit/s, which bears more capacity & business and serves national-wide Danish households with broadband access requirements.

We are actively exploring new business opportunities and look forward to working with potential customers, endeavouring to service the Danish population and build a fully connected, intelligent Denmark.

Creating opportunities through education

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

Huawei Denmark also expanded our cooperation with the two universities to cover more areas, including career opportunities including internship, guest lectures, career guidance, etc.

We also made ourselves available to a business case study at CBS, where Huawei sheds light on management philosophies, corporate culture and values, etc. by sharing our experience.

Although the world is fast becoming digital, the gap between ICT job vacancies and the number of engineers that can fill them is widening. By 2025, 85% of business applications will be cloud-based and 97% of large companies will use AI. However, there will not be enough qualified engineers to operate these technologies if we do not start taking action now. This is where Huawei ICT Academy comes in. Thus, Huawei Denmark has the intention to establish ICT Academy locally, which will provide students with hands-on training in the latest technologies, imbuing them with the foundation to become next-generation innovators. This will be part of the global Huawei ICT Academy Program 2.0. Through this program, Huawei globally aims to develop 2 million ICT professionals and popularize digital skills over the next five years by collaborating with universities, including Danish universities.

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 aims to achieve diversity in nationality, gender, age, ethnicity, religion, etc. Huawei Denmark has 12 different nationalities. For a company with 100+ employees, we are proud to have such diversity and seek to offer our staff a workplace that respects and values diverse backgrounds and perspectives.

A special focus is put on the development of skills and expertise. Huawei has created various digital and classroom training opportunities and personal development tools to help employees reach their potential and achieve their individual career development goals.

Even though unfortunately we had to downsize in 2019 due to business circumstances, for the remaining employees a fantastic office location was chosen with good canteen facilities, as we believe work place and work environment is an essential part of everyday life at office and of the well-being of our employees.

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

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

Environmental and climate protection

Digital technology is rapidly changing the world. This does not just include economies and society, but also the natural environment, which is the very basis of our survival. As digitalization continues to advance rapidly, ICT infrastructure is becoming smarter and can offer faster and smoother connectivity. But ICT infrastructure and the smart devices that run on it consume huge amounts of energy and resources. The ICT industry is now facing the significant challenge of how to maximize the efficiency of networks and minimize energy and resource consumption, as well as other environmental impacts, without compromising network performance or user experience. Meanwhile, advances in digital technology are creating new possibilities for environmental sustainability. According to Huawei's Global Industry Vision (GIV), by 2025 carbon emissions per ICT connection will be reduced by 80% on average. ICT is becoming an important enabling technology for a greener world. ICT-enabled power saving and reduction of carbon emissions will far exceed the industry's own power consumption and carbon emissions. In 2025, this will be 11 times higher than the current level. This will present challenges, but will also create even more opportunities. We need to minimize

Management commentary - continued

environmental impacts and risks, and use innovative digital technologies to create new opportunities for promoting the sustainable development of the Earth's ecosystem.

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

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

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

Starting in 2013, Huawei has used bioplastics extensively in its mobile phones. Bioplastics are much more eco-friendly than traditional plastics because they are made from plant extracts rather than petroleum – a non-renewable resource. They can help greatly reduce environmental pollution and damage, and protect non-renewable resources. In 2018, Huawei expanded its use of bioplastics to more products, including the P20, P20 Pro, Mate RS, Mate 20, Mate 20 Pro, and Mate 20 RS, as well as the base of Huawei Watch GT. More than 30% of the bioplastics are extracted from castor oil, leading to a 62.6% reduction in CO_2 emissions. In 2018, Huawei's use of bioplastics helped reduce about 612 tons of CO_2 emissions.

Huawei Device increasingly uses FSC certified packaging for its products to minimize the impact that product packaging has on the environment and to protect forests. FSC is a supply chain management certification that ensures the materials for our packaging come from well-managed sustainable forests. This marks a huge step forward for protecting biodiversity. In 2018, the packaging for many of our products was FSC certified, including the P20, P20 Pro, Mate RS, Mate 20 Pro, and Mate 20.

