Annual report 2019

TDC Group

Teglholmsgade 1
2450 København SV
CVR-nr.: 14773908
Generalforsamling: 29. april 2020
Dirigent ved generalforsamlingen: Marie Malmstedt-Miller

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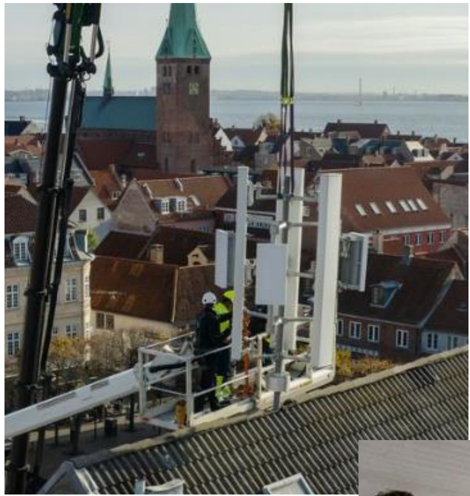
Management's review

Financial statements

Shortcut to reading the Annual Report

Click on the tabs in the menu to navigate quickly to the tables of contents for the report and accounts, respectively.

Click on words in *italics* for an explanation in the Terminology section.



TDC NET makes Denmark digital with 5G

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Passionate about entertainment

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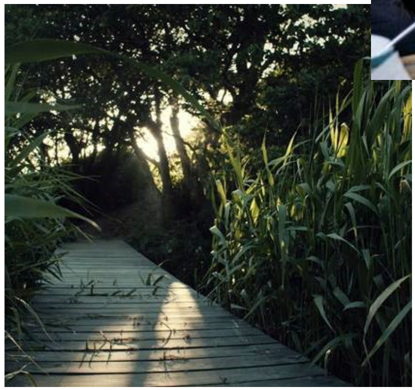

CO_2 neutral by 2030

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In brief

TDC at a glance

TDC Group has been connecting Danes with each other and the world since 1882. Our business units Nuuday and TDC NET contribute to the digitalisation of Denmark. Nuuday delivers innovative digital customer experiences and entertainment, while TDC NET delivers the best mobile network and fastest fixed connections.

Denmark's best mobile network

For the **5th** year in a row

6 million customer relations in Nuuday

Our 2019 financials

Revenue (DKKbn)

17.0

EBITDA (DKKbn)

6.5

Capital expenditure (DKKbn)

4.8

Our employees

2,524 tdc net

4,515 nuuday

459 TDC Group

In headquarters

Our customers

Consumer

4.7m

Business

1.4m

Our brands

TELMORE
youSee
BLOCKBUSTER
HIPER
Relatel
Dansk Kabel TV
TDC Erhverv
NetDesign

Letter from Management

A year of major trans-formation for TDC Group

2019 was a transformational year for TDC Group with a strong focus on bringing our strategy to life in order to create an innovative, open business model that will enable all of Denmark to benefit from the new digital era.

Mission
TDC Group's mission is to build and support an innovative, open model that will ensure all of Denmark connects to the new digital opportunities.

To achieve our mission, we have created two new companies, Nuuday and TDC NET, and defined their separate missions. Nuuday makes sense with technology. TDC NET connects Denmark, to benefit everyone.

2019 transformation & legal separation
Following the takeover by the three Danish pension funds ATP, PKA, PFA and infrastructure funds managed by Macquarie Infrastructure and Real Assets in 2018, TDC Group started on a transformational journey with the purpose of restructuring our 138-year old company into two new companies with separate identities and strategies. In 2019, we fundamentally kicked off executing the transformation, which will carry on for the next couple of years.

The journey accelerated in 2019 with significant milestones bringing the new strategy to life. The key milestone of the year was the legal separation of TDC Group in June 2019. TDC Group was separated into three legal entities: TDC A/S, Nuuday A/S, and TDC NET A/S. TDC A/S holds key headquarter functions and all external debt financing. Nuuday A/S is the former business unit, OpCo, and TDC NET A/S is the former business unit, NetCo.

As a part of the transformation, the corporate identities of our two new companies were born. In March, we launched the new name and corporate identity of Nuuday inspired by the bold, agile culture, it represents. In November, we launched the new name and corporate identity of TDC NET symbolizing the proud heritage that our infrastructure carries.

2019 financial performance
In 2019, we focused on building the TDC of the future. We recognise that this transformation will require significant time and capital investments in the short term but will ensure that we obtain a long term relevant and sustainable business that will benefit all of Denmark.

Our financial performance in 2019 was in line with our expectations, as we ended the year with a 3.7% decline in organic *EBITDA*, DKK ~350m in costs related to the separation of TDC Group, capital expenditure of DKK 4.8bn, and leverage of 3.6x for the year.

A core part of our new strategy is to make the significant investments required to position both of our new business units for future growth. That is why we are proud to have invested more than DKK 1bn in *fibre* and 5G in 2019 and are excited to continue our major investments in critical national infrastructure in 2020.

2019 commercial performance
Internet & network
Internet & network revenue improved by 2.6% in 2019, driven by the consumer segment, partly offset by the business segment. The consumer segment growth was driven organically by an *ARPU* increase and inorganically by the acquisition of Hiper in December 2018. We continue to focus on connecting Denmark and shaping the next generation of nationwide, digital infrastructure in Denmark.

Key events 2019

Q1

Nuuday launch
OpCo gets a new name Nuuday, and continues delivering digital services and embracing all TDC Group´s retail customer focused brands.

Xee
Launch of a new TV and streaming channel that delivers a mix of Xee originals and popular American TV series with exclusive sports rights to Premier League matches etc.

TDC prepares for 5G
To build an advanced future mobile network in Denmark, TDC acquired new mobile licences and established a new strategic partnership with Ericsson.

Q2

Fiberkysten
TDC NET and Nordkysten established a joint venture, Fiberkysten, which started rolling out *fibre* in Q3.

Legal separation
A critical strategic milestone is reached with the legal separation of the two business units Nuuday and TDC NET.

Mobility services

Mobility services revenue continued to grow in 2019 by 2.8% driven by higher *ARPU* in the consumer segment and customer net adds in the business segment. We have maintained our leading market position and for the fifth year running we were awarded Denmark's best mobile network. By upgrading our mobile network to 5G in 2020, we are demonstrating our dedication to keeping our leading market position.

TV

The TV market remains under pressure due to consumer streaming trends and higher content costs. In 2019, we saw a 1.7% decline in revenue driven by a decline in the customer base, partly offset by an *ARPU* increase. Content costs increased as YouSee invested heavily in transforming from a traditional TV distributor into a digital entertainment provider, primarily from investments in building up our own TV channel 'Xee' and own content production with award-winning TV shows such as '31' and 'Sunday'.

ESG

At TDC Group, we view sustainability as an integral part of our business as it is critical for building trust with society. Sustainability supports us in generating commercial value. Not only by reinforcing our reputation, but by reducing costs, encouraging innovation and improving our understanding of what our stakeholders expect, while addressing our most material issues.

We are proud to announce that in 2019 we reached our ambition to reduce our CO_2 emissions by 70% from 2010 to 2020. We are even prouder to have set new ambitious targets to reduce our CO_2 emissions further, by 50% from 2020 to 2025, with an overarching target to achieve CO_2 neutrality by 2030.

2020 transformation & investments

2020 will be yet another year of transformation where we will continue to execute on our strategy to create a best-in-class digital *service provider* and a best-in-class network operator. In order to achieve that, we are planning to increase our investments to DKK 5.5-5.9bn, driven by strategic investments in *fibre* roll-out and upgrading our mobile network to 5G. As a result, we plan to roll out *fibre* to 100,000 households and invest DKK 2-3bn in *fibre* and 5G in 2020.

This will be a year where we continue our separation journey and continue to invest in the full structural separation of Nuuday and TDC NET to ensure our two new companies have the best possible footing as independent market agents of the future.

As management, we would like to thank our employees across TDC Group for their tremendous efforts in leading the way through our transformation journey to create a new TDC that will ultimately benefit all of Denmark.

Q3

CO_2 neutral

TDC Group undertakes to be 100% CO2 neutral and aligned with the UN's Business Ambition for the 1.5°C pledge in 2030.

Nuuday enters new strategic partnerships on content with TV2, Nordisk film and C More, to secure our flexible TV and streaming services of the future, high-quality content.

Q4

tdc net

NetCo changes name to TDC NET, which will shape the next generation of nationwide, digital infrastructure of Denmark.

TDC NET launches Denmark's largest 5G pilot in Helsingør, where 40 mobile sites are now upgraded to 5G.

Relatel

Firmafon and Fullrate Pro merge to form Relatel, a strong *service provider* for the SME segment.

52,000

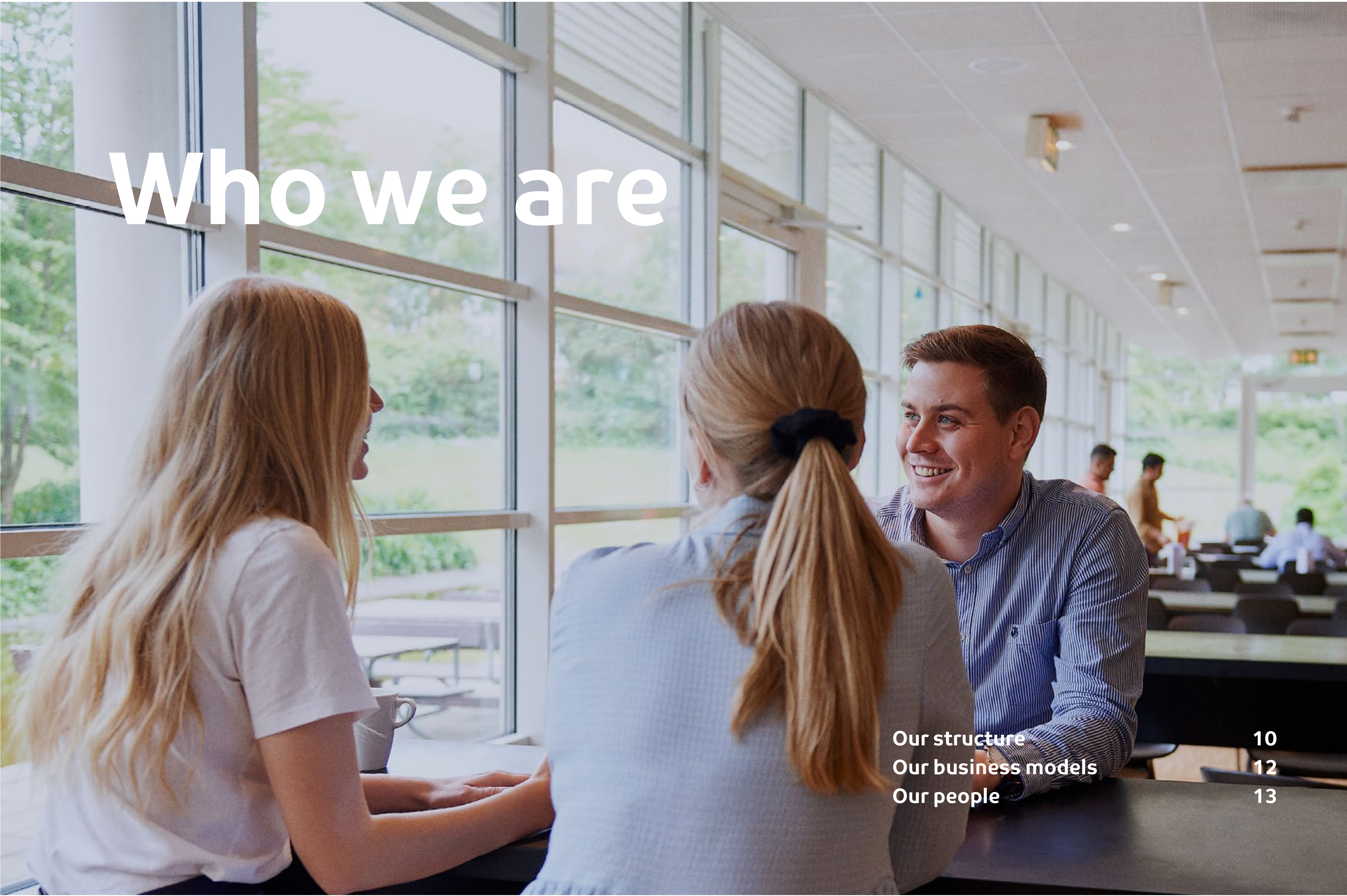
New addresses were added to TDC´s *fibre* network, bringing the total number of addresses with TDC *fibre* available above 250,000.

Five-year overview

	2019	2018	2017	2016	2015
Income statement (DKKm)					
Revenue	17,044	17,356	17,386	18,174	19,060
Gross profit	12,099	12,457	12,636	13,319	14,102
EBITDA	**6,524**	**6,691**	**6,920**	**7,251**	**8,176**
Operating profit/(loss) (EBIT)	**1,166**	**1,745**	**2,455**	**2,879**	**(1,063)**
Profit/(loss) before income taxes	171	385	1,873	1,952	(1,968)
Profit/(loss) for the year from continuing operations	180	8	1,392	1,493	(2,653)
Profit/(loss) for the year from discontinued operations[1]	-	5,714	149	1,574	267
Profit/(loss) for the year	**180**	**5,722**	**1,541**	**3,067**	**(2,386)**
Income statement, excluding special items					
Operating profit (EBIT)	**1,360**	**2,603**	**2,676**	**3,130**	**3,988**
Profit before income taxes	363	1,243	2,094	2,202	3,083
Profit for the year from continuing operations	**336**	**773**	**1,556**	**1,690**	**2,185**
Profit for the year	336	1,207	1,686	2,314	2,500
Balance sheet (DKKbn)					
Total assets	56.9	50.9	63.1	64.3	64.5
Net interest-bearing debt (*NIBD*)	27.2	19.6	20.1	22.1	26.0
Hybrid capital	-	-	5.6	5.6	5.6
Total equity	15.3	15.5	25.6	24.6	20.7
Average number of shares outstanding (million)	806.0	805.7	802.6	802.0	801.7
Capital expenditure (DKKm)	**(4,801)**	**(3,501)**	**(3,804)**	**(3,576)**	**(3,510)**
Statement of cash flow (DKKm)					
Operating activities	5,221	4,569	5,683	5,479	6,330
Investing activities	(5,130)	(3,983)	(3,476)	(3,799)	(3,578)
Financing activities	(765)	(17,757)	(2,944)	(3,181)	(7,591)
Total cash flow from continuing operations	**(674)**	**(17,171)**	**(737)**	**(1,501)**	**(4,839)**
Total cash flow in discontinued operations[1]	(3)	17,645	856	2,820	450
Total cash flow	**(677)**	**474**	**119**	**1,319**	**(4,389)**
Equity free cash flow	**(114)**	**620**	**1,598**	**1,509**	**2,776**

Key financial ratios	2019	2018	2017	2016	2015
Gross margin (%)	71.0	71.8	72.7	73.3	74.0
EBITDA margin (%)	38.3	38.6	39.8	39.9	42.9
Adjusted NIBD/EBITDA[2] (X)	3.6	2.9	2.8	2.9	2.9
Retail *RGUs* ('000)					
Mobile subscriptions	2,756	2,772	2,636	2,592	2,576
TV	1,177	1,249	1,307	1,388	1,386
Broadband	1,229	1,280	1,274	1,312	1,329
Landline voice	482	551	634	734	847
Employees					
FTEs (end-of-year)	7,498	7,126	7,362	7,168	6,989
FTEs and temps (end-of-year)	7,508	7,134	7,424	7,191	7,017
Other KPIs					
Total energy consumed (MWh)	258,909	261,108	278,189	-	-
Total waste generated (metric tons)	2,339	2,965	3,707	-	-
Data transported (1,000 TB output / year)	17,234	15,662	12,200	-	-
Employee engagement score[3] (Index)	77	76	75		-
100 Mbps population coverage	70	70	70	67	66
1000 Mbps population coverage (%)	43	37	21		

[1] Sweden (divested in Q2 2016) and Norway (divested in Q3 2018) are presented as discontinued operations. Other divestments are included in the respective accounting items during the ownership.
[2] *NIBD* figures for 2015-2017 include 50% of hybrid capital as rating agencies provide 50% equity credit for hybrid bonds. Calculated without the additional lease liabilities due to the adoption of IFRS 16. Including IFRS 16 the *NIBD*/*EBITDA* ratio amounts to 4.2 at 31 December 2019
[3] Comparable figures are not available for the years 2015 and 2016 due to a changed measurement parameter.



Who we are

Our structure

TDC NET business model

Maintaining and expanding our infrastructure and network creates the foundation for the stable and reliable services we provide for our customers.

Our resources and assets

Landline network

Our landline network covers 2.7m households, including partner networks across a nationwide copper access network, high-speed *cable* and *fibre* network.

Mobile network

Our mobile network covers 99.5% of Denmark via 4G. We have also begun rolling out 5G.

Skilled employees

Our diverse and skilled workforce includes everyone from technicians in the field to academics. These network champions are shaping the digital future of Denmark.

Partnerships and suppliers

Partnerships and suppliers at TDC Group include IT *service provider*s, network development and maintenance specialists, and international connectivity experts.

Value-adding activities

Fibre rollout

Building our future-proof digital infrastructure continued in 2019 adding 52k addresses to our *fibre* network, which now totals 267k homes passed.

Upgrading our 4G and preparing for a 5G network

Our mobile network was named the best mobile network in Denmark for the fifth year in a row.

Creating and strengthening partnerships

We continued to utilise existing partnerships and build new ones by welcoming new *service provider*s and brands to our network.

Our offerings

- Access to DSL network
- Access to *cable* network
- Access to *fibre* network
- Access to mobile network

Value created

Best connectivity

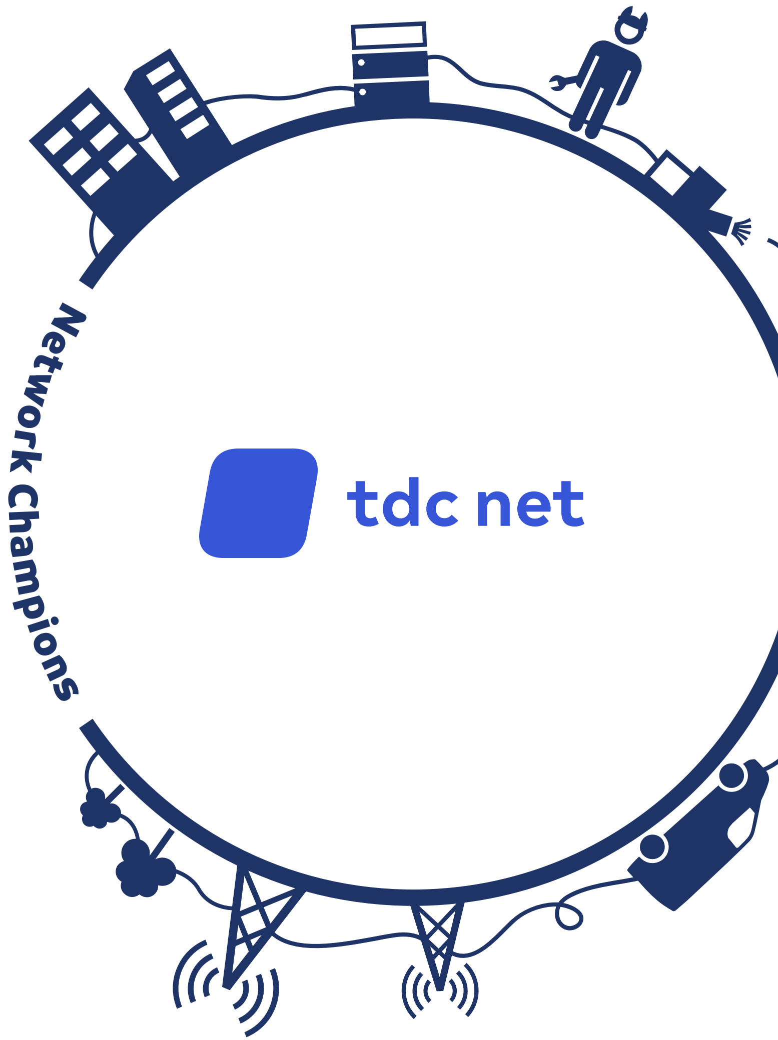
We ensure the best network access all the time with open access and carrier neutrality.

Reliability

We help provide a safe digital climate for society.

Innovation and digitalisation

We support digital citizenship and ensure digital connections for all of Denmark.



Nuuday business model

On top of an advanced infrastructure, we provide millions of Danish households and businesses with reliable, innovative and high-quality connectivity and entertainment solutions.

We offer our services through our family of brands: YouSee, Hiper, Telmore, Blockbuster, TDC Business, NetDesign and Relatel.

Our resources and assets

Access to the best connectivity

Access to the best mobile network, the largest high-speed *cable* and *fibre* network and nationwide copper network provide us with the platform we need to add value for millions of customers every day.

Skilled employees

As a digital *service provider*, our employees are our most valuable asset and Nuuday is fully committed to upskilling employees with the digital competences needed for the future. We believe that combining high autonomy and high alignment drives our unique way of working.

Long-term partnerships

We recognise that we cannot succeed alone. Strong and long-term partnerships are the key to our future competitiveness.

Value-adding activities

Better products and services

Our range includes innovative entertainment offerings, award-winning in-house content, cutting-edge security solutions and much more. We listen to our customers and strive to make sense with technology. We continuously renew and innovate our offerings to remain relevant, today and tomorrow.

Better customer experiences

We strive for a best-in-class customer experience. We use customer insights and digitalisation to ensure that our customers receive services on their preferred platforms.

Our offerings

- Internet & network
- Entertainment and TV
- Landline and mobile
- *Cloud* offerings
- Converged offering
- Security
- Unified communications

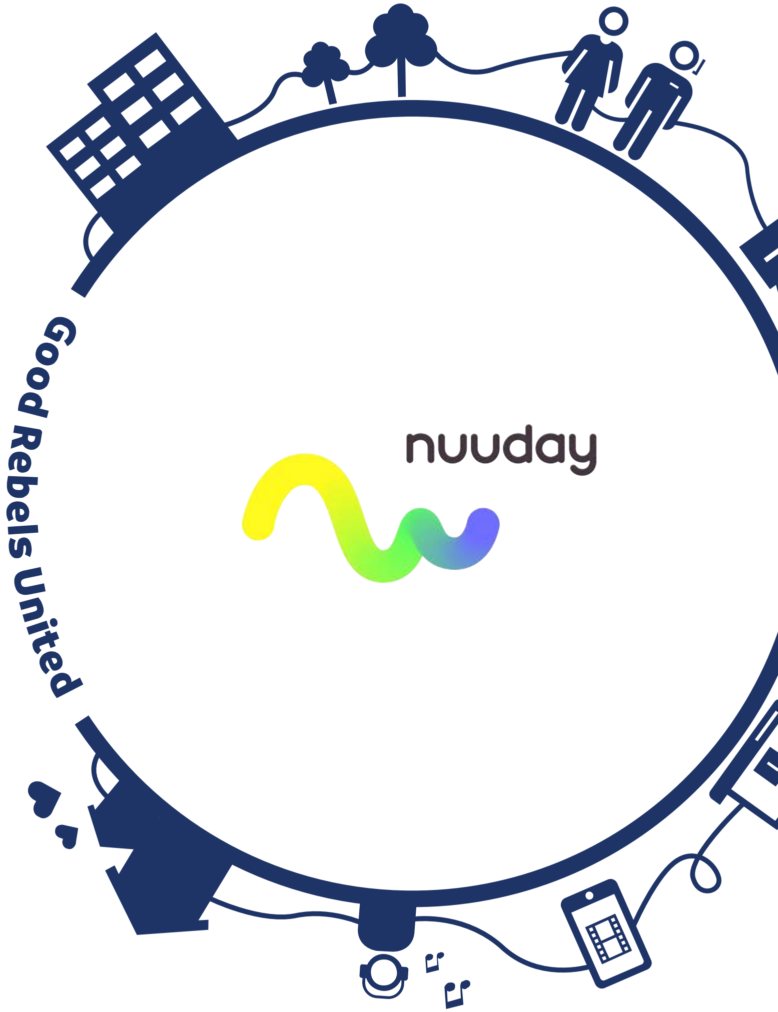
Value created

Reliability

We never compromise on reliability in our offerings. Innovative, digital offerings are of no value without reliable, high-quality service.

Innovation and digitalisation

We strive to make sense with technology. We give technology a direction and purpose. We encourage digital citizenship, bring people closer together and support an inclusive society.



Our people

Engagement

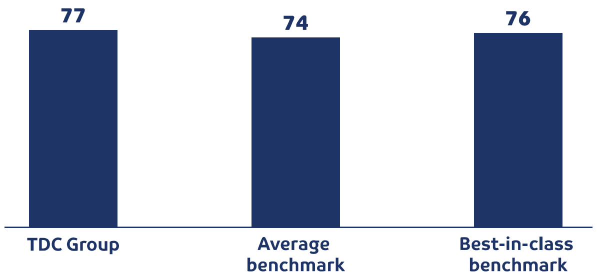
High satisfaction and loyalty

Our employee surveys allow us to focus explicitly on the specific elements driving employee job satisfaction and engagement. The survey results in 2019 showed that we have improved employee engagement by one point since last year to a new index score of 77, based on responses from 93% of all employees. This score is three points above the average for the labour market in Denmark and places TDC Group among the best companies in Scandinavia.

The results also show increased loyalty among our employees. During a time of change where TDC Group is in the midst of a major transformation, we are particularly satisfied with these results. The picture is equally clear regarding willingness to recommend our company as a workplace, where the number of ambassadors is high (53%) compared with industry average.

In order to maintain our strong culture and keep our high level of employee engagement, we are continuing our systematic follow-up on the survey results to identify and initiate the necessary improvement actions – both in individual teams and across the entire TDC Group.

Employee engagement scores in 2019



Culture

Transforming our culture

As we transform TDC and transition into three companies, TDC NET, Nuuday and our Group functions, we are maintaining a keen focus on supporting and building these unique cultures to drive and support the transformation. At Nuuday, the culture is based firmly on the theme “Good Rebels United” as Nuuday becomes fully Enterprise Agile compliant. At TDC NET, the “Network Champions” culture being fostered supports the journey while maintaining Denmark’s status as a digital front-runner. At TDC Group, the “Front-runner culture” mindset supports our mission to create an innovative and open model that will ensure all of Denmark connects to new digital opportunities.

Building strong cultures in the new company setup reflects high commitment and engagement in attracting and retaining talent while creating an appealing secure culture that encourages people to stay.

Our cultures

TDC Group

Front-runners

tdc net

Network Champions

nuuday

Good Rebels United

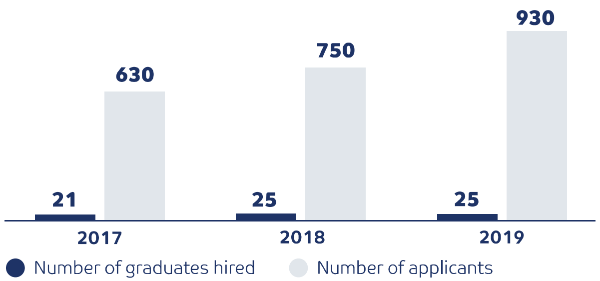
Talent

Investing in people

People are our most important asset – especially during this time of transformation. Investment in talent is paramount as we equip TDC Group for long-term and sustainable success. To attract, retain, and continually develop our people, we invest in:

- The TDC Group Graduate Programme, which will provide a secure pipeline of critical skills for the future. Our graduates accelerate their career development by rotating between departments to obtain key skills and gain greater understanding across our value chain. In 2020, we expect another 25 graduates to join.
- The Greenhouse programme, which develops the next generation of leaders. Here, aspiring leaders are assessed and trained to take on the role of the next generation of TDC leaders. This initiative is critical for cultivating a strong and diverse internal pipeline of leaders.
- Developing our top management at TDC Group. As great leadership is paramount to us, we invest in an intensive development programme for our top management.

TDC Group Graduate Programme



TDC Group

Strategy & performance

Group strategy

At **TDC Group**, our mission is to build and support an innovative, open model that will ensure all of Denmark connects to the new digital opportunities.

Our four strategic pillars

Four strategic pillars are key for the success of our strategy:

Transformation

We must be front-runners in transforming the telecoms industry in Denmark and globally by separating our integrated telco into two independent entities.

Technology

We must be front-runners in investing and building the fastest, future-proof technologies to benefit all of Denmark.

Trust

We must be front-runners in how we earn and build trust within the society that fosters us and that we rely on to succeed.

Talent

We must be a preferred place to work, as people are our greatest assets and facilitate us remaining front-runners in the new digital era.

Group performance

- **A 2019 organic[1] *EBITDA* decline of 3.7% was in line with our expectations, driven by decline in TV, other services and landline voice which was only partly offset by growth in mobility services and cost savings**
- **Consistent savings on organic[1] operating expenses throughout 2019 with 2.8% savings for the full year, driven by our consumer segment**
- **Service revenue excluding landline voice increased by 0.1% in 2019, signalling a stable top line across non-legacy core products**
- **TDC Group's capital expenditure increased by 37.1% in 2019, due primarily to TDC NET's *fibre* rollout connecting 52k households and the switch from Huawei to Ericsson equipment**

2019 guidance follow up[2]

TDC Group met its 2019 guidance on *EBITDA*, capital expenditure and leverage. *Organic EBITDA* declined by 3.7% in 2019 (guidance low single-digit decline) and costs related to the separation of TDC totalled DKK 358m (guidance DKK 300-400m). Capital expenditure was DKK 4.8bn in 2019 (guidance DKK 4.4-4.8bn) and leverage was 3.6x for the year (guidance ~3.5x for the year).

Revenue

In 2019, TDC Group's reported revenue decreased by 1.8% or DKK 312m to DKK 17,044m, compared with 2018. Organic[1] revenue decreased by 2.3% due mainly to a decline in landline voice and other services that was partly offset by growth in mobility services.

Gross profit

Reported gross profit decreased by 2.9% or DKK 358m to DKK 12,099m in 2019. Organic[1] gross profit decreased by 3.3%, driven by the continued decline in landline voice and TV, as a result of increased TV-content costs relating to *SVoD* services and build-up of own content. This decline was partly offset by growth in mobility services. The gross profit margin decreased to 71.0% in 2019 compared with 71.8% in 2018, driven primarily by the aforementioned increase in TV-content costs.

Operating expenses

In 2019, reported operating expenses decreased by 3.3%, or DKK 191m, to DKK 5,575m. Organic[1] operating expenses decreased by 2.8%. The improved organic[1] operating expenses were fuelled by cost savings, driven to some extent by reduced subscriber acquisition costs (SAC) as well as general optimisations across the organisation.

EBITDA

In 2019, reported *EBITDA* decreased by 2.5%, or DKK 167m, to DKK 6,524m. Throughout 2019, reported *EBITDA* was impacted positively by effects from new lease accounting principles (IFRS 16), DKK 398m, which were almost offset by costs related to the separation

1 Reported figures excluding items affecting comparability; regulatory price adjustments, impact from acquisitions and divestments as well as costs related to the separation of TDC, investments in *fibre* rollout, effects from new lease accounting principles (IFRS 16) and impact from changed classification of certain costs related to customer installations. See more details on page 161.
2 2019 guidance was updated at the announcement of the H1 financial statements. Original guidance was: Slightly lower *EBITDA*, *capex* of DKK 4.1-4.4bn and leverage of ~3.6x for the year.

"I strongly believe that our investments and strategy will support and promote a more Digital Denmark for years to come

- Lasse Pilgaard, Senior Executive Vice President, Chief Financial Officer

(DKKm)		Growth, %	Organic[1] growth, %
Revenue	17,044	-1.8	-2.3
Gross profit	12,099	-2.9	-3.3
Operating expenses	-5,575	-3.3	-2.8
EBITDA	6,524	-2.5	-3.7

of TDC, DKK 358m. Organic *EBITDA*[1] decreased by 3.7%, triggered by the continued decline in landline voice and TV, which was partly offset by an increase in mobility services and cost savings.

Capital expenditure
In 2019, capital expenditure totalled DKK 4,801m, up by 37.1% or DKK 1,300m compared with the same period last year. This trend resulted mainly from increased investments in upgrading our mobile network in preparation for 5G and the switch to Ericsson equipment, *fibre* rollout and digital activities.

Cash flow
In 2019 total cash flow decreased by DKK 1,151m to DKK -677m, of which DKK -674m is from continuing operations.

The DKK 652m increase in cash flow from operating activities in continuing operations in 2019, up to DKK 5,221m, was driven primarily by special items cash flow related to the takeover of TDC in 2018 (DKK 993m). Also, lower income tax paid (DKK 168m) driven by lower earnings and higher investments and the distribution of "excess capital" in Q1 from the TDC Pension Fund (DKK 136m before tax) contributed positively. This was partly offset by the different timing of *net working capital* (DKK -609m) and lower *EBITDA* (DKK -139m).

The DKK 1,147m increase in cash outflow from investing activities in continuing operations, up to DKK 5,130m, was driven primarily by higher *capex* compared with 2018.

Cash outflow from financing activities in continuing operations in 2019 decreased by DKK 16,992m to DKK 765m and stemmed primarily from the financing activities following the takeover of TDC in 2018. This lower cash outflow was partly offset by an increase in lease repayments (DKK 272m) associated with the implementation of IFRS 16 in 2019.

Profit for the year
Excluding discontinued operations and special items, profit for the year declined by 56.5% or DKK 437m to DKK 336m driven primarily by increased depreciation[2] and the positive development of fair value adjustments.

Profit for the year (including discontinued operations and special items) declined by DKK 5,542m to DKK 180m due largely to the gain in 2018 from the divestment of TDC's Norwegian business (DKK 5,293m).

Comprehensive income
Total comprehensive income decreased by DKK 6,508m to DKK 820m. Profit for the year declined by DKK 5,542m, and the decrease of DKK 966m in other comprehensive income related primarily to a negative development of DKK 1,514m in exchange-rate adjustments of foreign enterprises (primarily in Norway).

Net interest-bearing debt
In 2019, net interest-bearing debt excluding the impact from IFRS 16 increased by DKK 2,417m to DKK 22,027m. The increase was impacted by negative *Equity Free Cash Flow* of DKK 114m, dividend payment of DKK 995m and the non-cash part of the acquisition of mobile licences (DKK 1,339m).

Net interest-bearing debt increased by DKK 7,594m to DKK 27,204m due to the changed accounting policy for leases (IFRS 16) (DKK 5,177m).

2020 guidance
2020 guidance assumes a flat *EBITDA*, strategic investments in 5G and *fibre* of DKK ~2.6bn, total capital expenditure spending of DKK 5.5-5.9bn and net debt EoY *EBITDA* of ~4.1x excluding IFRS 16[4].

Capital expenditure (DKKm)
-4,801
Growth, %: 37.1

Profit for the year (DKKm)
180

Adjusted NIBD/ EBITDA[3]
3.6x

Employees (*FTE*)
7,498

1 Reported figures excluding items affecting comparability; regulatory price adjustments, impact from acquisitions and divestments as well as costs related to the separation of TDC, investments in fibre rollout, effects from new lease accounting principles (IFRS 16) and impact from changed classification of certain costs related to customer installations. See more details on page 161.
2 See also note 3 to the consolidated financial statements.
3 Calculated without the additional lease liabilities due to the adoption of IFRS 16. Including IFRS 16 the *NIBD/EBITDA* ratio amounted to 4.2 at 31 December 2019.
4 Including effects of IFRS 16, 2020 leverage of ~4.7x is expected. The guided leverage assumes interest rate payments at DKT Finance funded by TDC dividends and excludes new spectrum obligations.

Our business units

The illustration reflects TDC Group's 2019 performance based on our new segment reporting. Following the legal separation, trading on an arm's length basis between Nuuday, TDC NET and the shared services centres in Headquarters has been implemented and is reflected in the financial figures.

	TDC Group	tdc net	nuuday
Revenue (DKKm)	17,044[1]	7,050	15,625
Growth	-1.8%	1.4%	-1.1%
Gross profit (DKKm)	12,099[1]	6,588	5,895
Growth	-2.9%	2.4%	-3.9%
EBITDA (DKKm)	6,524[1]	4,247	1,964
Growth	-2.5%	-0.9%	-15.5%

1 Both absolute figures and growth rates do not amount to 100% as headquarters and eliminations are not included in the table.

tdc net

Strategy & performance

TDC NET strategy

We connect Denmark. For everyone

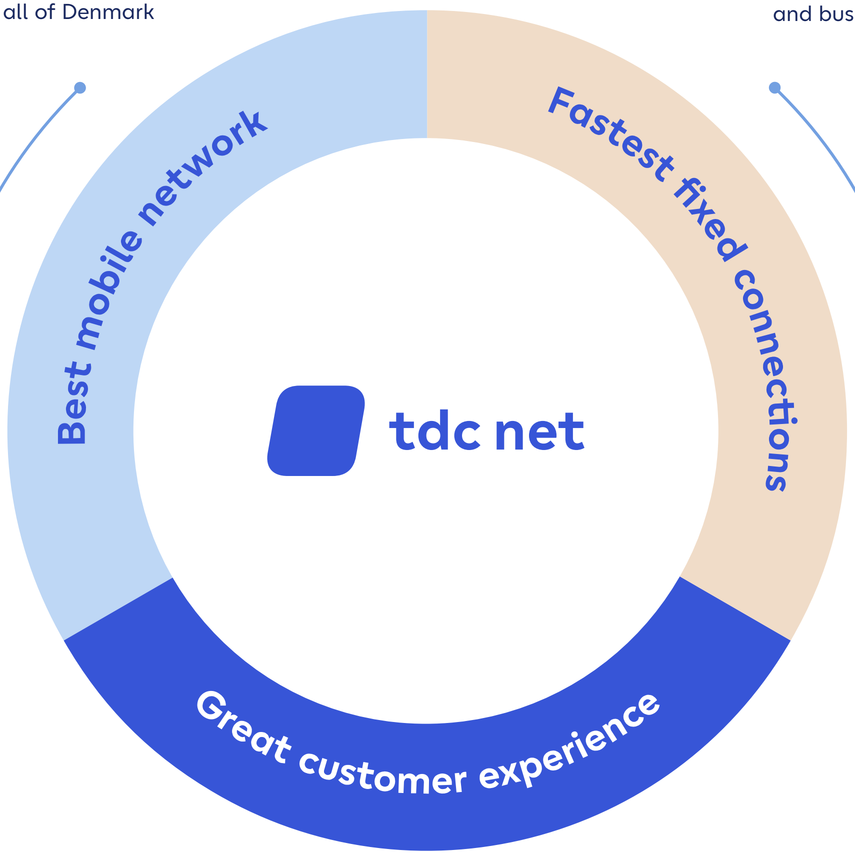
TDC NET shapes the next generation of nationwide, digital infrastructure in Denmark. By rolling out stable, reliable and lightning-fast networks, we ensure that businesses, hospitals, schools and everyone else are better connected than ever.