In 2018, our lightweight packaging design also began to see results. Better design for retail packaging has helped improve resource utilization, with most phone packaging now about 20% lighter than previous designs. We have also adopted lightweight designs for our logistics packaging to reduce carbon emissions during transportation. At the same time, we have improved the materials used in our cartons. We have adopted a lightweight design while ensuring all packaging and assembly requirements are still met. Cartons are now 10% lighter, drastically reducing CO_2 emissions. Since 2008, Huawei has started using aircraft pallets, which are 50% lighter than plywood pallets to further minimize our carbon footprint.

Continuous Process Improvement and System-level Power Saving Solution: Huawei uses the Kirin 980 chip, which is manufactured using 7nm processors, in its multiple products, beginning with the Mate 20 series. This helps greatly improve performance and energy efficiency, and achieve optimal energy efficiency while providing excellent performance. The Kirin CPU has an energy efficiency architecture consisting of four ultra-large cores and four small cores. This grants the CPU the flexibility to allocate the optimal amount of resources to heavy, medium, and light tasks, greatly reducing power consumption for the System on a Chip (SoC) in all scenarios. A proper mechanism for allocating resources to different applications is a key factor that affects power consumption in mobile phones. Huawei's EMUI system can allocate resources in a way that optimizes energy efficiency and enhances battery life based on behaviour prediction and component capabilities. The battery life of the Huawei Mate series and P series is 30% longer than that of their predecessors.

Using Innovative Technologies for Higher Performance and Lower Power Consumption: GPU Turbo, a revolutionary graphics processing acceleration technology, overcame the processing bottlenecks between Huawei's EMUI operating system and smartphone GPUs/CPUs. It makes graphics processing much faster and enables the SoC to use less energy, achieving an optimal balance between performance and power consumption. As a new Android application compiler, Huawei Ark compiler can significantly improve the operating speed of mobile phones, make system operations smoother, and reduce the system overheads required when performing the same tasks. Huawei owes its leading end-to-end 5G capabilities to its technological innovations in various domains like Massive MIMO, simplified sites, 5G microwave, and 5G chipsets. Huawei's 5G solution helps carriers deploy simplified 5G networks with superior performance. Specifically, this solution helps simplify network architecture, and greatly slash TCO, including buildout and operational costs, while ensuring the rapid deployment of large-scale, high-performance 5G networks. We have also used high integration chips, high-efficiency power amplifiers, and 5G-enabled power shutdown to save energy, cutting the power consumption of 5G equipment by 15%. In addition, Huawei has worked with carriers to develop 5G energy efficiency assessment standards, improve the methodology for defining and assessing 5G energy efficiency indicators, and drive continuous improvement of 5G energy efficiency.

Not only are we “practicing green”, we are actively helping raise the general awareness of environmental protection. Our experts regularly share our best practices at the Energistyrelsen, the Ingeniørforeningen i Denmark, etc.

Human Rights

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

The other important factor that encompasses Human Rights is the diversity an organization has. Huawei Denmark aims to achieve diversity in nationality, gender, age, ethnicity, religion, etc. Huawei Denmark has 13 different nationalities. For a company with 80+ 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. Different customs and cultural traditions are respected and co-exist in harmony at our office.

Management commentary - continued

In our activities, the main risks to human rights are in work accidents, especially for our operational staff. This is managed by having health checks and detailed work instructions for the field service employees, who potentially, are at a higher risk of getting in a work accident.

In 2019, no breach to our human rights policy was recorded.

Gender equality in management

As an organisation we strive to create equality and represent both men and women in an equal fashion. The management team members in 2018 and before were all men, but we are proud to announce that in 2019, we have added three women onto our management team, which is a big step for us towards gender equality.

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.

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

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

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

Huawei Denmark is not required to set a target for the board as currently there is no underrepresentation of gender (1 of the 3 members is female).

Cyber Security and Privacy Protection

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

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

Management commentary - continued

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

Danish and EU laws and regulations and take all necessary measures to boost privacy protection in accordance with laws and regulations.