TDC NET focuses on designing, building, and running the digital infrastructure of the future, opening its network to competitors so that all Danes enjoy access to high-speed connections. TDC NET wants to be the preferred partner for delivering highly qualified technical support to all customers. Its ambition is to modernise and prepare TDC NET to become a true carrier-grade operator by minimising the risk of outages and thereby increasing customer satisfaction and improving the customer experience.

We will establish the next generation network making 5G available to all of Denmark

We will accelerate the rollout of *fibre* towards +1 million households and businesses in Denmark

We will be the undisputed leader in mobile network quality



We will be the best at leveraging our infrastructure across copper, *cable* and *fibre*

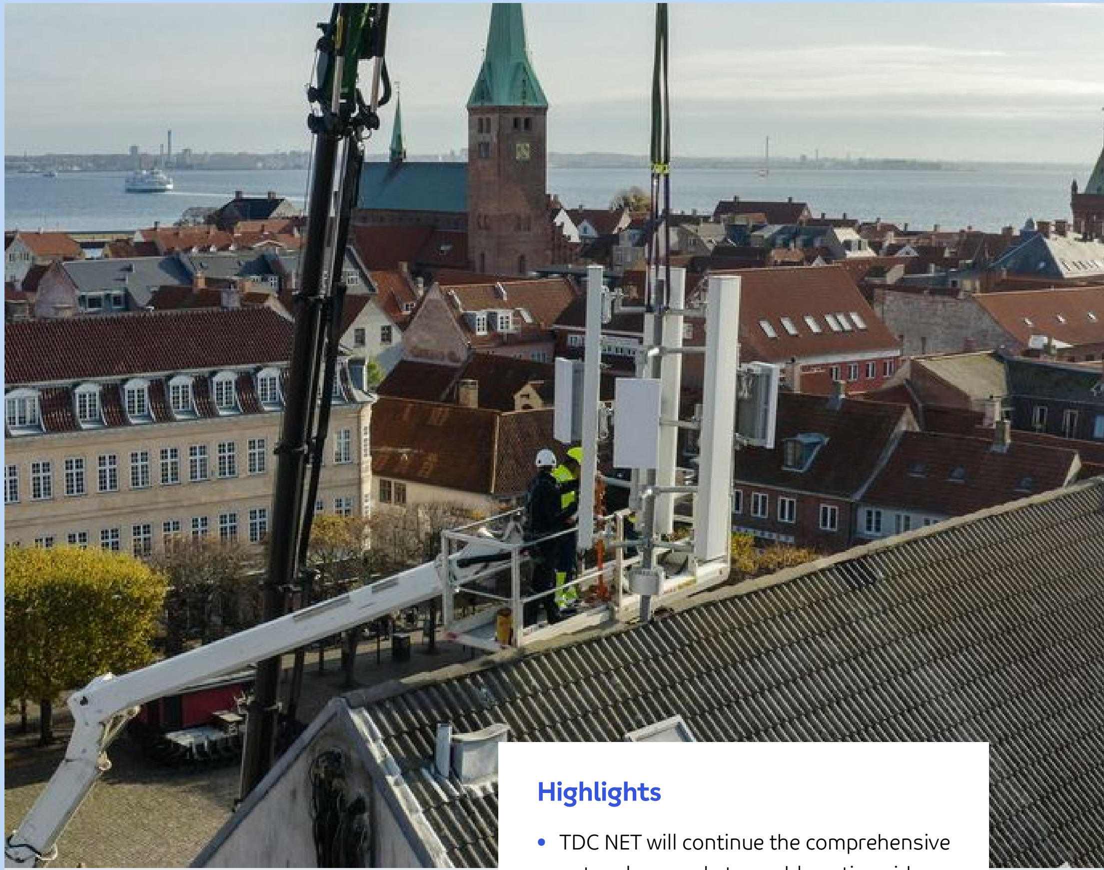
We strive for simplification and enable our customers to interact with us in an easy and secure way - while enjoying world-class network services

We will become the preferred partner with open access to all *service providers*

TDC NET strategy

TDC NET makes Denmark digital with 5G

In 2019, TDC NET started to establish the infrastructure of the future with 5G to create a Digital Denmark with the best nationwide wireless network.



5G technology is the start of a new era for the digital economy that will enable Denmark to build on its position as a global digital front-runner and become the first country in Europe with national 5G coverage.

In December, TDC NET launched Denmark's largest 5G pilot, in the Danish municipality of Helsingør, making the company the first operator to integrate the 5G network into its mobile network. In cooperation with *service provider*s, NET will invite customers in the municipality to try the 5G network. As part of the strategic partnership with Ericsson, the pilot project will put Helsingør at the innovative and technological forefront of 5G testing in Denmark.

A commercial launch date giving all Danes access has yet to be set. This will be done in cooperation with the *service provider*s using TDC NET going forward.

> **5G will bring a steep change in capacity and internet speed while enabling the Internet of Things with self-driving cars, remote surgery and automated processes in the industry. We don't need this today, but in a few years 5G will support our digital lifestyle."**
>
> -**Andreas Pfisterer**, TDC NET CEO

Highlights

- TDC NET will continue the comprehensive network upgrade to enable nationwide 5G coverage
- The infrastructure, built with Ericsson, will enable a Digital Denmark with the best wireless network
- 5G will empower a new era for the digital economy and will allow Denmark to build on its position as a global digital front-runner
- Our 5G rollout started on Zealand in October and we continue to prepare all our 3,854 sites for 5G

TDC NET performance

- **TDC NET's gross profit increased by 2.4% in 2019 due to mobility services and internet & network**
- **Capital expenditure increased by 63.6% due to *fibre* and mobile investments**
- **Broadband *ARPU* increased by DKK 8 due to *LRAIC* price increases and customer mix**

Revenue

TDC NET's revenue in 2019 increased by 1.4%, or DKK 100m, to DKK 7,050m. This stemmed from mobility services, internet & network and terminal equipment and was partly offset by a continued decline in landline voice and the commenced phase-out of the TV business area in TDC NET. The revenue increase in mobility services resulted from the national *roaming* agreement with Hi3G, and the increase in internet & network stemmed from a positive *ARPU* development.

Gross profit

In 2019, TDC NET's gross profit increased by 2.4%, or DKK 156m, to DKK 6,588m driven by an increase in mobility services generated by the national *roaming* agreement with Hi3G, internet & network from an *ARPU* increase and terminal equipment. The gross profit margin for TDC NET was 93.5% in 2019, up from 92.5% in 2018.

Operating expenses

In 2019, TDC NET's operating expenses increased by 9.1%, or DKK 196m, to DKK 2,341m, and derived mainly from transition costs related to the separation of TDC, the impact from the changed classification of certain costs related to customer installations and costs related to the *fibre* roll out. IFRS16 partly offsets the increase in operating expenses with an effect of DKK 76m. At the end of 2019, TDC NET had 2,524 *FTEs*, which is 253 more *FTEs* since the end of 2018, due to the *fibre* roll out and the separation of TDC.

EBITDA

TDC NET's *EBITDA* decreased by 0.9%, or DKK 40m, in 2019 to DKK 4,247. This development was driven by increased operating expenses and was almost offset by increased gross profit from mobility services, internet & network and terminal equipment. The *EBITDA* margin for TDC NET totalled 60.3% in 2019, which is a decline of 1.4 percentage-points compared with 2018, due to higher operating expenses.

Capital expenditure

In 2019, TDC NET's capital expenditure totalled DKK 3,168m, an increase of 63.6%, or DKK 1,233m, compared with 2018. This development was due primarily to TDC NET's investment in the *fibre* network and commencement of the mobile network swap to Ericsson and preparation for 5G. Spending on new IT systems and customer premise equipment (CPE) for customer installations also contributed to higher capital expenditure in 2019.

		Growth, %
Revenue (DKKm)	7,050	1.4
Gross profit (DKKm)	6,588	2.4
Operating expenses (DKKm)	-2,341	9.1
EBITDA (DKKm)	4,247	-0.9
Capital expenditure (DKKm)	-3,168	63.6
Employees (*FTE*)	2,524	11.1

nuuday

Strategy & performance

Nuuday strategy

Good Rebels United

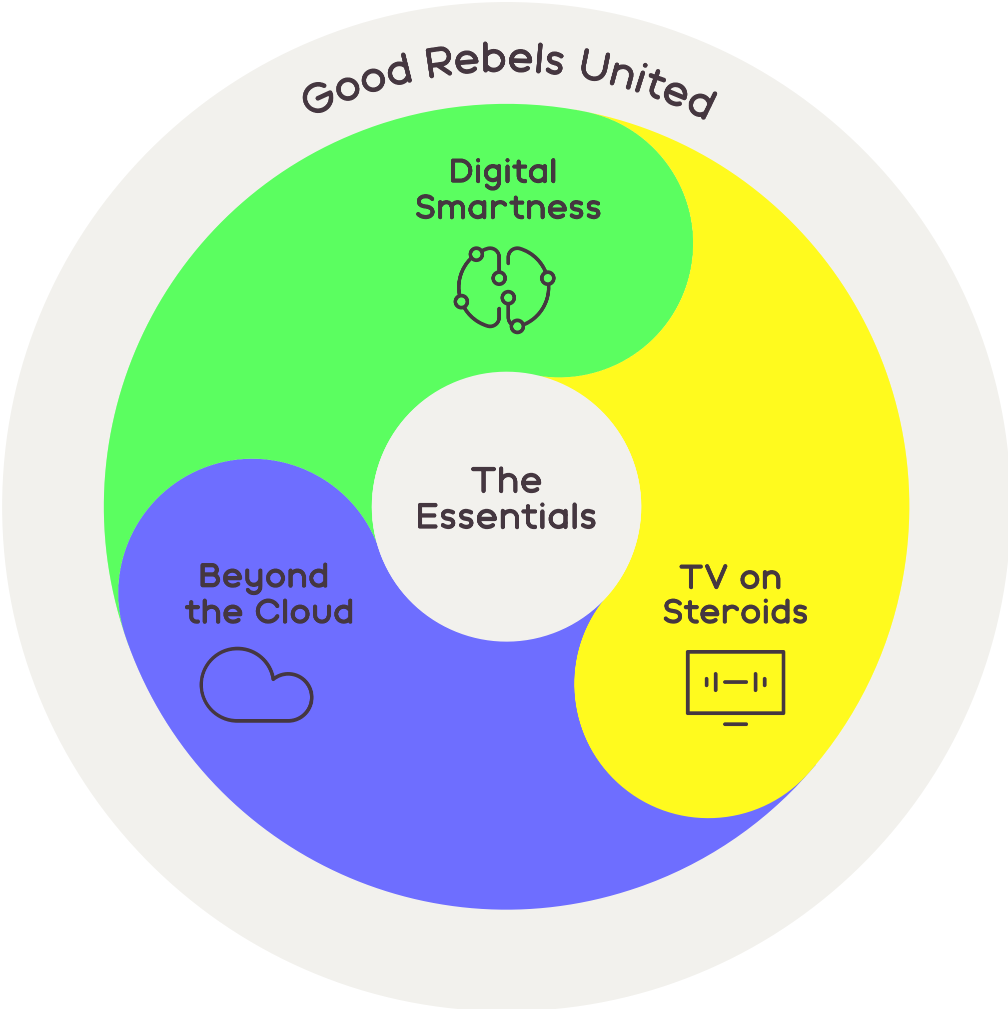
We make sense with technology

Nuuday is a family of market-leading brands with the shared purpose of making sense with technology.

We deliver innovative, high-quality entertainment and connectivity solutions to millions of Danish households and businesses.

Nuuday strives to give technology a purpose and direction – to make our customers´ lives a little easier. We aim for the stars, and we invest to revolutionise. We continuously learn from our customers and challenge the way we work to provide the best digital services with the technology of today and tomorrow.

Together, we are Good Rebels United!



Good Rebels United
We are creating the coolest place to work with high autonomy and alignment.

Digital smartness
We use data to create personal and contextualised experiences for our customers.

TV on steroids
We invest in creating market leading entertainment offerings based on a combination of third-party and own must-have content.

Beyond the *cloud*
We bring the benefits of the *cloud* into our customers' lives.

The essentials
We continuously simplify our products to enable us to become the best and most agile digital *service provider*.

Nuuday strategy

Passionate about entertainment

Entertainment is fundamental to Nuuday and in 2018, we gathered more than 700 developers at the Digital business unit and allocated more than DKK 1 billion to building the next generation of digital entertainment solutions. The customer benefits are clear. We now have some of the most innovative and popular entertainment offerings in Denmark – across TV channels, streaming services and music.

In 2019, Nuuday successfully launched its own TV and streaming channel, Xee, available to all YouSee TV customers. With award-winning original shows, such as “31” and “Sunday” as well as international blockbuster titles, Xee was extremely well-received – especially by on-demand viewers. This marked a major first step in creating our own compelling content position. With the addition of premium football rights from the Premier League and Bundesliga, Xee has now – in less than a year – become a top-10 linear channel in Denmark and true household name.

TV consumption is changing rapidly and hence we need to adapt accordingly to make our offerings in line with future trends – for example through giving our customers greater choice to purchase the content they really want. As an example, over the course of the year we launched new strategic partnerships with C More, Nordisk Film and TV 2 providing our customers with new high-quality content. Following our new strategic direction, we also engaged in negotiations with Discovery Networks regarding renewal of our existing contract. The negotiations proved unsuccessful resulting in the contract expiring on 1st of January 2020 on all our TV products. We are currently still working on finding a solution with Discovery Networks to the benefit of our customers. However, a new contract will need to be balanced and fair strategically and financially for both parties.

The third season of Sunday, a YouSee Original, is expected to premiere on Xee by autumn 2020

Highlights of 2019

- The first major step in creating our own content position was taken with the launch of our own TV and streaming channel Xee (in partnership with Disney/Fox)
- Top international titles, like The Walking Dead, and original Danish productions, like “31” and “Sunday”, are driving great on-demand viewership, lifting the channel to a consistent top 3 on our platform
- By acquiring half of the Premier League matches, Xee has become both a top-ten linear channel and a genuine household name
- The investment in content and the platform has also prompted a surge in usage on our digital platforms, with activity growing by more than 30% YoY from 2018 to 2019
- Xee has already won three TV awards, one Robert award and received many nominations.

> ” We understand the importance of user experiences and invest heavily in developing new ways our customers can access and be inspired by our content.
>
> - **Christian Morgan,** Chief Strategy Officer at Nuuday

Nuuday performance

- *EBITDA* declined by 14.8% in 2019, driven largely by investments in content, loss of TV customers and costs related to the separation of TDC
- Gross profit decline of 3.9% in 2019 due primarily to declines in TV and landline voice
- Capital expenditure at DKK 1,492m in 2019 with IT separation investments contributing most, due to the separation of TDC

Revenue
In 2019, Nuuday's revenue decreased by 1.1%, or DKK 168m, to DKK 15,625m. This decline was driven mainly by lower landline voice revenue across both consumer and business, with revenue decreases of DKK 97m and DKK 101m, respectively. Lower handset sales contributed to the negative development. Partly offsetting this was the DKK 106m growth in mobility services revenue, driven by higher *ARPU* in Consumer along with the acquisition of Firmafon (included from March 2019). Furthermore, internet & network revenue rose by DKK 98m, or 2.6%, in 2019, fuelled by the acquisition of Hiper and *ARPU* increase in Consumer.

Gross profit
Nuuday's gross profit decreased by 3.9%, or DKK 239m, to DKK 5,895m in 2019. TV gross profit decreased DKK 197, or 12.6%, vs. 2018, driven by increased investments in content combined with a decrease in customer base. Furthermore, the base driven decline in landline voice in both the consumer and business segments resulted in a gross profit decrease of DKK 145m. Internet & network partly offset this development with a gross profit increase of DKK 83m, or 4.6%, driven by the acquisition of Hiper and an *ARPU* increases in Consumer.

Operating expenses
Nuuday's operating expenses in 2019 totalled DKK 3,931m, up by DKK 121m, or 3.2%, from 2018. The increase was driven by costs triggered by the separation of TDC and acquisitions of Hiper & Firmafon. When excluding these costs Nuuday realised savings in operating expenses attributable to Consumer.

EBITDA
Nuuday recorded an *EBITDA* decline of 15.5%, or DKK 360m, to DKK 1,964m in 2019.

Capital expenditure
In 2019, Nuuday's capital expenditure declined by 2.9%, or DKK 44m, to DKK 1,492m. The improvement was driven by lower costs related to customer installations which was partly offset by IT costs driven by the separation of TDC.

		Growth,%
Revenue (DKKm)	15,625	-1.1
Gross profit (DKKm)	5,895	-3.9
Operating expenses (DKKm)	-3,931	3.2
EBITDA (DKKm)	1,964	-15.5
Capital expenditure (DKKm)	-1,492	-2.9
Employees (*FTE*)	4,515	0.3

Internet & network

Nuuday offers consumer and business customers internet through a nationwide copper access network and a high-speed *cable* and *fibre* network, covering 1.4m homes in Denmark with GigaSpeed

Our brands

youSee HIPER TDC Erhverv Relatel

Financial and operating performance
In Consumer, internet & network improved on reported external revenue in 2019. The growth amounted to 6.8%, or DKK 168m, to DKK 2,621m. The increase in reported external revenue generated by Consumer was driven by the acquisition of Hiper in December 2018 as well as a DKK 10 increase in *ARPU* due to price increases and speed upgrades. The increase was partly offset by a 36k decline in the customer base across all consumer brands.

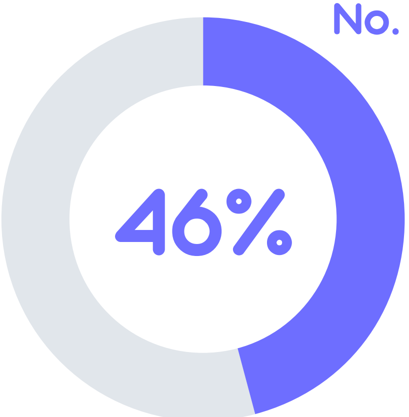
Overall, reported external internet & network gross profit for Consumer improved by 6.1%, or DKK 146m, to DKK 2,549m in 2019.

The positive development in Consumer was partly offset by Business, which recorded a decline in reported external revenue of 5.7%, or DKK 71m, to DKK 1,180m. The decrease in reported external revenue in Business was caused by a 10k decline in the customer base and a decline in *ARPU*, especially on *Fibre* & VLAN caused by the market competition and development in customer mix.

This resulted in a decline in reported external internet & network gross profit for Business of 6.3%, or DKK 75m, to DKK 1,112m in 2019.

Market share and position

No. 1



Consumer

External revenue (DKKm)
2,621
Growth: 6.8%

External gross profit (DKKm)
2,549
Growth: 6.1%

Broadband *ARPU* (DKK per month)
207
2018: 197

Broadband *RGUs* (´000)
1,021
2018: 1,057

Business

External revenue (DKKm)
1,180
Growth: -5.7%

External gross profit (DKKm)
1,112
Growth: -6.3%

Broadband *ARPU* (DKK per month)
279
2018: 281

Broadband *RGUs* (´000)
133
2018: 143

Mobility services

Nuuday delivers high-class mobility services on Denmark's best mobile network with add-on services including premium content for its customers.

Our brands

TELMORE youSee TDC Erhverv Relatel

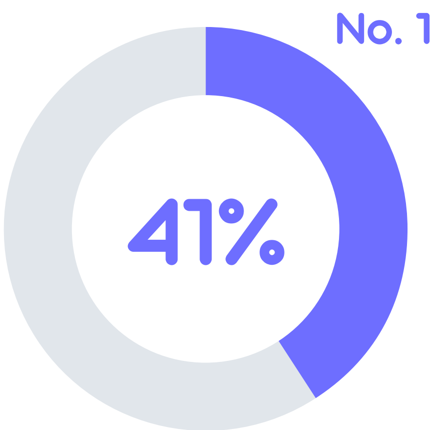
Financial and operating performance
In 2019, Consumer's reported external mobility services revenue improved by 3.8%, or DKK 114m, to DKK 3,142m Consumer mobile voice *ARPU* rose by DKK 1 due mainly to price increases midyear, even though *ARPU* was negatively impacted by the intra-EU call regulation. The net loss of 21k Consumer mobile customers YoY partly offset this and was fuelled by the churn effect from price increases combined with a spill-over effect from the termination of the Discovery contract.

External mobility services gross profit in Consumer thus ended at DKK 2,942m, up by DKK 80m, or 2.8%, compared with 2018.

Business increased its external mobility services revenue by 0.5%, or DKK 5m, to DKK 1,144m in 2019. The positive development in reported external mobility services revenue came from successfully increasing the Business mobile voice customer base by 5k, driven by the large government contract (SKI). This was partly offset by a Business *ARPU* that declined by DKK 3 due to renegotiation of contracts at lower prices.

Overall, Business delivered an increase in reported external mobility services gross profit of DKK 7m, or 0.6%, to DKK 1,141m.

Market share and position



Consumer

External revenue (DKKm)

3,142

Growth: 3.8%

External gross profit (DKKm)

2,942

Growth: 2.8%

Mobile voice *ARPU* (DKK per month)

123

2018: 122

Mobile voice *RGUs* (´000)

1,915

2018: 1,936

Business

External revenue (DKKm)

1,144

Growth: 0.5%

External gross profit (DKKm)

1,141

Growth: 0.6%

Mobile voice *ARPU* (DKK per month)

98

2018: 101

Mobile voice *RGUs* (´000)

841

2018: 836

TV

Nuuday offers TV and digital entertainment through YouSee TV and streaming services including Blockbuster. Our Mix-it-your-self platform and the YouSee streaming app offer a wide range of linear TV channels, on-demand TV, as well as other streaming services such as Netflix, HBO and Viaplay.

Our brands

youSee Xee BLOCKBUSTER

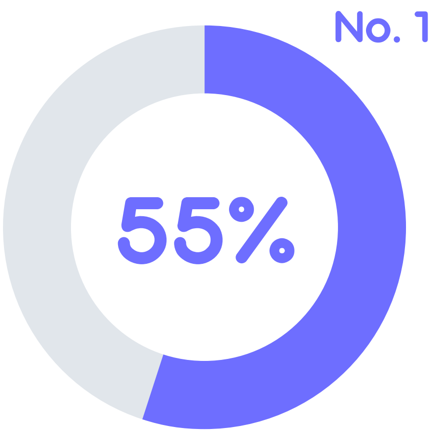
Financial and operating performance

TV saw a 1.7%, or DKK 67m, decline in reported external revenue in 2019, to DKK 3,924m. The decrease was caused by a loss of 71k customers, which was partly offset by an *ARPU* increase of DKK 4. The continuously declining TV market, accompanied by the termination of the Discovery contract as of end of 2019, contributed to the reduced customer base.

In 2019, the reported external TV gross profit for Consumer decreased by 11.9%, or DKK 230m, to DKK 1,696m. The larger decline in reported external gross profit, compared with reported external revenue, was caused by investments in content costs, leading to a lower gross profit margin in 2019, from 48.3% in 2018 to 43.2% in 2019.

Content costs increased as YouSee invested heavily in transforming services from traditional TV distribution into digital entertainment. This transformation increased content costs in 2019 through *SVoD* services in TV packages, price regulations from content suppliers and the build-up of own content production and distribution through Xee.

Market share and position



Consumer

External revenue (DKKm)

3,924

Growth: -1.7%

External gross profit (DKKm)

1,696

Growth: -11.9%

ARPU (DKK per month)

267

2018: 263

RGUs (´000)

1,171

2018: 1,242

Landline voice

Nuuday delivers landline voice connections throughout Denmark with a focus on high-level stability and quality.

Our brands

youSee | TDC Erhverv | Relatel

Financial and operating performance
In 2019, Consumer's reported external revenue from landline voice decreased by DKK 97m, or 16.4%, to DKK 496m. The decrease almost equalled last year's level (DKK -102m or -4.6%) and was in line with the market trend and our expectations. The decrease in Consumer land-line voice revenue was driven by the net loss of 50k customers YoY a decrease of DKK 6 in *ARPU* due to less traffic.

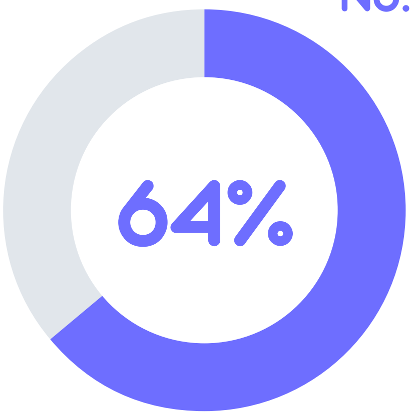
Reported external gross profit from landline voice declined by DKK 97m, or 16.4%, to DKK 496m in Consumer compared with same period last year

In Business, reported external revenue from landline voice decreased by DKK 101m, or 15.0%, to DKK 571m compared with a DKK 80m or 10.7% loss in 2018. Business' *ARPU* declined by DKK 4 and netted a loss of 17k customers compared with 2018.

In Business, reported external landline voice gross profit decreased by DKK 94m, or 14.7%, to DKK 547m compared with same period last year.

Market share and position

No. 1



Consumer

External revenue (DKKm)

496

Growth: -16.4%

External gross profit (DKKm)

496

Growth: -16.4%

ARPU (DKK per month)

118

2018: 124

RGUs (´000)

324

2018: 372

Business

External revenue (DKKm)

571

Growth: -15.0%

External gross profit (DKKm)

547

Growth: -14.7%

ARPU (DKK per month)

308

2018: 312

RGUs (´000)

146

2018: 163

ESG

ESG at a glance

72%

reduction in CO_2 emissions compared to 2010 levels – meaning we have achieved our 2020 target

Launched our 2030 CO_2 neutral target

We committed to the UN Global Compact Business Ambition for 1.5°C Pledge

ISO 14001

We achieved ISO 14001 certification across all our locations

Reduced our energy consumption by

38%

versus 2010

Parents in a Digital World

We launched our Parents in a Digital World web universe which has had more than 77,000 visitors by the end of 2019

SDGs

We have a new sustainability strategy aligned with the SDGs

55,000

children in need were helped by BørneTelefonen who we provide with free technology and services

39,900

students in 4th to 6th grades have tested their digital skills with the WiFive material

EcoVadis

TDC has been recognised by EcoVadis as a Gold level performer within the top 5% of respondents

UN GISD Alliance

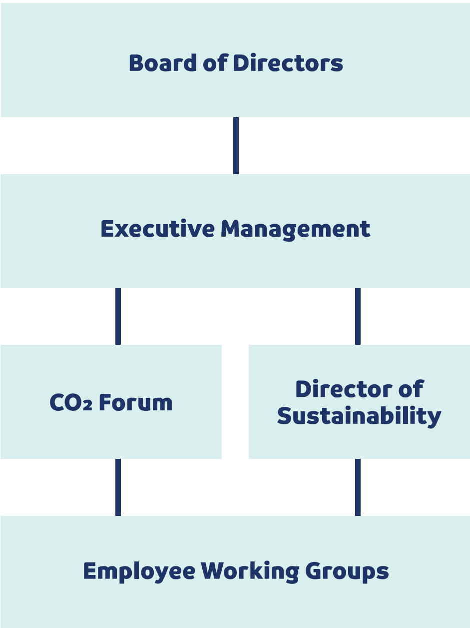
We joined the UN GISD Alliance for Financing the Sustainable Development Goals

A sustainable TDC for a sustainable future

ESG at TDC: Governance

For almost 140 years, TDC has been connecting Danes with each other and the world and enabling growth and development in Denmark by providing reliable, critical infrastructure and digital services. As an industry-leading network and *service provider*, we help all Danes to benefit from digitalisation and we take responsibility for running TDC in a sustainable manner.

Sustainability Governance & Oversight Framework



ESG, or environmental, social and governance, comprises three critical pillars for addressing how to be good corporate citizens. This entails supporting sustainable and responsible development, which is vital for our business.

Our ESG activities are integrated in our business strategy. These activities and initiatives are approved by our Board of Directors, and our executive management team is responsible for ensuring operational targets are achieved.

Strategy and targets

The new strategy launched in 2019 for addressing our ESG impacts reflects the views of our stakeholders and the market in which we operate. This new strategy is underpinned by our sustainability policy, which we updated in 2019 and publish on our website.

Our new three-pillared approach is guided by material issues, ESG commitments, and strategic business priorities. Despite the broad range of issues covered, our approach is closely aligned with our business ambitions and core competencies. This demonstrates our desire to make an impact and actively operate and develop TDC in a way that promotes sustainability and contributes positively to society's development.

To ensure we deliver on our ambitions, our strategy is tied to various KPIs that monitor and measure our performance and are used for internal reporting to Management and the Board.

Environmental impact

We will be 100% CO_2 neutral in 2030
We minimise our environmental impact

Digital Denmark

We support digital citizenship, develop digital solutions and ensure digital connections for all of Denmark

How we do business

We take responsibility for our employees, our customers, and our value chain

Materiality and stakeholder engagement: stronger together

Our ESG activities are proactive, inclusive, and materiality led. Dealing with our most significant and material issues first allows us to focus our attention and resources on issues that are important to our stakeholders and where we are certain we can make a great impact. Integrating stakeholder insights and feedback, as well as using knowledge of our impacts to prioritise our issue areas, helps us remain aware of our ESG risks and opportunities and be better placed to address or capitalise on them.

In 2019, we conducted a materiality assessment and used the outcome to guide the development of our new sustainability strategy. Our assessment followed a 5-step process (below) and incorporated quantitative and qualitative inputs from 10 different stakeholder groups on their ESG perspectives. During the process, we created an inventory of issues of concern to our key stakeholders, then prioritised and ranked them. We also reviewed global standards and best practices and incorporated existing and emerging ESG topics.

The materiality assessment methodology

List of stakeholders and resources consulted for input

1. Authorities & regulators
2. Board of Directors
3. Customers
4. Employees
5. Investors
6. Management
7. Media
8. Owners
9. Partners & interest organisations
10. Suppliers & business partners

Reporting boundaries guided by our materiality matrix

By corroborating our research with extensive stakeholder interviews, we produced a 2x2 matrix to determine our top material issues and thus our ESG reporting boundaries. The material issues identified by this assessment informed our strategy development, and all are captured within our three strategic pillars.

TDC & the UN Sustainable Development Goals (SDGs)

Our approaches and targets are also aligned with the UN Sustainable Development Goals to ensure that our efforts support the global effort for sustainable development

Climate action

While the Information Communications Technology (ICT) industry has the potential to enable climate emission abatement in other industries, we are also consumers of energy. We have a responsibility to manage this energy growth and consumption in a climate-friendly way.

SDG 13 Target

TDC has set a target to be 100% CO_2 neutral in 2030 (scope 1 & 2), to reduce our emissions by 50% by 2025, and to set science-based targets.

Digital skills

We join forces with civil society organisations to promote digital skills, digital citizenship and positive online communities, focusing especially on children, parents and the elderly.

SDG 4 Target

25% of Danish schoolchildren to have benefited from TDC initiatives on digital citizenship and skills in 2025.

Digital infrastructure

We invest in nationwide coverage with our digital infrastructure to provide access and connectivity for all Danes. This supports economic growth, development and opportunities for all in an increasingly digital world.

SDG 9 Target

One million homes to be connected to *fibre* and nationwide 5G coverage.

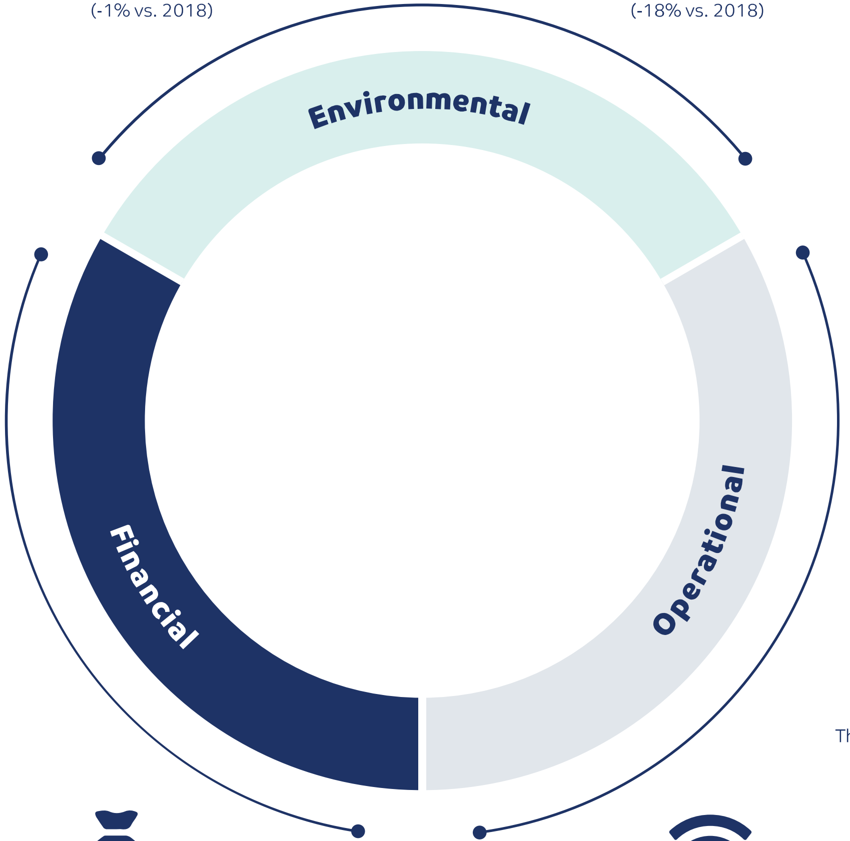
Our impact

TDC invests in Denmark's digital future by rolling out digital infrastructure nationwide and providing best-in-class products and services.

As the ninth-largest private-sector employer in Denmark, we have many impacts across our business: financially, operationally, and on the environment.

Energy consumption[2]
259 GWh
(-1% vs. 2018)

CO_2 emissions[3]
42,582 tCO_2
(-18% vs. 2018)



Investments
DKK 4.8bn
Our network investments amounted to 60% of the total amount

Customer relations more than
6 million

Salaries & pensions
DKK 4.3bn
(+10% vs. 2018)

Employees[1]
7,498
The 9th largest private sector employer in Denmark

TAX

Corporate taxes & VAT
DKK 2.6bn
(-3% vs. 2018)
In addition income taxes by employees of DKK 1.5b in 2019 and 2018 (included in Salaries & Pensions)

Data transported
17.2 million TB
(+10% vs. 2018)

1 Employees are represented as *FTEs*
2 Energy consumption is total vehicle fuel, oil, natural gas, electricity and district heating consumed during the reporting period
3 Tons CO_2 represents Scope 1, Scope 2 (location-based methodology), and Scope 3 (Business land and air travel)

Memberships

TDC is a proud member of specially selected organisations and commitments for sustainable development.

TDC signed the UN Global Compact in 2009. Ever since, the 10 principles of the Global Compact have underpinned our commitment to human rights, labour conditions, respect for the environment, and ethical business practices.

We engage in discussions on societal challenges of relevance to our business areas where we can contribute constructively with our expertise or experiences.

We also collaborate with the Telecoms Industry Association (TI), The Danish IT Industry Association (ITB), the Danish Chamber of Commerce, Dansk Erhverv, DA (Dansk Arbejdsgiverforening), ITB (IT-branchen), FDIH, Danske Mediedistributører, The Think Tank DEA and the UN Gender Diversity Roundtable.

In Europe, we collaborate with the European Telecommunications Network Operators' Association (ETNO), FTTH Council Europe, and *Cable* Europe. At international level, the fora we participate in are the UN Global Investors for Sustainable Development Alliance, the Global e-Sustainability Initiative (GeSI), and the association of mobile network operators worldwide GSMA.

We have participated in the GRESB Infrastructure Assessment on behalf of our owners.

Environmental impact

> TDC NET is building the next generation of digital infrastructure in Denmark – with sustainability in mind. Over the years, we have dramatically reduced the energy consumption in our networks and data centres, giving us a great foundation for achieving our ambition to be 100% CO_2 neutral in 2030.

- Andreas Pfisterer, CEO, TDC NET

In this section

Our approach

Increased ambition and action are required from all actors to meet the challenge of climate change.

At TDC, we have a unique opportunity to play an active part in supporting Denmark in achieving our national CO_2 ambition. While, we have already implemented many initiatives to reduce our energy consumption and climate footprint, we acknowledge the need to do even more. We are convinced that businesses of the future will succeed in creating shared value – value for owners, value for society, and value for the environment at the same time.

As a result, we have adopted an ambitious climate target to be 100% CO_2 neutral in 2030. This commitment drives all our activities across all business units to reduce our climate footprint.

Consequently, we maintain a systematic framework of impact assessment, gap analyses, initiative planning, and active management, all guided by our materiality matrix and based on the ISO 14001 Environmental Management System framework.

We take an inward-out approach to managing our impacts. First, we look at our operations and how we can reduce impacts across all environmental KPIs, including initiatives on energy, carbon emissions, resource use, waste, and electronic waste (WEEE). Next, we consider how to reduce the impact of our products and services and our employee activities on behalf of TDC, e.g. through remote collaboration. Finally, we seek to increase the knowledge of sustainable behaviours and research through involvement with international organisations and advocacy at national, regional and international fora. Our commitments and activities are underpinned by our Sustainability Policy.

Technology contributes to a greener society

The ICT industry is a key enabler of sustainable economic growth due to its role in connecting people and communities globally; through digitalisation and through improved connectivity offering new sustainable solutions. Digital services contain considerable potential in the context of environmental and climate improvements. Examples in this area include automated communication between machines and equipment; also known as *'The internet of things'* (*IoT*). In coming years, our lightning-fast and stable internet connections will be paving the way for controlling and remotely operating all kinds of machines and processes in real time. This will improve efficiency in society, which will also help save natural resources.

Digital technologies have the potential to deliver carbon reductions nearly equal in size to seven times the growth in the entire ICT sector's emissions footprint over the same period, according to the recent Digital with Purpose report from ICT industry body GeSI.

For example, we have developed and implemented various *IoT* solutions, some in collaboration with Danish municipalities. We have contributed to a project that involves measuring air pollution in Copenhagen and Albertslund/Glostrup, where data from nine measuring stations is sent in real time using our *IoT* mobile technology. The data is used for urban planning for construction and traffic. Another example involves waste sensors for monitoring when waste containers need emptying – and when the collection may be postponed, which saves time and energy and reduces CO_2 emissions. In two pilot projects, the City of Copenhagen has seen a 70% optimisation potential in the inner city and has therefore rolled out a further 1,000 sensors. Several other municipalities are currently procuring the solution.

Focus story

A great, green year for TDC

As we reach the end of 2019, it is with great pride that we can look back over our green achievements during the year.