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

Statement of comprehensive income

1 January to 31 December

EUR'000

	Note	2019	2018
Revenue	1	112,349	135,858
Total Revenues		**112,349**	**135,858**
Cost of sales		-67,769	-96,228
Gross Profit		**44,580**	**39,630**
Other income		100	56
Other external costs		-21,969	-7,171
Staff costs	3	-16,791	-24,404
Depreciation and impairment		-1,233	-1,155
Operating profit/loss		**4,687**	**6,956**
Financial income	4	375	27
Financial expense	5	-1,814	-1,169
Profit from ordinary activities before tax		**3,248**	**5,814**
Tax on profit from ordinary activities	6	-701	-1,425
Profit for the year		**2,547**	**4,389**
Debt instruments measured at FVOCI - net change in fair value		1	132
Profit and other comprehensive income is attributable to:			
Proposed dividends		0	0
Equity holders of the Company		2,548	4,521
		2,548	**4,521**

Balance Sheet at 31 December

			EUR'000
Assets	**Note**	**2019**	**2018**
Non-current Assets			
Intangible assets	7		
Patents and software licences		0	4
Property, plant, and equipment	8		
Leasehold improvements		91	45
Fixtures and fittings, tools, equipment, IT		595	1,335
Right of Use assets	9	1,691	0
Long term trade receivables	12	3,513	0
Deferred tax assets	13	1,440	1,438
Total non-current assets		7,330	2,822
Current Assets			
Inventory			
Spare parts		1,130	1,932
Goods for sale		1,182	1,421
Total inventory		2,312	3,353
Contract assets		11,912	32,389
Receivables			
Trade receivables	12	34,370	14,904
Trade Receivables owned by group enterprises		991	5,960
Prepayments		27	166
Corporate tax (receivable)		11	113
Other receivables		215	63
Total receivables		47,526	53,595
Cash and bank deposits		25,716	31,326
Total current assets		75,554	88,274
Total Assets		**82,884**	**91,096**

Balance Sheet at 31 December

			EUR'000
Liabilities and Owner's Equity	**Note**	**2019**	**2018**
Owner's Equity			
Share capital	14	101	101
Fair value reserve		-7	-8
Retained earnings		18,222	15,675
Total owner's equity		18,316	15,768
Non-current liabilities			
Other payable		0	233
Other provisions	15	927	1,125
Lease liabilities		1,212	0
Total non-current liabilities		2,139	1,358
Current Liabilities			
Other provisions	15	409	201
Trade payable		12,953	15,360
Lease liabilities		512	0
Contract liabilities		23,101	27,787
Payable to group enterprises		9,896	12,186
Other payable		15,558	18,436
Total current liabilities		62,429	73,971
Total liabilties		64,568	75,329
Total Liabilities and Owner's Equity		**82,884**	**91,096**

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Statement of changes in equity

EUR '000

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

EUR '000

Equity	Share capital	Fair value reserve	Retained earnings	Total
Balance at 1 January 2019	101	-8	15,675	15,768
Profit for the period	0	0	2,548	2,547
Other comprehensive income for the period	0	1	0	1
Total comprehensive income for the period	**0**	**1**	**2,548**	**2,548**
Transactions with owners in their capacity as owners:				
Dividend	0	0	0	0
Balance at 31 December 2019	**101**	**-7**	**18,222**	**18,316**