During 2019, we made great strides towards meeting our 2020 target to reduce our CO_2 emissions by 70% compared with 2010 levels. We have more than achieved this milestone and have consistently reduced our CO_2 emissions every year since 2016.

These large reductions in our emissions are the result of dedicated work with a conscientious focus on minimising our environmental impact throughout the entire business and in every company operation: from our network and our fleet of vehicles to our offices.

Achieved our 2020 CO_2 emissions* reduction target; we are now

72%

below 2010 levels

*Reduction represents CO_2 for scope 1, 2 (location-based methodology), and 3 (business land and air travel)

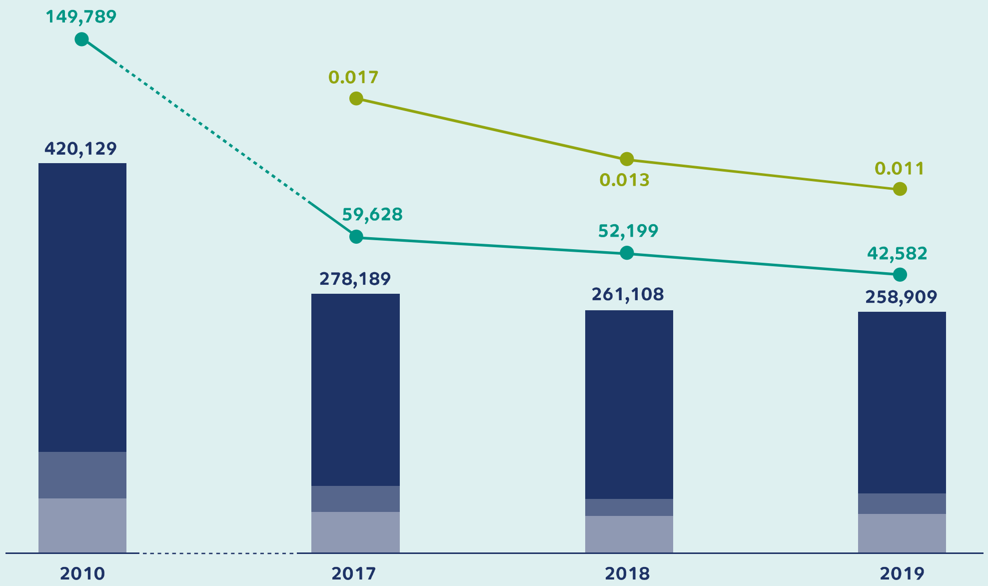
We have achieved this while simultaneously delivering the necessary capacity to satisfy our customers' increasing demand for data. To give some context to this growth, 98% of all the world's data was generated within the past two years, and in 2019, our customers' own data consumption again rose by 10% compared with the previous year.

Reducing our energy consumption

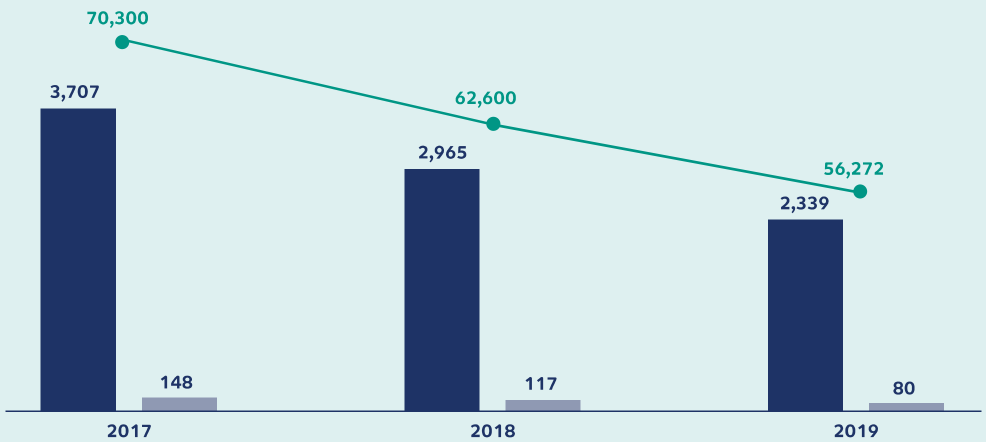
In 2019, we focused clearly on improving the efficiency of our datacentres through containment, virtualisation and consolidation of locations and platforms. For example, consolidating the M320 IP platform will realise an annual saving of 270 MWh.

Again, last year, we continued decommissioning across the whole network, which benefits the environment. Projects included the decommissioning of 158 network devices from 130 locations that ran the Asyncron Transfer Mode, or ATM, Network. This project means a saving of 1.9 GWh per year. The decommissioning of the PSTN

Development of our energy consumption & CO_2 emissions since our 2010 base year



Waste, water and paper consumption over the last 3 years



telephone equipment in 2019 will deliver full-year energy savings of 761 MWh, and the DSLAM broadband platform shutdown will realise a saving of 494 MWh annually.

In total, these four projects alone will reduce our electricity consumption by 3.4 GWh or nearly 2% of the 2019 total. This is equivalent to the average annual electricity consumption of more than 597 Danes.

By undertaking these and other projects, and through our sourcing choices, we have successfully reduced the amount of energy (both electricity and vehicle fuel) that we have consumed over the year. In real terms, our total electricity consumption fell by 3% compared with 2018, which was 37% lower than in 2010; and our fleet fuel consumption fell by more than 12,000 litres compared with 2018, making 2019 34% lower than in 2010. In short, we are delivering more for our customers using less energy than ever.

Reducing our environmental impact

In terms of waste reduction and recycling, it was a very successful year as we reduced the total volume of waste produced by 21% versus the previous year. We maintained a high recycling rate of 64% across all waste types. We also reduced paper use by 32% or 37 tons and reduced our water use by 10% or more than 6,000m^3.

Committing to a low carbon future

In August, we became a signatory to the UN's Business Ambition for 1.5°C Pledge, a public commitment for businesses to set emission reduction targets that align with the latest climate science, which will help to limit the worst effects of climate change. This pledge requires reaching net-zero emissions no later than in 2050 and requires both direct and indirect emission reduction targets (Scope 1, 2 and 3). 177 companies from all around the world have now committed to the 1.5°C Pledge and together represent 5.8 million employees. We were proud to sit alongside 350 of the world's most influential entrepreneurs, heads of state and CEOs during Climate Week in New York at the launch of the pledge during the Private Sector Forum on the side-lines of the UN General Assembly.

Last year, we were also pleased to obtain the ISO 14001 certification in Environmental Management. The ISO standard is an internationally recognised framework to help organisations improve their environmental performance through more efficient use of natural resources. The certification encompasses all brands in TDC and is amongst the largest in Denmark covering our almost 7,500 employees and 10,000 addresses. Working to achieve this important certification has provided us with a clearer overview of our energy and environmental impacts, as well as a framework for continuous improvement, which will be a firm foundation for moving forward with our new target to become 100 % CO_2 neutral in 2030.

Reduced waste by

21%

versus 2018

Focus story

Moving forward – CO_2 neutral in 2030

We want to aim high on behalf of our industry and in August 2019 announced our new ambition to become 100% CO_2 neutral in 2030 and to reduce our CO_2 emissions by 50% in 2025.

Our work towards this new target has already begun. We have established the internal structures needed to drive success towards achieving our ambitious target. Working both top down and bottom up, we are harnessing the passion and knowledge of all employees to deliver climate action at TDC. More than 300 employees across the Group, Nuuday and TDC NET have signed up to promote, give insights, and kick-off new initiatives that will help us fulfil our new ambition.

This commitment covers our Scope 1 and Scope 2 emissions. It includes the oil in our back-up generators, the gas heating in our offices, the fuel propelling our technicians around the country, and the electricity powering our network. We intend to tackle our impacts head on with the biggest culprits deserving our focus from the start; electricity accounts for 72% of our Scope 1 and Scope 2 CO_2 emissions[1] and fleet for 23%[1], which is where we have begun. During Q3 and Q4 of 2019 we ran 6 workshops with participants from all business units, and several workstreams have been established to develop initiatives from the more than 250 ideas generated during the workshop process. These initiatives focus on driving down our CO_2 emissions to zero as well as reducing our overall environmental impact.

The workstreams refer to our new CO_2 Forum, which has been created with key management-level personnel from the departments responsible for consuming the most energy across TDC. Together with the CO_2 Forum, with input from the employee workstreams and direction from our Sustainability team, we will deliver a roadmap of effective solutions to ensure that TDC becomes CO_2 neutral in 2030. Our CO_2 ambition is aligned with the Business Ambition for 1.5°C Pledge.

We still have work ahead to set a Scope 3 target. Scope 3 emissions are all our indirect upstream and downstream emissions (excl. electricity) in our value chain. For TDC, these emissions include emissions from manufacturing our products, emissions from our products being used in customers' homes, emissions from end-of-life treatments like recycling etc., employee commuting, and emissions from waste and water use.

However, there are many more sources of Scope 3 emissions to be accounted for. In 2020, we will investigate these impacts and aim to set a comprehensive, science-based target no later than September 2021.

TDC and other business leaders recognised for their ambitious climate targets and commitment to the Business Ambition for 1.5°C Pledge at the UN Private Sector Forum during Climate Week 2019. Photo credit: UN Global Compact

Halfway target

50%

reduction in CO_2e emissions* in 2025

*CO_2e for scope 1 & 2 (market-based methodology)

1 As a percentage of CO_2 emissions based on location-based calculation methodology.

Focus story

Nuuday for new sustainable growth

Several new green initiatives accompanied the launch of Nuuday, as all Nuu-brands in the family are dedicated to going green with technology.

Supporting Danish nature with a click of the remote

In 2019, YouSee launched Den Danske Naturfond as a new benefit for customers of YouSee More, the convergence loyalty programme for YouSee customers. By choosing Den Danske Naturfond as one or several of their benefits, YouSee customers can donate 1 m^2 of nature per month to the Danish society and thereby help to protect our shared natural resources.

With 400,000 YouSee More customers, and more than 1.5 million benefits possible in the programme, the potential for supporting the protection of nature is significant. Going forward, YouSee intends to engage customers more with the project, including inviting customers to events in natural areas that have been supported with donations from YouSee More customers' benefits. Providing a foundation for a full digital life, packed with technological convenience and digital entertainment, YouSee also wants to take responsibility for protecting nature to emphasise the importance of a balanced and constructive approach to digitalisation.

Your TV box and modem: Green technology at your fingertips

Driving down energy consumption in our customers' homes

In 2019, a new project to exchange almost 340,000 TV boxes for all our DSL and *fibre* customers was launched. This great milestone means we now have the same TV box for all YouSee TV customers. With the new TV box, customers get recordings in the *cloud*, improved image quality, the option of Ultra HD, and an easy wireless installation.

All customers' TV boxes will be replaced by 1 January 2023. By the end of 2019, approx. 4,550 existing TV boxes had been replaced. As the new box consumes less energy than the box it is replacing, by the end of the project we will have saved our customers 20 GW of energy per year, equivalent to approx. 3,000 tons of CO_2.

Promoting circular economy principles

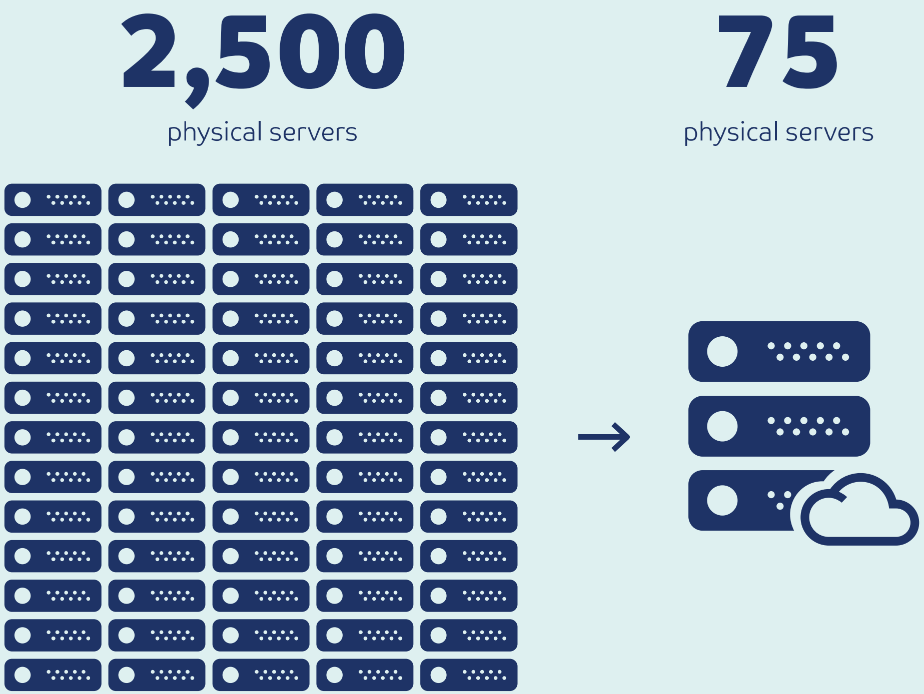
Every year, Nuuday brands distribute thousands of TV boxes and modems to customers across Denmark. The resources and energy used to produce this equipment is highly impactful for the environment.

To reduce the impact of our operations, when a customer decides to churn or buys another service from us, we promote circular economy principles by taking back TV boxes or modems that can be redeployed or refurbishing for reuse by other customers.

In 2019, YouSee, TDC Erhverv and Fullrate refurbished 154,000 units between them, avoiding 78.5 tons of e-waste. In total, these boxes accounted for 24% of all units purchased at YouSee and TDC Erhverv, whereas at Fulllrate 65% of units distributed were from refurbished stock.

Focus story

Project Carrier Gradeness: Building resilience in our data centres



TDC NET is creating the next generation of nationwide digital infrastructure in Denmark.

We are rolling out secure, lightning-fast networks across the country, delivering top-class connectivity between Denmark and the world, while taking care of the environment and contributing to TDC's new '100% CO_2 neutral in 2030' target.

To do this, we must have the most advanced and best equipment in our network. Our data centres are critical assets for us, as they house all our routers, switches, servers, firewalls, and storage. This equipment ensures end-user applications such as voice communications, and *cloud* services, including VOD (video on demand), are available to our customers 24 hours a day, 7 days a week.

Our process of data-centre virtualisation, originally kicked off in 2015, continued in 2019, when we also launched our Carrier Gradeness project to promote hardware hyperconvergence. This involves retiring servers that provide the virtualisation platform and migrating to even newer and fewer devices with the latest technologies that support our industry's drive towards better resource efficiency.

Delivering business and environmental value

The benefits of the Carrier Gradeness project, once completely implemented, will be manifold. The project will increase resilience in the network, reduce energy consumption, and increase resource efficiency, as well as providing the best future-proof service for our customers.

From the perspective of natural resource use, utilising server virtualisation and hyperconverged hardware to avoid replacing old servers on a like-for-like basis will allow us to reduce 2,500 physical servers to just 75 physical servers. This means avoiding a lot of material use to replace the outdated devices. We can now run hundreds of servers in the same physical space as a few physical servers. In fact, we estimate that we could avoid up to 6,000 tons of materials being used to manufacture new equipment on a 1:1 basis.

Looking at energy consumption, we expect to see a huge drop in our data centres, due to the reduced consumption and scale of the new IT equipment. Once the project is complete, this will result in a saving of 3,416 kWh per physical server per year in IT electricity consumption and cooling alone. Although the project will span several years, we have already consolidated some of our locations and reduced energy consumption by 172,300 kWh in 2019. This is equivalent to the total annual electricity consumption of 30 Danes.

In addition, by virtualising our servers, we can consolidate our sites, reducing the footprint of individual sites and the number of actual sites. This will mean an added reduction of up to 30% of a site's energy consumption on cooling. Cooling is important for managing the temperature at a site to optimise IT equipment operation. By reducing the size of rooms, we can reduce the need for cooling and the energy required to provide that cooling.

Finally, the equipment that can be reused by others is sold on, while any equipment that cannot be reused is recycled appropriately.

Digital Denmark

> At Nuuday, we make sense with technology. We want to lead the way and show how new digital services can benefit everyone: young people, senior citizens, businesses, society at large, while supporting a sustainable future.

- **Michael Moyell Juul,** CEO, Nuuday

In this section

Our approach

As the leading telecommunications provider in Denmark, we are committed to realising 'Digital Denmark' through countrywide connectivity, and by promoting digital citizenship for all.

We work as one company and in partnership with dedicated and knowledgeable representatives of civil society to promote digital citizenship and ensure that everyone can benefit from the new, rapidly evolving opportunities digitalisation brings.

Infrastructure for the benefit of all

TDC has always played a very special role in facilitating communication and ensuring connections between people. TDC wants to enable Denmark to move forward as a nation of digital front-runners, while timing taking co-responsibility for the society that fostered us by ensuring and protecting equal digital opportunities. Even though the technological landscape is rapidly changing.

TDC NET has committed to providing national 5G coverage by the end of 2020, and to connecting 1 million households to *fibre*. When we invest in our network, we invest in the digital future of Denmark.

5G will bring a steep change in capacity, internet speeds and enabling the *IoT* with self-driving cars, remote surgery, and automated processes in the industry. It will contribute growth to the economy, the green transition, and productivity in the business community to benefit both citizens and companies. Therefore, *fibre* connections for homes are crucial in realising the opportunities offered by a digital society of tomorrow.

Connectivity for inclusion: digital citizenship and skills

Naturally, as the country's leading supplier of digital connections, we take co-responsibility for ensuring that individuals and members of society have the skills required for a digital age. This relates to technical, creative and social skills that are crucial for developing as individuals and treating others with respect in a digital universe.

We run strategic programmes together with our long-term partners Danske Skoleelever and Børns Vilkår, as described on pages 47 and 48. TDC is also a founding member of the "Digital Dogme" initiative for upgrading employees' digital skills and sharing knowledge among companies across industries and sectors.

In addition to our efforts to ensure that we can provide Denmark's fastest mobile network with the best coverage, TDC has established the "Rural Area Initiative" to support better broadband connections in rural areas. We also engage actively with the state broadband fund, Bredbåndspuljen and in 2019, TDC NET was the largest receiver of funding from this fund, which supports Internet *Service Provider*s (ISPs) in rolling out high-speed internet connectivity to rural locations. In total, 115 projects covering 3,585 addresses in 36 municipalities were awarded grants by the programme in 2019.

TDC NET will be responsible for implementing nine projects covering almost one quarter of these addresses.

Everyone onboard for a digital future

TDC has more than 6 million customer relations and provides all Danes with digital services. We insist that digitalisation is for everyone and we recognise that some need a little more help to discover the benefits of digital solutions.

Therefore, TDC has produced an IT handbook that is distributed free at YouSee shops and by TDC NET technicians and is also available online on our corporate website. The handbook contains advice on how to make the most of the possibilities that digitalisation has to offer. We also run inspirational training workshops for Ældre Sagen's IT volunteers.

In 2019 TDC invested

DKK 4.8bn

Together with PostNord, TDC sponsors 'ENIGMA', the national Post, Tele and Communication Museum. This is an important source of knowledge on the communications technologies that have shaped our society in the past. By holding coding classes for young people, workshops on 3D printing and other initiatives, the museum also provides hands-on opportunities to learn the skills and knowledge needed for the future.

Ambassadors for positive digitalisation

TDC is proud to promote and advocate positive digitalisation. As a result, we are pleased to have contributed to two important industry reports in 2019 that support this agenda; the GSMA's 'm-Power Youth Operators Guide' & the GeSI 'Digital with purpose: Delivering a smarter 2030' report.

Focus story

Expanding WiFive

Courses for teachers, new teaching materials for younger students in primary school, and more digital dilemmas. In 2019, WiFive, the good digital community, expanded significantly.

39,900

students in 4th to 6th grades in Denmark have tested their digital skills with the WiFive materials

New initiatives were launched, marking the completion of the WiFive educational materials for students in 4th to 6th grades. We celebrated this milestone with a true WiFive party at Østre Skole in Middelfart in March 2019. Many thanks to the ten first flagship classes across the country for their dedicated help and engagement in making the best teaching materials possible.

At TDC, we are proud that the WiFive materials have now reached every third school in the country, and that almost 1/5 of all students in 4th to 6th grades in Denmark (19.4%) have tested their digital skills with the WiFive materials. The purpose of WiFive is clear: TDC takes co-responsibility for supporting positive and constructive digital communities among children.

We are convinced that the key is to let students themselves - and not adults - provide content for the digital framework and define the rules of good digital behaviour based on the four themes: digital citizenship, understanding technology, positive digital behaviour and safety online.

In close collaboration with our partner at WiFive, Danske Skoleelever and 15 new flagship classes, we have also worked on WiFive 2.0 by updating teaching materials to target pupils from 2nd and 3rd grades.

The age at which children receive their first mobile phones is falling, and a new digital reality is evolving; with both opportunities and challenges. As younger children are entering the digital universe, our ambitions are growing: By 2021, the goal is that 55,000 students will have benefited from WiFive. Therefore, in 2019, we also expanded by running the first WiFive workshops offered to teachers. Here, together with digital experts, we advised on how to support pupils in their digital lives and adjusting their behaviour in the digital communities, if necessary. So far, 263 teachers have participated in these courses.

With the positive feedback we have received from the first ten flagship classes in the middle tier, we are well on our way to making a difference for a new digital generation.

Focus story

Supporting Parents in a Digital World

Digital and social media are now a natural part of many children's lives. The children of today do not necessarily distinguish real life from digital experiences and therefore naturally need the same guidance online as they do in real life.

A study from BørneTelefonen revealed that children largely do not involve their parents in their digital lives and experiences. This is problematic as the majority of the children in the study revealed that they frequently have unpleasant and hurtful experiences online.

Therefore, in 2019, TDC and Børns Vilkår launched Parents in a Digital World – a web universe where parents can find information and guidance on playing a more active role in their children's lives online. The site focuses on all digital issues, from cyber security, insights on the differences between gaming and gambling, dealing with digital bullying and the uses and perspectives of social media.

Børns Vilkår and TDC agree that children's digital well-being should be a main focus, and in close partnership, we aim high: Parents in a Digital World should be the preferred platform for parents seeking better knowledge on this subject. And we are well on our way: Since the new site was launched in January 2019, it has already attracted more than 77,000 visitors, and the different elements of the campaign have now reached more than 750,000 people.

These figures support the assumption that plenty of parents find being involved in their children's digital lives a challenge. Often, children feel that their parents' digital skills and knowledge of the social mechanisms of social media are lacking. And for their part, parents feel less capable than their children – especially when using new technology.

Our ambition with Parents in a Digital World is to remove these obstacles and strengthen parents' digital skills – but also to reinforce their understanding of social media and the digital world where their children interact.

In 2019, we also took steps internally to promote the campaign by inviting all employees and their children to Parents in a Digital World Day events in both Copenhagen and Aarhus. At these events, representatives from both Børns Vilkår and the Danish Police (Centre for Cyber Security) advised the almost 200 participants on how to prevent hacking, phishing and fraud online.

More than

77,000

have visited the web universe Parents in a Digital World

Focus story

Nuuday Digital Denmark

At Nuuday, we provide purposeful technology, develop solutions that add value for society, and support causes that protect and enrich the lives of Danes.

Creative coding with Coding Class and *IoT* in Folkeskolen

Future generations must be co-creators – not just super-users of digital solutions. Therefore, school pupils must increasingly acquire digital skills and have a basic understanding of the digital foundation on which our society is based.

Through the Coding Class and *IoT* initiatives in Danish elementary schools, pupils in 6th and 7th grades learn to innovate and create digital solutions for real, everyday challenges. At Nuuday, we have been delighted to support these initiatives.

In March, we hosted three 7th-grade classes from Lystrup School at our Nuuday offices in Aarhus. During the week leading up to the visit, the students worked on how the *Internet of Things* can make a real difference to everyday life at school, from removing the queue in the canteen, to implementing a noise meter and installing automatic classroom ventilation. The day ended with feedback from Nuuday's most knowledgeable *IoT* experts, and hopefully the students went home with an appetite to pursue the opportunities that lie in technologies of the future.

In June, it was time to open our doors in Copenhagen, where 6th graders from Sankt Annæ Gymnasium proposed ideas to YouSee on how coding could help make their products more relevant to young people. Again, the output was extremely useful: a 'digital fortune teller' with tasters of new series, digital quizzes on new content and more smartphone competitions.

BørneTelefonen: A supportline for children and young people

One of the finest examples of matching our products and services with serving those in need in Danish society is our cooperation with Børns Vilkår. Together, we provide an anonymous support helpline for children in need of help and advice, 'BørneTelefonen'.

Since the first call came in more than 30 years ago, we have championed this project, providing the telephony and connectivity services to deliver the support helpline. By giving our technology and services free of charge, we are making sure that children and adolescents can get help and guidance from qualified adults, so no child is left feeling alone.

The demand for this service has increased over the years. In 2019, a new record was set as more than 220,000 enquiries were received by the support helpline. This was both an increase of 10% compared with the previous year and the highest annual number of children counselled by the helpline in its 30-year history.

Numerous customers have also helped make a positive difference by choosing 'Børns Vilkår' as their 'benefit' in YouSee More's loyalty programme. In addition, TDC Erhverv has exchanged the traditional Christmas gifts it offers customers for extra donations to BørneTelefonen, thereby enabling Børns Vilkår to connect more children with the organisation's volunteers.

55,000

children in need were helped by BørneTelefonen in 2019

The Young SDG Innovator Programme

TDC has been a member of the UN Global Compact for Sustainable Development Goals for more than a decade. This year, three young talents from Nuuday were selected to participate in the UN Young SDG Innovators Programme. The programme engages with young professionals from around the world to promote the SDGs as a catalyst for developing new products and services. In this way, the programme activates future business leaders and changemakers, challenging them to rethink traditional business models and unlock new business opportunities within the SDG framework. Starting in September 2019 and running until May 2020, the young Nuuday innovators will work on a challenge specific to Nuuday with the goal of designing more sustainable business models, initiatives and products that will advance the company's sustainability efforts while driving innovation and delivering tangible solutions with potential market value. The group will present their findings at the UN Global Compact Headquarters in New York.

Focus story

Launch of 5G innovation hub partnership

In autumn 2019, TDC NET and Ericsson established a joint 5G-centred innovation hub that combines senior expertise and knowledge from both companies to generate new exciting opportunities involving technology for businesses and society at large.

Arun Bansal, President of Europe and Latin America, Ericsson; Andreas Pfisterer, CEO, TDC NET, and Benedikte Kiær, Mayor of Helsingør.

The team consists of senior capacities within business development and different 5G network verticals, who track and share different approaches to bringing new technical products and services to the Danish market in real-life environments.

The first achievement was a successful 5G pilot in Northern Zealand, involving examples of exciting new use cases; making Helsingør the first Danish city to be covered by 5G and ready for the digital future.

The ambition for 2020 is to identify and engage with leading Danish companies and academia to find the best path to mitigate issues preventing efficient production, while reducing our CO_2 footprint within different industries. This will support our strategy to ensure consistent 5G availability across the country and will ensure that TDC NET retains its position as the Danish powerhouse for 5G.

Focus story

5G & Health

With digitalisation and new technologies come exciting possibilities for progress and new opportunities, but also concern for how these new technologies could affect our health and everyday lives. Health, safety and the environment are therefore all integral parts of TDC NET's business innovation and operations.

As a provider of critical infrastructure to Denmark, it is crucial that society trusts that we not only follow the regulatory requirements that apply to our area, but also engage in continuous dialogue and exchange of experience with authorities, partners and industry representatives. We work to ensure that we are always at the forefront of the newest knowledge and developments, so that we always meet society's expectations.

Danish legislation follows the relevant international threshold values and regulations issued by the Board of Health. Naturally, TDC NET guarantees that these values are not exceeded in connection with our mobile networks. Based on the available, relevant scientific studies, the Board of Health has found no overall basis for concern that health risks are associated with 5G.

How We Do Business

> As TDC is responsible for the most critical infrastructure in Denmark, sustainability is always at the core of our business. Acting responsibly and operating in a sustainable way is how we build trust in society; that is crucial to our business.

- **Bert Nordberg,** Chairman of the Board of Directors

In this section

Our approach

At TDC, our heritage and the role we play in society as a leading technology and communications company demonstrate that responsibility is a natural aspect of our business.

We recognise that as part of society, we play an important role in operating responsibly, and as such, we are committed to taking a proactive approach. We comply with relevant laws and regulations but aspire to higher standards. It is critical that our partners, employees and customers trust us and feel secure when using our products and services. We actively engage with all our stakeholders to identify material issues and strategic priorities, and we are committed to the highest standards of ethical behaviour. We seek to continuously improve our policies and practices through external benchmarking assessments, most recently through participation in the GRESB Infrastructure ESG assessment.

Our approach to data security, privacy, and ethics is outlined in our various policies. Each brand within TDC has its own privacy policy. We also systematically manage risk and security, with regular assessments made both by in-house and external parties, continuous investment, and clear management focus on the topics. We have also developed a position on data ethics, see page 54.

A critical pillar of TDC's commercial strategy is the Talent Agenda, which encompasses employee attraction and retention. A huge effort is made to increase employee wellbeing while ensuring satisfaction and motivation levels are high. By maintaining diverse and inclusive workplaces that provide education, training, mobility opportunities, and through close collaboration with professional associations and unions, TDC consistently satisfies the agenda's goals for employees.

As a leader in our sector, we are also proud to contribute to the Danish economy both directly and indirectly through our employees. We are committed to paying taxes in accordance with laws and regulations wherever we do business, and we have published our tax principles publicly to demonstrate our commitment to transparency.

Responsible procurement and sustainable supply chain

As a signatory to the UN Global Compact since 2009, we take our commitment to acting responsibly in line with these principles very seriously. Our Partner Code of Conduct outlines our requirements for TDC employees as well as our suppliers in relation to human rights, labour conditions, the environment, anti-corruption, health and safety, data protection and security.

In 2019, we established our Vendor Sustainability Forum. Built on an existing collaboration between procurement, vendor management, security, group sustainability and the data privacy office, the forum is a formal setting for discussion and deeper cooperation on supplier ESG management. The forum has developed a process for embedding sustainability early on in the procurement process.

TDC is proud to share that in 2019 we were awarded gold-level recognition by EcoVadis, which ranked our ESG performance among the top 5% of evaluated suppliers.

Health & Safety (H&S)

Ensuring good labour practices both in terms of wellbeing and physical safety has high priority for TDC. Maintaining a healthy and safe environment in all functions is the key to securing that all employees can fulfil their potential regardless of their field of expertise.

2020 ambitions

During 2020, the Board of Directors' H&S Committee's key focus areas will be to supervise TDC's H&S work, which includes designing a new H&S strategy with a range of specific projects and upgrade our H&S certification to meet the ISO 45001 standard.

Structure and governance

TDC's H&S organisation is structured in line with the Danish Working Environment Act and the principles of the OHSAS 18001 standard. Overall health and safety collaboration is handled by the Joint Health and Safety Committee. The Committee consists of four employee representatives from TDC's H&S organisation and three representatives from the trade unions in addition to representative from TDC Group management and the Head of H&S.

Health and safety are anchored in 90 Health and Safety Groups (HSG's) established for all brands and companies. The H&S work is coordinated within the individual business units by four Health and Safety Fora (HSF) – one at Nuuday, two at TDC NET and one at TDC Group. Each HSF consists of a vice president within the unit, one employee representative and one professional health and safety specialist. The HSF decides which key issues to address and continually focuses on reducing the risk of injuries in the workplace. The fora are also responsible for investigating and analysing any accidents that occur, as well as initiating corrective measures to prevent recurrences. Once every spring and autumn, all the HSG's review the areas for which they are responsible.

The H&S organisation uses a central database (TAS) to register and monitor internal H&S events, so that everyone can learn from the solution models used. The TAS system registers H&S issues encountered during the HSG half-yearly reviews, work-related injuries and tool inspections, and those reported by members of the H&S organisation in the areas they cover. Quarterly reporting to the Board of Directors and owners includes various H&S KPIs in order to ensure supervision of H&S practices at TDC.

Regarding overall employee health, TDC provides various employees benefits, such as health insurance, support to quit smoking, advice on substance misuse, emergency counselling and psychological therapy. We also provide in-house gyms at all large TDC addresses, offer sports clubs, and support the 'We cycle to work' campaign.

2019 Performance

Fewer accidents and serious injuries

- In 2019, the incidence rate of accidents resulting in absence per 10,000 employees was 50 compared with 53 in 2018, down by 5.6%.

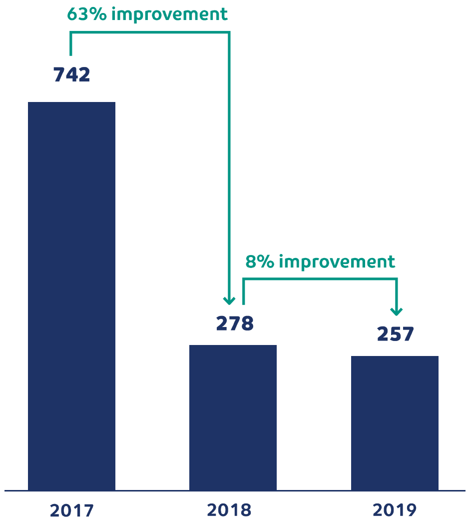
Recertification to OHSAS 18001 standard

- After external audits on 28 March 2019 and 11 June 2019, TDC renewed its certification for all addresses with permanent staff, now with three certificates following the legal split into Nuuday A/S, TDC NET A/S and TDC A/S. We are proud to say that we have maintained this certification since 2004.

Action plan against workplace violence

- An action plan to prevent violence and threats of violence or aggression in YouSee Shops and TDC business centres, receptions and call centres as well as against TDC technicians was approved and implemented.

Total days of absence as a result of accidents*



* The number of days of absence is the total combined number of days when an employee was absent from work due to a work related incident.

Employee satisfaction

- The score for this year's psycho-social workplace evaluation, based on the annual employee survey, was 79, one point up compared with 2018. By comparison, the average score for major Danish companies is 74.

Data privacy, data breaches & data ethics

We keep your data close at heart

TDC takes its responsibility for protecting its customers' and employees' personal data very seriously. We aim to ensure that all GDPR requirements and provisions are upheld across the organisation and by our partners. Through both organisational and technical measures, we ensure that we process personal data safely, securely, and in compliance with all relevant legislation.

While the responsibility to achieve and maintain GDPR compliance stretches across the entirety of TDC, a Group Data Protection Officer (DPO) has been appointed to specifically drive the agenda, and a DPO Office has been established to support the DPO. Data Privacy Managers (DPMs) in each business line are responsible for day-to-day processes.

The DPO Office liaises with the supervisory authorities and reports both to the Board of Directors via the Audit Committee, and to the Executive Management Team.

95%

of employees completed a GDPR or data protection e-learning course within the last year

Tools for reducing data breaches

All employees must complete e-learning training on GDPR and personal data compliance and must pass a test every 18 months; this is a mandatory component of the onboarding process of all new employees.

For employees who handle personal data every day, other supplementary educational and awareness initiatives were implemented in 2019.

For example, at TDC Erhverv and at Dansk Kabel TV, additional courses were held with a focus on manual data input, customer verification, and principles of data minimisation, leading to a decrease in the number of personal data breaches in 2019.

A public statement of intent

We comply with both Danish and EU rules for privacy and data protection, however we believe that these rules constitute a minimum and necessary, but not sufficient basis for our work with data ethics.

Rules and regulations often lag behind the rapid pace of technological innovation. We therefore seek a proactive approach to data ethics that is more extensive than legal compliance. Thus, in 2019, we launched our first ever Data Ethics Policy.

The policy outlines the 10 'rules' for handling personal data, both customer and employee data, which support respect for privacy, transparency regarding ongoing challenges, and a positive error culture to ensure that problems lead to improvements, and that we learn from our mistakes.

The policy captures our existing commitment to not resell confidential or sensitive customer data. You can read more on this on our website.

Security

Security at TDC

At TDC, product security continues to be a top priority, and we base our work on four principles: protect our company, protect our customers, protect our employees, and protect citizens. This ensures that our customers enjoy the full potential of their products in a confident and safe manner, whether they are business customers or consumers. This is of particular importance, as the digital world includes a number of risks concerning data safety, privacy protection and IT crime.

At TDC, we take overall responsibility for both IT security and physical safety by applying a wide-ranging Group Security Policy based on best practice and compliance with the ISO27001 standard for handling IT security.

Sharing and learning

Knowledge sharing and collaboration are vital when addressing threats against cyber and information security. TDC has therefore played an active role in preparing the telecom sector's strategy for cyber and information security, based on the national strategy.

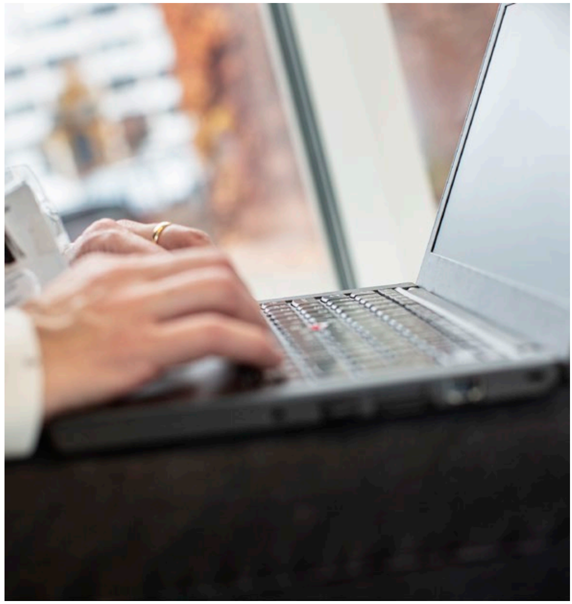
During 2019, a decentral cyber and information security unit (DCIS) started up as a link between the telcos and the Center for Cyber Security. The DCIS's primary task is to disseminate, request and validate information on information security issues between telecommunications sector actors and the Center for Cyber Security, which acts as the regulatory authority for the sector.

The DCIS can also help carry out threat assessments in this sector, monitor security incidents, coordinate contingency exercises and assist with security building, knowledge sharing, and guidance for telecos.

Since security threats know no boundaries, we participate in international fora to be better equipped to protect our customers and ourselves. For example, we regularly participate in activities through the Forum of Incident Response and Security Teams (FIRST), which is a global organisation of more than 700 companies and public authorities sharing knowledge and coordinating efforts concerning IT security. Sharing practical information and learning from each other's strategic initiatives is of great value in continuously improving security.

Continuous monitoring

Security is continuously monitored, both daily and via internal and external audits. As a supplement to our Network Operations Centre (NOC), which continuously monitors the stability and accessibility of our systems and services, TDC has a Security Operations Centre (SOC) that monitors security in our IP network around the clock to prevent attacks against our customers and ourselves. From here, we handle all forms of cyber-attacks, including e.g. DDoS, ransomware, phishing, hacking etc.
We will continue to invest in this area, both in terms of employees and technology. We not only use our own resources but liaise with authorities and international organisations to gain access to better know-how and information on expedient courses of action.