Cash Flow Statement

EUR'000

	2019	2018
Operating activities:		
Profit for the year	**2,547**	**-522**
Adjustments for:		
Depreciation	1,228	1,144
Amortisation	**4**	**10**
Patents and licences	4	10
Right of Use	0	0
Affect of IFRS switch	0	0
Foreign exchange losses/(gains) for bank accounts	1	50
Net finance costs	5	217
Slow moving items provision	-486	61
Provision Adjustments for other	**3,100**	**-530**
Provision for Goods Discount	1,093	2,727
Provision For Warranty	-193	-597
Provision for Vouchers	860	-2,123
Provision for Others	1,339	-537
	3,853	**952**
Changes in:		
Inventories	1,978	8,847
Trade and other receivables	2,096	20,773
Prepayment received from customers	0	-36,727
Trade and other payables	-15,746	35,842
Taxes	102	-2,686
	-11,570	**26,049**
Net cash used in operating activities	**-5,170**	**26,479**
Investing activities:		
Acquisition of fixed assests	-168	-33
Net cash used in investing activities	**-168**	**-33**
Financing activities:		
Interest paid	-5	-28
Payments for the principals of the lease liability	-265	0
Net cash used in financing activities	**-270**	**-28**
Net increase/decrease in cash and cash equivalents	**-5,608**	**26,418**
Cash and cash equivalents at 1 January	31,325	4,956
Effect of foreign exchange rate changes (for corporate report)	-1	-48
Cash and cash equivalents at 31 December	**25,716**	**31,326**
Cash on hand		
Bank overdrafts	25,716	31,326
Total	**25,716**	**31,326**

Accounting policies

Reporting entity

Huawei Technologies (Denmark) ApS (the Company) is established in Copenhagen, Denmark. The Company's registered office is at Støberigade 14, 2nd floor, 2450 Copenhagen 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, 2019, are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted in EU and the additional Danish disclosure requirements.

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

Changes in significant accounting policies

The Company has applied the standards which are mandatory for 31 December 2019 year end financial statements. No standards not yet effective have been implemented.

For 2019, IFRS 16 were adopted using the modified approach with changes reported in retained earnings and no restatement of comparative figures. Please see note 22 for details.

Foreign currency translation

Functional and presentation currency

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

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

Transactions and balances

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

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

Accounting policies

Statement of comprehensive income

Revenue

The Company has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). This policy applied for the contracts that are still open on 1st of January 2018.

Policy applicable from 1 January 2018

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

i. Contract combinations and modifications

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

ii. Performance Obligations (PO)

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

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

iii. Timing of revenue recognition

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

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

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

iv. Variable consideration

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

Statement of comprehensive income

v. Significant financing component

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

vi. Stand-alone selling prices (SSP)

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

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

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

vii. Contract Costs

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

viii. Contract assets and liabilities

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

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

ix. Refund liabilities

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

Accounting policies

Cost of Sales

Cost from the sale of goods comprising purchase of equipment and software 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 exluding VAT, duties and sales discounts.

Other external cost

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

Staff costs

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

Financial income and expenses

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

Income taxes

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

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

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

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

Balance sheet

Intangible assets

On initial recognition, intangible assets are measured at cost.

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

Property, 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.

Right of Use assets

The Company has applied IFRS 16 from 1 January 2019, using the modified retrospective approach, under which comparative information is not restated. The Company has disclosed accounting policies under both IFRS 16 (for the current period) and IAS 17 (for the comparative period presented) in order for users to understand the current period as well as comparative information and changes in significant accounting policies.

Policy applicable from 1 January 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, on or after 1 January 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Company has selected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

- Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'other non-current assets' and lease liabilities in 'other non-current liabilities' and in 'other current liabilities' in the statement of financial position.

The Company has selected not to recognise right-of-use assets and lease liabilities for short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1 January 2019

Classification of lease

Assets held by the Company under leases that transfer to the Company substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Company's balance sheet (statement of financial position).

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Impairment of non financial assets

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

Inventories

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

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

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

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

Financial instruments

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

(i) Recognition and de-recognition

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

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

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

(ii) Classification and measurement

Policy applicable from 1 January 2018

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

Accounting policies

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

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

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

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

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

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

Trade and other receivables

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

Trade and other payables

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

Impairment of assets

(i) Impairment of financial assets

Policy applicable from 1 January 2018

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

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

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

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

Accounting policies

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

All receivable and contract assets impairment calculations are done automatically according to data published and valid at the moment of calculation. And the rate for calculation as below for 2019：

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

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

Corporation tax and deferred tax

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

Accounting policies

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

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

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

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

Provisions

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

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

The main types of provisions are as follows:

Provision for warranty

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

Provision for product sales

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

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

Cash flow statement

Cash flow from operating activities

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

Cash and cash equivalents

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

Accounting policies

Financial ratios

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

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

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

Accounting judgements and estimates

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

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

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

Net realisable value of inventories

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

Provisions

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

Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended December 31, 2019

The IASB has issued a number of new amendments which will affect the financial statements in subsequent accounting periods.
The following amended standards and interpretations are not expected to have a significant impact on the Company's consolidated financial statements;

	Effective for accounting periods beginning on or after
Amendments to References to Conceptual Framework in IFRS Standards.	January 1, 2020
Definition of a Business (Amendments to IFRS 3).	January 1, 2020
Definition of Material (Amendments to IAS 1 and IAS 8).	January 1, 2020

Notes to Financial Statements

1. Revenue

	2019	2018
		EUR '000
Products	61,062	83,278
Services	51,287	52,580
Total	**112,349**	**135,858**

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

2. Fees to auditor appointed at the general meeting

	2019	2018
		EUR '000
Statutory audit	68	71
Total	**68**	**71**

3. Staff cost

	2019	2018
		EUR '000
Wages and salaries	15,695	22,943
Pensions	1,096	1,462
Total	**16,791**	**24,405**

	2019	2018
Average number of full-time employees	133	186

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

4. Financial income

	2019	2018
		EUR '000
Foreign exchange income	377	35
Other financial income	-2	-8
Total	**375**	**27**

5. Financial expenses

	2019	2018
		EUR '000
Foreign exchange loss	429	0
Interest expense	147	0
Interest expenses on lease liabilities	9	0
Other financial expenses	1,229	1,169
Total	**1,814**	**1,169**

Notes to Financial Statements

6. Tax on the profit from ordinary activities

	2019	2018
		EUR '000
Current tax on profits for the year	766	463
Current tax on profits for previous years	-62	79
Total current tax expense	**704**	**542**
Deffered tax on profits for the year	-3	962
Deffered tax on profits for previous years	0	-79
Total deferred tax assets	**-3**	**883**
Income tax expenses for the period	**701**	**1,425**
Income tax expenses are specified as follows:		
Calculated 22.0% tax on profit for the year before income tax	**715**	**1,279**
Tax effects of:		
Non-deductable expenses	48	70
Adjustments in respect of prior years	-62	0
Other	-0	76
	701	**1,425**

7. Intangible assets

	EUR '000 Patents and software licenses
Cost at 1 January 2018	600
Additions	0
Disposals	0
Cost at 31 December 2018	600
Impairment losses and amortisation at 1 January 2018	-585
Amortisation	-11
Impairment losses and amortisation at 31 December 2018	-596
Carrying amount at 31 December 2018	**4**
Cost at 1 January 2019	600
Additions	0
Disposals	-448
Cost at 31 December 2019	152
Impairment losses and amortisation at 1 January 2019	-596
Amortisation	444
Impairment losses and amortisation at 31 December 2019	-152
Carrying amount at 31 December 2019	**0**

Notes to Financial Statements

8. Property, Plant and Equipment

EUR '000

	Leasehold improvements	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2018	487	6,856	7,343
Additions	0	172	172
Disposals	0	-5	-5
Cost at 31 December 2018	487	7,023	7,510
Impairment & depreciation at 1 January 2018	-341	-4,650	-4,991
Depreciation	-101	-1,043	-1,144
Depreciation, disposed assets	0	5	5
Impairment & depreciation at 31 December 2018	-442	-5,688	-6,130
Carrying amount at 31 December 2018	**45**	**1,335**	**1,380**
Cost at 1 January 2019	487	7,023	7,510
Additions	0	132	132
Disposals	94	-3,971	-3,877
Cost at 31 December 2019	581	3,184	3,765
Impairment & depreciation at 1 January 2019	-442	-5,688	-6,130
Depreciation	-48	-809	-857
Depreciation, disposed assets	0	3,908	3,908
Impairment & depreciation at 31 December 2019	-490	-2,589	-3,079
Carrying amount at 31 December 2019	**91**	**595**	**686**