Raising awareness

While technology and smart devices are evolving at an accelerated pace, one of the big major threats to business today is the ancient trade of the con -artist.

Phishing, spear-phishing, smishing, and vishing are modern words for the work of a criminals who adopt false identities and trick trying to convince someone that they are someone else and make their victims into giving them access to personal or company information.
At TDC, we are continuously conducting awareness activities to raise the level of knowledge about the present threat landscape and educate employees and customers on how to react if attacked by cyber criminals.

We are also committed to upgrading general public knowledge of digital security. With initiatives such as WiFive with Danske Skoleelever, Girls' Day in Science, Parents in a Digital World with Børns Vilkår, and digital inspirational workshops with Ældre Sagen's IT volunteers, we engage in creating good and safe behaviour in the digital world.

Diversity and inclusion for a stronger business

At TDC, we are co-creators of the digital future of Denmark and our customers are from all areas of society; of every age, gender, ethnic background, religion, ability and sexual orientation.

At TDC, we want our employees to reflect the society we serve. We are convinced that to provide the best customer experiences and the most innovative solutions for all, the diversity among our customers should be reflected in our employees. We are proud that among our 7,498 employees we have 60 different nationalities, a wide age profile from 17 to 71 years of age, and numerous different backgrounds from high-tech and customer service professionals, engineers and academics to highly skilled technicians.

Nonetheless, despite having worked intensely with diversity for many years, we are taking further steps to stimulate diversity, because we know that a diverse and inclusive culture fosters a more creative and innovative work environment, which is crucial when building a digital Denmark for the future.

Ambition 2025: reach a

50/50

gender balance at all management levels

Front-runners for gender-balanced leadership

As diversity is has always been in our DNA, it was a natural step for us to announce our new target at the end of 2018 to achieve gender balance at all leadership levels by 2025. With this new ambition approved by our Board of Directors, we want to send the clear message both internally and externally that TDC is a workplace with equal opportunities for anyone with the right skillset and mindset to become leaders. Today, 79% of our leaders are men, while 21% are women, so we understand we have an important journey ahead.

In 2019, we took new steps to pursue our ambition. We have included greater use of data insights when investigating opportunities for improving our people processes, e.g. how we recruit and assess performance in a way that mitigates biases. We have also teamed up with the start-up Develop Diverse to focus clearly on gender-balanced job ads to attract more diverse talents and reach less-obvious candidates, who might turn out to be the best match.

Diversity through collaboration

As the diversity and inclusion agenda is a cornerstone of our business, we also participate in and share our insights with other industries and businesses through sponsorships and conferences that aim to increase knowledge and awareness on promoting more diverse, inclusive cultures. In order to expand our ambition to all parts of our business, we will kick off 2020 with the entire top management across Group, Nuuday and TDC NET engaging in a new diversity programme to raise awareness of unconscious biases, and work on inclusive leadership. We see all leaders as role models, and so they should set a good example for the rest of the organisation moving forward.

TDC was represented by our CEO and Head of Sustainability at the UN Global Compact Trailblazing Women Reception on the sidelines of the General Assembly. 25 Sep 2019. Photo Credit: UN Global Compact

Stimulating diversity within technology and IT

A Digital Denmark is rapidly evolving and influencing all parts of society. If Denmark is to keep a digital front-runner position, we need more IT talents, both men and women. We want to support and stimulate young people choosing to pursue careers within IT and new technologies and raise awareness of the great career opportunities within this field.

Therefore, TDC is involved in several initiatives stimulating diversity within tech and IT.

We collaborate with a wide range of educational institutions to get more girls and women interested in the career opportunities within IT and the future of technology. We host Girls' Day in Science events in collaboration with Naturvidenskabernes Hus, and Tech career days in collaboration with the IT University of Copenhagen. In 2019, we also partnered with Women in Tech, an organisation working to increase women's awareness of the many opportunities in tech and IT. In 2020, we will host inspirational events for women with aspirations within IT and technology that will be open to both TDC employees and the public.

An inclusive culture that embraces our differences

TDC has achieved positive results from its initiatives in paid paternity leave (Fars Kram), flexibility in the organisation of work at home and via a part-time scheme and senior scheme, and retention of employees with reduced work capacity, e.g. through “flex jobs”. We also continue our long-term work cooperation with Specialisterne through which we hire people with autism for customised schemes. We also include refugees in IGU programmes (Integrationsgrunduddannelsen) to further integrate refugees in the Danish labour market.

LGBT+ inclusion and well-being

Everyone should be able to come to work and be themselves. In 2019, we were a main sponsor of Copenhagen Pride as we wish to celebrate diversity and equality for LGBT+ people in society and at TDC. To improve well-being for LGBT+ people at TDC, we take part in the LGBT+ industry focus group hosted by the Ministry of Equality, which aims to create broad industry collaborations to support the inclusion and well-being of LGBT+ people. In 2020, we aim to initiate several internal initiatives e.g. inclusion training, campaigns and employee fora to promote an inclusive culture where everyone, regardless of sexuality or gender identity, feels included.

Flexibility for new families

At TDC, we believe that an interesting work life should not stand in the way of a balanced and involved family life – and vice versa. We therefore focus on creating initiatives that support a flexible work and family life, e.g. through promoting a more equal share of parental leave, flexibility and days working at home. For more than 15 years, we have worked to make it attractive for our new fathers to be with their children, offering up to a total of 14 weeks of full paid parental leave. In 2019, 80% of fathers at TDC seized this opportunity to take paternity leave with full pay. This is down from 84% in 2018.

Sharing parenting tasks not only creates a more equal family life but fosters more equal career opportunities between mothers and fathers, thereby contributing to a more equal society in general.

To provide the opportunity for mothers and fathers to feel included at work while on parental leave, we partnered with the network organisation Inspired Beyond Babies in 2019. Inspired Beyond Babies works to create opportunities for personal and professional development e.g. through inspirational talks and networking with likeminded parents on leave. We hosted several Inspired Beyond Babies events at TDC locations and invited both internal and external mothers and fathers on leave to bring along their babies for a day of inspiration, learning and networking.

80%

of new fathers in TDC took paternity leave with pay

Gender diversity in management

At the end of 2019, 29% of all employees at TDC were women, while 21% of all managers were women.

TDC’s Board of Directors has 10 members, six elected by the General Meeting and four elected by the employees. In June 2018, the Board of Directors set the goal that before year-end 2020, both genders should be represented by at least 25% among the board members elected at the annual general meeting. At the end of 2019, the board members elected at the annual general meeting consisted of one woman and five men, corresponding to 17% and 83%, respectively. No changes were made to the membership composition of the Board in 2019.

In 2020, new diversity targets will be set in both Nuuday and TDC NET.

In Nuuday’s subsidiary, TDC TELCO ApS an equal gender distribution was achieved in 2019.

In TDC NET’s subsidiary, Dansk Kabel TV A/S all members of the board are men. A goal has been set to have a female member of the board by 2021.

The UN Global Investors for Sustainable Development

In October 2019, UN Secretary General António Guterres launched the UN Global Investors for Sustainable Development (GISD) Alliance. The Alliance is a CEO-level group of 30 business leaders from across the globe who have been tasked with unlocking access to finance for the achievement of the Sustainable Development agenda by 2030. Even though sufficient capital is available today to achieve the 17 SDGs, enough of this capital is not allocated or directed to deliver positive change or sustainable outcomes. As a result, a significant funding gap impedes delivering on the promise of sustainable development for all.

The Alliance will tackle this issue head on. Over the course of the next two years, the leaders will work together to deliver a roadmap of actions to unlock private funding for important global problems such as climate change, poverty, education, equality, health, and so on. As the Alliance is a key part of the UN's strategy for financing sustainable development, it is a part of a larger global action agenda that aligns financing flows and policies with positive ESG outcomes. By bringing the 2030 sustainable development agenda into the heart of business, the Alliance expects to mobilise private funding and thus increase the positive impact of business.

Inaugural Meeting of the Global Investors for Sustainable Development Alliance, 16 October 2019. Credit: UN Photo/Mark Garten

TDC is hugely honoured to have been invited to participate in this globally important initiative and intends to bring to the table not only its own views and expertise, but also the voice and insights of the Danish business community. This work started prior to the Alliance launch event, when we gathered several Danish CEOs who are deeply engaged in sustainable development to share their thoughts on the challenges and possible solutions. Through knowledge sharing across companies and sectors, we gathered valuable insights that our CEO was able to bring to New York for the kick-off.

Other participants include global banking and investing firms, UBS, Santander, Bank of America and Citigroup, as well as other well-known industry and technology leaders such as Infosys, Enel and Safaricom.

Employee engagement

The active involvement of our employees across the whole of TDC is vital for the success of our sustainability activities – they anchor many of our sustainability initiatives and play active roles in many of our campaigns and collaborative fora.

Employees can engage with our activities in two main ways. Either as participants at workshops and events, or as Sustainability Ambassadors. By joining the ambassador programme, employees help us to activate our sustainability messages by volunteering their time and insights. They also educate and inform employees about our social impact and encourage climate-friendly behaviour among employees. Their involvement creates internal visibility for our activities and highlights the opportunities for TDC employees to use their competencies in another context – by supporting initiatives that may be close to their hearts.

By the end of 2019, more than 300 TDC employees were registered as Sustainability Ambassadors (4% of employees) making TDC, Nuuday and TDC NET greener; a third of them had played a crucial role in defining some of our future sustainability initiatives, which will contribute to reaching our 2030 CO_2-neutral goal.

In 2019 alone, in addition to the ambassador programme, more than 1,500 employees engaged in or contributed to a range of sustainability activities, including WiFive workshops for teachers and distributing the WiFive teaching materials to teachers, events on cybersecurity for employees and their children in cooperation with Børns Vilkår, Coding Classes, *IoT* in Danish elementary schools and the Copenhagen Pride festival.

So far, more than 4,500 employees have been engaged with TDC sustainability activities since the ambassador programme was launched in 2016.

Environmental data

Energy & emissions	**2019**	**2018**	**2017**
Energy intensity (MWh of electrical energy / TB of data usage)	0.011	0.013	0.017
Petrol (MWh)	2,857	2,444	2,542
Diesel (MWh)	36,865	35,254	39,251
Oil (MWh)	381	400	596
Natural gas (MWh)	1,621	2,025	1,924
Electricity (MWh)	197,648	204,480	208,037
District heating (MWh)	19,536	16,505	25,839
2020 target emissions (metric tons CO_2)			
Total scope 1, 2 & 3 Location (metric tons CO_2)	42,582	52,199	59,628
2030 baseline (metric tons CO_2e)			
Scope 1 (metric tons CO_2e)	10,081		
Scope 2 location based (metric tons CO_2e)	31,803		
Scope 2 market based (metric tons CO_2e)	78,638		
Total Scope 1 & 2 market (metric tons CO_2e)	**88,719**		

Waste, paper & water	**2019**	**2018**	**2017**
Waste by disposal method (metric tons)			
Total waste generated – recycling onsite waste (excl. composting)	1,446	2,136	2,699
Total waste generated – incineration metric tons	801	-	-
Total waste generated – landfill	25	-	-
Total waste generated – composting	16	-	-
Total waste generated – other	51	-	-
Total waste generated	2,339	2,965	3,707
% of waste recycled	64%	72%	73%
Paper consumption (metric tons)			
Total paper consumption	80	117	148
Water consumption (m3)			
Total water consumption	56,272	62,600	70,300

Note regarding environmental data: Please see our TDC ESG Data Accounting Principles on our corporate website for an explanation of the calculations and boundaries of the data presented here. For our 2030 emission baseline and our waste profile, as data has not previously been presented according to the GRI methodology and definitions, no comparable 2017/2018 data is presented.

HR and occupational health & safety data

Occupational health & safety (number)	**2019**	**2018**	**2017**
Fatalities	0	0	0
With lost working time	34	35	40
Without lost working time	73	62	47
Total	**107**	**97**	**87**

Occupational health & safety (number)	**2019**	**2018**	**2017**
Days of absence	257	278	742
Injury incidence (lost working time injuries per 10,000 employees)	50	53	65
Occupational health & safety			
Rate of fatalities (per 1,000,000 hours)	-	-	-
Rate of High consequence work-related injuries (per 1,000,000 hours)	2.77	2.85	-
Rate of work-related injuries (per 1,000,000 hours)	5.95	5.29	-
Rate of near-miss accidents (per 1,000,000 hours)	147	42	-

Note regarding occupational health & safety data: Please see our TDC ESG Data Accounting Principles on our corporate website for an explanation of the calculations and boundaries of the data presented here.

Employees by gender (headcount (HC) or %, yearend (YE))	**2019**	**2019**
Men	5,608	71%
Women	2,245	29%
Employees by contract type (HC, YE)		
Employees on permanent contracts (male)	5,590	
Employees on permanent contracts (female)	2,230	
Employees on temporary contracts (male)	18	
Employees on temporary contracts (female)	15	
Employees by employment type (HC, YE)		
Employees in full-time employment (male)	4,951	
Employees in full-time employment (female)	1,986	
Employees in part-time employment (male)	657	
Employees in part-time employment (female)	259	
Employees by age group (%, YE)		
Employees under 30 years old	2,272	29%
Employees 30 - 50 years old	3,152	40%
Employees over 50 years old	2,429	31%
Employees by employment category (HC, YE)		
Manager (male)	559	79%
Manager (female)	150	21%
Non-Manager (male)	5,049	71%
Non-Manager (female)	2,095	29%
Employee performance review – by gender & employee category %		
Percentage of appraisals – managers/supervisors (male)	79%	
Percentage of appraisals – managers/supervisors (female)	85%	
Percentage of appraisals – non-management (male)	75%	
Percentage of appraisals – non-management (female)	71%	
Employee training (hours per *FTE*)		
Average training hours	27	

Note regarding HR data: Please see our TDC ESG Data Accounting Principles on our corporate website for an explanation of the calculations and boundaries of the data presented here. As data has not previously been presented according to the GRI methodology and definitions, no comparable 2017/2018 data is available.

Risk assessment

Risk assessment

TDC Group faces both internal and external risks. Also, TDC Group focuses on risks in the short, medium as well as long term. The following pages describe short and medium-term risks. TDC Group has identified risks that could influence long-term growth where TDC Group will become a low-margin *service provider* and could lose its footprint and network utilisation. However, strategic initiatives focus on mitigating this risk.

Risk management is an integrated aspect of TDC Group's business operations. On a yearly basis, an extensive risk assessment is conducted in which business lines and corporate functions identify all significant risks. The risks are then consolidated and assessed on their potential impact and probability, which is then reported to the Board of Directors. Responsibilities are assigned for significant risks, and mitigating initiatives are established and tracked.

See also the notes to the consolidated financial statements. Note 3.3 on lease assets, note 3.6 on provisions, note 3.7 on pension obligations, note 4.3 on financial risk disclosures and note 6.5 on contingencies. By their very nature, forward-looking statements involve certain risks and uncertainties. Risks not currently known to TDC Group, or that TDC Group currently deems to be immaterial, may also adversely affect TDC Group's business, financial condition and results of operations.

TDC Group's approach to risk management

Customer and competitor behaviour

Description

TV-consumer behaviour in our markets is continuing to change faster, which favours more flexible viewing solutions. New strong players with increased market share will accelerate the *SVoD* trend, leading towards customers deselecting *flow TV* and migrating to cheaper price plans. Consequently, *ARPU* will decline, putting further pressure on margins and profits. Content owners are changing their business models, selling directly to end customers and increasingly taking over the role of aggregating content, leaving TDC Group as a pure distribution company. Increased pressure on premium content rights could raise prices to levels that cannot be passed on to consumers.

The competitive landscape is accelerating with renewed intense price competition within mobile. In landline broadband, TDC may lose retail or wholesale customers to faster networks. The entrance of new competitors with convergent products may increase competition and challenge TDC Group's ability to remain attractive and competitive. Technology developments, e.g. eSIM cards, can increase churn if TDC Group is not ready to adapt.

Impact in 2019

Partly materialised. The mobile market experienced intense competition and Nuuday experienced a net loss of customers. In TV, the *RGU* net loss increased in line with expectations, due to the termination of the Discovery contract, however financial performance was better than expected due to higher *ARPU*.

Potential impact

Accelerating pressure from *OTT* suppliers, content owners, content prices and customers terminating TV subscriptions could exert pressure on *ARPU* levels and net adds.

Increased competition with continued price pressure, including new competitors, may result in TDC Group failing to execute sustainable pricing in the B2C and B2B mobile markets. Technology developments may lead to higher churn if TDC Group is not ready to remain level with the market.

Mitigation initiatives

- Continue to offer the most flexible TV packages to customers by further developing the Mix-it-yourself universe and providing exclusive content
- Take a position in the *SVoD* market
- Focus on premium mobile products including the best mobile network in Denmark to retain and attract customers
- Secure the right positioning towards device manufacturers and other operators
- Differentiation on B2B market, including *Cloud* position

Network and infrastructure

Description

Various factors can influence the outcome of our ambitious *fibre* rollout strategy. Uncertainty regarding the speed at which other competitor's rollout *fibre* and uncertainty regarding publicity if vendors fail to meet re-establishment requirements.

The outcome of the coming multiband mobile spectrum auction needed for upgrading and expanding our 5G network may result in inadequate spectrum for TDC compared with competitors or more expensive spectrum than expected.

Impact in 2019

Not materialised. Successfully acquired new mobile licences for the 700 and 2300 MHz bands, and renewed the 900-MHz band licence. TDC won 14 out of 20 lots at the auction, which was the maximum allowed allocation. With the new spectrum, TDC will be able to roll out 5G across Denmark and strengthen capacity in our award winning 4G network. *Fibre* rollout is proceeding according to expectations in terms of homes passed.

Potential impact

Fewer households connected to the *fibre* network could lead to lower revenue and potentially higher churn from customers on existing broadband solutions. If insufficient spectrum is acquired from future spectrum auctions, this could result in TDC Group losing its claim to having Denmark's best mobile network and the implementation of the 5G network.

Mitigation initiatives

- Ensure successful *fibre* rollout through capacity planning and smart area selection
- Vendor quality control
- Close tracking and appropriate response to competitor behaviour
- Close dialogue with the Danish Energy Authority

External impacts: political, macroeconomics and cyber attacks

Description
TDC Group's business may be impacted from new or updated regulation or legislation which in turn may reduce both sector profits and the incentive to invest. Higher interest levels may lead to higher financing costs when refinancing. Public sentiment regarding TDC or TDC's suppliers may weaken TDC's ability to engage with political and regulatory stakeholders. There is a possibility of TDC's legacy IT being unable to match the speed and functionality of newer IT software held by competitors, and of continuously increasing threats from cyber-attacks impacting TDC's business.

Impact in 2019
Not materialised. Negative publicity due to single cases of operational and external issues has temporarily detracted from TDC Group's public image, but the overall reputation and brand perception was generally positive throughout the year and no direct business impact has been identified.

Potential impact
The DBA is reviewing broadband markets and revising the *LRAIC* model to set new prices from 2021, which may impact future revenue generation.

Potential cyber-attacks can expose critical data and affect business-as-usual activities. The effect this may have on the customer experience and brand reputation, may increase the risk of customer churn and reduce overall profitability.

Mitigation initiatives
- Proactive and continuous dialogue with politicians, regulatory- and market stakeholders, such as the DBA.
- Storytelling and clear communication about TDC's strategy through campaigns, marketing and social media focusing on our contributions to the Danish society.
- Strengthen TDC Group's Security Operations Center (SOC) and cyber-attack response rates
- Further investing in IT security to ensure TDC has qualified personnel to generate and execute plans for replacing and updating hardware and software to build a secure infrastructure.