Notes to Financial Statements

9. Right of use assets

EUR '000

	Buildings (incl: office & apartments)	Motor vehicles and others	Total
Cost at 1 January 2019	128	281	410
Additions	1,765	1	1,766
Derecognition	-114	0	-114
Cost at 31 December 2019	1,779	283	2,062
Impairment & depreciation at 1 January 2019	0	0	0
Depreciation	-182	-189	-371
Depreciation, disposed assets	0	0	0
Impairment & depreciation at 31 December 2019	-182	-189	-371
Carrying amount at 31 December 2019	**1,597**	**94**	**1,691**

10. Lease Expenses

EUR '000

	As at 31/12/2019
Rental expenses that do not meet the definition of a lease	280
Lease expenses short-term	755

11. Lease Commitments for short-term leases and low value leasses

	As at 31/12/2019
Within 1 year	74

Notes to Financial Statements

12. Receivables

	2019	2018
	EUR '000	
Trade receivables at 31 December	37,883	14,904
Less provision for impairment of trade receivables	-65	-101
Trade receivables net	**37,818**	**14,803**
Current	34,370	14,904
Non-current	3,513	-
	37,883	**14,904**
Movement on the Company provision for impairment of receivables are as follows:		
At 1 January	**101**	**27**
Provision and reversal during the year	-36	74
At 31 December	**65**	**101**
Allocation of overdue net receivables (not written off) by maturity period are as follows:		
0-6 months	214	4,356
7-12 months	0	23
1-2 years	0	0
Overdue net receivables at 31 December	**214**	**4379**

13. Deferred Tax

	2019	2018
	EUR '000	
Deferred tax at 1 January	1438	0
Adjustment of deferred tax	2	1438
Deferred tax at 31 December	**1,440**	**1,438**
Deferred tax relates to:		
Accrued expense	262	435
Property, plant and equipment	133	277
Provision	1045	726
Total	**1,440**	**1,438**

Notes to Financial Statements

14. 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.

15. Other provisions

EUR '000

	2019	2018
Other provisions comprises of:		
Provision for Warranty	1,134	1,326
Provision for Others	202	0
Total	**1,336**	**1,326**
Other provisions at 1 January	1,326	1,923
Reversal	0	-1,923
Provision for the year	0	1,326
Other provisions at 31 December	**1,326**	**1,326**
The provisions are expected to be payable in:		
0-1 year	409	201
After 1 year	927	1,125
Total	**1,336**	**1,326**

Notes to Financial Statements

16. Financial assets and liabilities

	2019	2018
		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	3,513	0
Current		
Trade receivables	34,370	14,904
Trade Receivables owed by group enterprises	991	5,960
Other receivables	215	62
Cash and bank deposits	25,716	31,326
Total Loans and receivables	**64,805**	**52,252**
Financial liabilities:		
Financial liabilities at amortised cost:		
Trade payable	12,953	15,360
Payable to group enterprises	9,896	12,186
Lease liabilites	1,724	0
Total Financial liabilities at amortised cost	**24,573**	**27,546**

17. Contractual obligations, contingencies, etc.

Contingent assets

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

Contingent liabilities

Huawei Technologies (Denmark) ApS has made provision for claims. The provision is EUR 200,000

Notes to Financial Statements

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

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

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

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

Board and Management
Shi, Yanli
Li, Jian
Gan, Jianhua
Lichao, Jiang

Notes to Financial Statements

18. Related party disclosures (continued)

The following transactions were carried through with related parties:

		2019	EUR '000 2018
Transactions with parent:			
Huawei Technologies Coöperatief U.A.	Purchase	46	105
Transactions with other related parties:			
Huawei Technologies Co., Ltd.	Purchase	21,158	17,815
Shenzhen Smartcom Business Co., Limited	Purchase	5	5
Huawei Marine Networks Co.,Ltd.	Purchase	165	0
Smartcom (Hong Kong) Co., Limited	Purchase	1	0
Huawei Device (Hong Kong) Co., Limited	Purchase	26,887	23,440
Huawei International Co. Limited	Purchase	9,631	12,336
Huawei Device (Hong Kong) Co., Limited	Sales	370	297
Huawei International Co. Limited	Sales	1,875	4,920
Huawei Technologies Co., Ltd.	Sales	1,803	0

	Receivable 31.12.2019	EUR '000 Payable 31.12.2019
Outstanding with parent:		
Huawei Technologies Coöperatief U.A, Netherlands.	0	46
Outstanding with other related parties:		
Huawei Technologies Co., Ltd.	578	5,845
Shenzhen Smartcom Business Co., Limited	0	21
Smartcom (Hong Kong) Co., Limited	0	5
Huawei Device (Hong Kong) Co., Limited	0	2,066
Huawei International Co. Limited	412	1,914

Notes to Financial Statements

19. 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 primarily consist of short-term financial assets and liabilities which are not interest-bearing, hence the interest rate risk is limited.

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

The Company’s credit risk arising from trade receivables is limited. Trade receivables from the Company’s largest customer are transferred to a third party on a non recourse basis whereas other trade receivables are credit insured to some extent. As of 31 December 2019, credit insured trade receivables amounted to 685 EUR'000 (2018: 796 EUR'000).

No actual credit loss has incurred in 2019. Below table show impaired for 2019 split on credit risk group.

	EUR'000
Credit risk group	Impairment
A	0
B	29
C	72
D	0
E	0
Total	101

Liquidity risk
The table below analyses the Company’s financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 6 months EUR'000	**More than 6 months EUR'000**	**Total EUR'000**
At 31 December 2018			
Trade payables	15,360	0	15,360
Other payables	18,288	381	18,669
Total	**33,648**	**381**	**34,029**
At 31 December 2019			
Trade payables	12,953	0	12,953
Other payables	15,558	0	15,558
Lease liabilities	259	1,465	1,724
Total	**28,770**	**1465**	**30,235**

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

Notes to Financial Statements

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

21. 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.

In this period, since March 2020, the outbreak of a novel coronavirus (COVID-19) has disrupted commercial and economic activities in Denmark. Huawei Denmark has taken robust measures to ensure the health of its employees. The COVID-19 epidemic is not expected to have significant impact on Huawei Denmark's sales in 2020, and will not have a substantial impact on Huawei Denmark’s ability to continue as a going concern.

Notes to Financial Statements

22. Changes in significant accounting policies

IFRS 16

The Company initially applied IFRS 16 Leases from 1 January 2019.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*. The Company now assesses whether a contract is or contains a lease based on the definition of a lease as stated in the acconting policies.

On transition to IFRS 16, the Company selected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

As a lessee, the Company leases offices, cars and warehouses. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property the Company has selected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under IAS 17

Previously, the Company classified property and vehicles leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company has performed analysis of its right-of-use assets for impairment indicators on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used the following practical expedient when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application.

Leases classified as finance leases under IAS 17

The Company did not previously have leases classified as finance leases under IAS 17.

As a lessor

The Company does not act as a lessor on any of its assets.

Notes to Financial Statements

Impact on financial statements
Impact on transition

On transition to IFRS 16, the Company recognised additional right-of-use assets in an amount equal to additionally recognized lease liabilities adjusted for lease payments made at or before the commencement date.The impact on transition is summarised below.

First time adoption of IFRS 16

The increases (decreases) in relevant statement of financial position items on transition is summarised below:

	EUR '000
	1 January 2019
Right-of-use assets	410
Lease liabilities	393
Other assets	-17

Weighted average incremental borrowing rate (discount rate)
When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using the incremental borrowing rates applicable at 1 January 2019. The weighted-average rate applied is 1% for assets.

A reconciliation of the undiscounted operating lease commitment at 31 December 2018 and lease liabilities recognised in the statement of financial position at transition date is presented below:

	EUR '000
Operating lease commitment at 31 December 2018	931
Recognition exemption:	
- Leases of low-value assets	0
- Leases with remaining lease term of less than 12 months	687
Undiscounted lease liabilities	244
Discounted using the incremental borrowing rate at 1 January 2019	413
Other differences at transition date	20
Lease liabilities recognised at 1 January 2019	393