Transition, talent and need for being digital

Description
The ongoing transition of splitting TDC Group into Nuuday and TDC NET, could turn out to be more comprehensive when splitting IT systems and establishing new processes, and may also demand more resources than anticipated. Furthermore, a clear focus on the transition and changes following the split could have negative effects on the core business e.g. customers and employees. There is a possibility of not succeeding in executing an optimised separation due to difficulties in attracting and retaining qualified employees, especially within IT. Being part of the digital transformation is essential to engage customers, increase productivity and ensure high-quality products in the future landscape.

Impact in 2019
Not materialised. The costs related to the separation of TDC into Nuuday and TDC NET were within the guided bounds. The focus on attracting and developing digital talent has been kept throughout 2019, and a Group IT department has been established to handle the IT-related processes during the separation of TDC.

Potential impact
The level of costs may be higher than assumed for splitting TDC Group into Nuuday and TDC NET. In addition, the fact that many employees are being allocated to execute the transition could push our focus away from optimising the core business leading to lower efficiency. Not succeeding in the digital transformation could lead to lower productivity and efficiency, and inferior products compared with competitors.

Mitigation initiatives
- A clear focus and engagement from top management
- Strengthen cooperation with educational institutions
- An IT foundation that enables IT of the future
- Focus on investing in and attracting the right digital talent

Corporate governance

We work proactively with corporate governance and aim to provide transparency for our stakeholders and ensure long-term value creation.

Recommendations from the Committee on Corporate Governance

Following its delisting, TDC is no longer covered by the recommendations issued by the Committee on Corporate Governance (CCG). As an advocate for transparency, TDC has chosen to publish a Corporate Governance Statement based on the recommendations in line with the "comply-or-explain" principle cf. section 107b of the Danish Financial Statements Act. TDC's Corporate Governance 2019 statement is based on the CCG's recommendations from November 2017. The recommendations are available on the CCG website at www.corporategovernance.dk.

TDC's focus on corporate governance compliance is clearly reflected in our compliance with 40 of the 47 numbered recommendations and partial compliance with five recommendations. The Corporate Governance statement further describes whether and how we comply with or derogate from the 47 recommendations and is available at tdcgroup.com/en/who-we-are/corporate-governance.

Our governance model

In accordance with Danish legislation, TDC has a two-tier management structure consisting of the Board of Directors and the Executive Committee. The Board of Directors is responsible for the overall management of the company and for appointing a competent Executive Committee. The Executive Committee is responsible for the day-to-day management of the company. The responsibilities and duties between the Board of Directors and the Executive Committee are clearly outlined and described in the Rules of Procedure for the Board of Directors and the Rules of Procedure for the Executive Committee.

TDC Group's shareholders have ultimate authority for the company and exercise their rights at the Annual General Meeting, where they appoint the Board of Directors and the independent auditor, and approve the annual report, for example.

Rules on governance, including share capital, general meetings, shareholder decisions, election of members to the Board of Directors, Board meetings etc. are described in the Articles of Association, which are available at https://tdcgroup.com/en/who-we-are/corporate-governance.

The Board of Directors

TDC's Board of Directors has 10 members, six elected by the General Meeting and four elected by the employees. The board members elected by the General Meeting are up for election every year and may be re-elected.

Pursuant to Danish legislation, TDC employees are entitled to representation on the Company's Board of Directors in the form of employee-elected board members equivalent to half of the total number of board members elected at the General Meeting. The employee-elected board members are elected for a four-year period, and have the same rights, obligations and responsibilities as the board members elected by the General Meeting. The current employee representatives were elected to the Board of Directors in 2016 and their period will expire in 2020.

TDC's Board of Directors seeks to recruit board members with a diverse range of mutually complementary competences. The Board of Directors believes that diversity in general, including diversity in relation to age, nationality and professional background, strengthens the board, thus this is reflected in the composition of TDC's Board of Directors.

The range of competences and experience represented on the Board of Directors includes: financial competency; legal competency; customer relationship experience; international telecommunications experience; online business experience; branding experience and senior executive experience from both private and public companies. The competences and experience of the individual board members are presented in the Management section.

In 2018, the Board of Directors determined, as an objective for its own composition by gender, that by the end of 2020, no gender (among the board members elected by the General Meeting) shall be represented on the Board of Directors by less than 25%. The percentages of female and male board members were 17% and 83%, respectively, in 2019.

In 2018, the Board of Directors decided that the number of female leaders in TDC Group, including subsidiaries, at all management levels below the Board of Directors and the Executive Committee shall no longer reflect the proportionate dispersion of the number of women in the company, corresponding to a factor of 100, but has set an ambition to reach a 50/50 gender balance at all management levels by 2025.

The Board has yearly check-ins on diversity progress and in 2020 will report on diversity progress and numbers in an independent diversity report. Furthermore, selected diversity numbers are reported as part of TDC´s CSR strategy.

In 2019, as in recent years, the Board of Directors formally evaluated its performance. The purpose was to identify any possible improvement areas for the Board of Directors concerning the quality of its work and thereby its value creation for the company. The Board of Directors' evaluation revealed that the Board of Directors is functioning efficiently and did not give rise to any substantial changes in the way the Board of Directors conducts its work.

In 2019, the Board of Directors held six ordinary meetings, with an overall attendance rate of 90%.

Corporate governance

Board committees

The Board of Directors has established a Compensation, a Nomination Committee and an Audit Committee to supervise certain fields and prepare cases to be decided on subsequently by the Board of Directors. In 2019, the Board decided to establish a Health and Safety Committee. Further information about the Committees and the committee mandates and charters are available at tdcgroup.com/en/who-we-are/corporate-governance/committees.

In 2019, the Audit Committee held three ordinary meetings, with an overall attendance rate of 89%.

In 2019, the Nomination and Compensation Committee held three ordinary meetings, with an overall attendance rate of 83%. The Health and Safety Committee will hold its first meeting at the beginning of 2020. Internal control and risk management systems for financial reporting
TDC's internal control and risk management systems for financial reporting are designed to provide assurance that internal and external financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and further requirements in the Danish Financial Statements Act, as well as the assurance that true and fair financial statements without material misstatements and irregularities are presented. TDC's detailed statutory reporting for 2019 on internal control and risk management systems for financial reporting is included as part of TDC's Corporate Governance Statement 2019 at tdcgroup.com/en/who-we-are/corporate-governance.

Whistleblower scheme

TDC adopted a whistleblower scheme in 2011, and since then, our employees have had access to anonymously report possible or suspected wrongdoings at the Company.

Financial notifications are a matter for the Audit Committee, which prepares a recommendation for decision by the Board of Directors. Other notifications of wrongdoings are a matter for the Chairman of the Board of Directors. In 2019, no reports were submitted to the whistleblower system.

Board of Directors

Bert Nordberg
Chairman

First elected	28 June 2018
Re-elected	29 March 2019-
Term to expire	2020
Nationality	Swedish
Born	1956
Independence	Independent[1]

Education
Degree in Electronic Engineering, 1979, Malmö Tekniska Läroverk, Engineer in the Swedish Marines from Berge, 1980.

Management duties
Public companies; Chairman of the Board of Directors and Chairman of the Nomination &Compensation Committee of Vestas Wind Systems A/S, member of the Board of Directors and member of the Remuneration Committee and Audit Committee of Essity AB, member of the Board of Directors and member of the Remuneration Committee of Saab Group AB, and member of the Board of Directors and member of the Remuneration Committee of Svenska Cellulose Aktiebolaget SCA. Private companies; Chairman of the Board of Directors of Sigma Connectivity AB.

Michael Parton
Vice Chairman[2], Member of the Compensation and Nomination Committee and Health and Safety Committee

First elected	14 May 2018
Re-elected	29 March 2019
Term to expire	2020
Nationality	British
Born	1954
Independence	Dependent[3]

Education
Trained as Chartered Management Accountant.

Management duties
Chairman of the Board of Directors of Arqiva and member of the Chartered Institute of Management Accountants.

Martin Bradley
Member of the Compensation and Nomination Committee and Chairman of the Health and Safety Committee

First elected	14 May 2018
Re-elected	29 March 2019
Term to expire	2020
Nationality	British
Born	1971
Independence	Dependent[3]

Education
BSc in Financing, 1993, Loughborough University, United Kingdom.

Management duties
Senior Managing Director at Macquarie Infrastructure and Real Assets; Head of European Utilities and Networks team. Chairman of the Board of Directors of DKT Holding ApS, DKT Finance ApS and Telekommunikation ApS (DKT Group).

Marianne Rørslev Bock
Chairman of the Audit Committee

First elected	10 March 2010
Re-elected	29 March 2019
Term to expire	2020
Nationality	Danish
Born	1963
Independence	Independent[1]

Education
MSc in Business Administration and Auditing, 1991, Copenhagen Business School, State Authorised Public Accountant, 1997.

Management duties
Chief Financial Officer of Scandinavian Tobacco Group A/S and member of the Boards of Directors of subsidiaries thereof. Member of the Board of Directors and Chairman of the Accounting Committee of the Danish Financial Supervisory Authority. Vice Chairman of the Board of Directors and member of the Compensation and Nomination Committee of Kemp & Lauritzen A/S. Vice Chairman of the Board of Directors of Axel Muusfeldts Fond.

Nathan Luckey
Member of the Audit Committee, the Compensation and Nomination Committee and the Health and Safety Committee

First elected	14 May 2018
Re-elected	29 March 2019
Term to expire	2020
Nationality	British
Born	1979
Independence	Dependent[3]

Education
BSc in Engineering, 2003, and BSc of Business, 2003 University of Technology, Sydney, Australia.

Management duties
Managing Director at Macquarie Infrastructure and Real Assets; head of European Digital Infrastructure team. Member of the Board of Directors of DKT holding ApS, DKT Finance ApS and Telekommunikation ApS (DKT Group), member of the board of Directors of Arqiva Group Limited, Chairman of the Board of Directors of KCOM Group Limited, and member of the Board of Directors of Inea S.A.

Board of Directors

Arthur Rakowski

Chairman of the Compensation and Nomination Committee and Member of the Audit Committee

First elected	14 May 2018
Re-elected	29 March 2019
Term to expire	2020
Nationality	Australian
Born	1957
Independence	Dependent[4]

Education

BSc in Commerce, Finance degree, 1986, University of New South Wales, Australia

Management duties

Senior Managing Director at Macquarie Bank. Chairman of Client Solutions Group. Member of the Macquarie European Infrastructure Fund's Investment Committee. Member of the Global Capital Committee of the British Private Equity Association (BVCA). Member of the Board of Directors of DKT Holdings ApS, DKT Finance ApS and DK Telekommunikation ApS (DKT Group), member of the Board of Directors of DCT Gdansk, member of the Board of Directors of Green Investment Group, member of the Board of Directors of Macquarie Infrastructure and Real Assets (Europe) and member of the Board of Directors of the East London Business Alliance.

Mogens Jensen

Specialist Technician at TDC Group

First elected	10 March 2016
Re-elected	-
Term to expire	2020
Nationality	Danish
Born	1963
Independence	Employee elected

Management duties

Member of the Board of Directors of TDC Pensionskasse (TDC Pension Fund).

John Schwartzbach

Service Technician at TDC Group

First elected	8 March 2012
Re-elected	10 March 2016
Term to expire	2020
Nationality	Danish
Born	1959
Independence	Employee elected

Zanne Stensballe

Senior Project Manager at Nuuday

First elected	10 March 2016
Re-elected	-
Term to expire	2020
Nationality	Danish
Born	1969
Independence	Employee elected

Education

Graduate Diploma in Business Administration (Marketing Management, 2000), Storstrøms Handelshøjskolecenter. MBA (2014), AVT Business School.

Thomas Lech Pedersen

Senior Consultant at TDC Group

First elected	10 March 2016[5]
Re-elected	-
Term to expire	2020
Nationality	Danish
Born	1976
Independence	Employee elected

Education

AU, Human Resources, Business Academy Aarhus

Management duties

Chairman of the Association of Managers and Employees in Special Positions of Trust (Lederforeningen).

1 Elected by the shareholders at an Annual or Extraordinary General Meeting
2 Stepped down as Vice chairman on the 24th of October 2019 to take over from Alisson as Interim-CEO, until 17th February when Henrik Clausen took over as CEO of TDC Group.
3 Due to provision of a consultant service contract with DK Telekomminikation, Parent Company to TDC A/S, in addition to the membership of the Board of Directors.
4 Due to the fact that the board member is employed by one of TDC A/S Consortium Investors.
5 Elected by the employees on 10 March 2016 as an alternate, joined the Board of Directors on 1 April 2018.

Management Team

TDC Group

Henrik Clausen
President & CEO

Born 1964

Appointed
Appointed to the Executive Committee in 2020.

Education
MSc Electrical Engineering (1987), Technical University of Denmark
MBA, Business administration (1992), INSEAD, Paris.

TDC Group

Lasse Pilgaard
Senior Executive Vice President
Chief Finance Officer

Born 1987

Appointed
Appointed to the Executive Committee in 2018.

Education
MSc in Business and Economics (2011), Aarhus University.

TDC Group

Jens Aaløse
Senior Executive Vice President

Born 1966

Appointed
Appointed to the Executive Committee in 2013

Education
BSc Business Administration, Copenhagen Business School.

Management duties
Chairman of the Board of Directors of Sticks N Sushi Group A/S. Vice Chairman of the Board of Directors of Dansk Erhverv.
Vice Chairman of the Board of Directors of Topdanmark A/S.

nuuday

Michael Moyell Juul
Nuuday CEO

Born 1974

Education
MSc in Economics (2002), University of Copenhagen.

tdc net

Andreas Pfisterer
TDC NET CEO

Born 1971

Education
MSc in Computer Science Engineering (1995), European Business School, Wiesbaden, London, San Diego and MSc in Economics /Business Administration (1995), Fernuniversität, Hagen/Germany.

Investor information

Shareholders

DK Telekommunikation ApS (DKT) owns 100% of the outstanding shares in TDC A/S.

DKT is owned by a consortium comprising:

- DKTUK Limited (50%), managed by Macquarie Infrastructure and Real Assets Europe Limited
- Arbejdsmarkedets Tillægspension (ATP) (16.7%)
- PFA Ophelia InvestCo I 2018 K/S (16.7%), managed by PFA Asset Management A/S
- PKA Ophelia Holding K/S (16.7%), managed by AIP Management P/S

Investor communication

The company's Investor Relations site investor.tdc.com provides access to information on TDC Group's debt, financial information, financial reports, announcements, financial calendar and contact details for Investor Relations. The site also provides investors with webcasts, presentations and analyst conference calls.

Capital structure

The Board of Directors has assessed TDC Group's capital structure and funding sources and found these to be in the best interests of the Company and its shareholders and adequate for the coming period.

TDC's reported net debt to *EBITDA* has increased from 2.9x *EBITDA* at the end of 2018 to 3.6x *EBITDA* at the end of 2019 exclusive of lease debt according to IFRS16.

Dividend for 2019

At the Annual General Meeting in 2020, the Board of Directors will not propose any ordinary dividend for the fiscal year 2019.

Amendments to the Articles of Association

A resolution to amend the Articles of Association is subject to adoption by a qualified majority (depending on the specific amendment) or by unanimity, as stated in Sections 106 and 107 of the Danish Companies Act. The Articles of Association contain no further requirements than those stated in the Danish Companies Act regarding amendments to articles of association.

Authorisations to the Board of Directors

The Board of Directors is authorised to resolve to distribute an interim dividend provided the Company's and the Group's financial positions warrant such distribution. The authorisation has no time limit.

Investor contacts

Investor enquiries regarding the Company's debt instruments should be made to Investor Relations:

Flemming Jacobsen
Head of Treasury and Investor Relations
investorrelations@tdc.dk investor.tdc.com

TDC Investor Relations Teglholmsgade 1
DK-0900 Copenhagen C Denmark
Tel: +45 66 63 76 80

Financial calendar 2020

06 May	Interim financial statements Q1 2020
13 August	Interim financial statements Q2 2020
05 November	Interim financial statements Q3 2020
31 December	End of financial year 2020

Consolidated financial statements

Financial statements

Content

Notes to consolidated financial statements

Consolidated income statement

(DKKm)	Note	2019	2018
Revenue	2.1,2.2	17,044	17,356
Cost of sales	2.3	(4,945)	(4,899)
Gross profit		12,099	12,457
External expenses	2.4	(2,375)	(2,532)
Personnel expenses	2.5	(3,384)	(3,336)
Other income	2.2	184	102
Operating profit before depreciation, amortisation and special items (*EBITDA*)		6,524	6,691
Depreciation, amortisation and impairment losses	2.6	(5,164)	(4,088)
Special items	2.7	(194)	(858)
Operating profit (EBIT)		1,166	1,745
Financial income and expenses	4.5	(995)	(1,360)
Profit before income taxes		171	385
Income taxes	2.8	9	(377)
Profit for the year from continuing operations		180	8
Profit from discontinued operations	2.9	0	5,714
Profit for the year		**180**	**5,722**
Attributable to:			
Shareholders of TDC A/S		179	5,489
Coupon payments on hybrid capital, net of tax		0	235
Non-controlling interests		1	(2)
Profit for the year		**180**	**5,722**

Consolidated statement of comprehensive income

(DKKm)	Note	2019	2018
Profit for the year		180	5,722
Items that may subsequently be reclassified to the income statement:			
Exchange-rate adjustments of foreign enterprises	4.5	0	1,514
Value adjustments of hedging instruments	4.5	45	(10)
Items that cannot subsequently be reclassified to the income statement:			
Remeasurement of defined benefit plans	3.7	763	131
Income tax relating to remeasurement of defined benefit plans	2.8	(168)	(29)
Other comprehensive income/(loss)		640	1,606
Total comprehensive income/(loss)		**820**	**7,328**
Attributable to:			
Shareholders of TDC A/S		819	7,095
Coupon payments on hybrid capital, net of tax		0	235
Non-controlling interests		1	(2)
Total comprehensive income/(loss)		**820**	**7,328**
Total comprehensive income attributable to shareholders of TDC A/S arising from:			
Continuing operations		819	(150)
Discontinued operations		0	7,245
Total		**819**	**7,095**

Consolidated balance sheet

Assets (DKKm)	Note	2019	2018
Non-current assets			
Intangible assets	3.1	24,903	23,764
Property, plant and equipment	3.2	14,752	14,597
Lease assets	3.3	4,472	0
Joint ventures, associates and other investments		70	91
Pension assets	3.7	7,463	6,854
Other receivables		194	194
Prepaid expenses		33	43
Total non-current assets		**51,887**	**45,543**
Current assets			
Inventories		232	187
Trade receivables	3.4	1,854	1,680
Other receivables		204	77
Contract assets	3.5	395	359
Amounts owed by group companies		5	0
Amounts owed by joint ventures and associates		0	3
Income tax receivable	2.8	0	77
Derivative financial instruments	4.6	116	309
Prepaid expenses		624	427
Cash		1,577	2,244
Total current assets		**5,007**	**5,363**
Total assets		**56,894**	**50,906**

Equity and liabilities (DKKm)	Note	2019	2018
Equity			
Share capital	4.1	812	812
Other reserves		(133)	(178)
Retained earnings		14,605	14,826
Equity attributable to shareholders of TDC A/S		**15,284**	**15,460**
Non-controlling interests		2	2
Total equity		**15,286**	**15,462**
Non-current liabilities			
Deferred tax liabilities	2.8	3,406	3,653
Provisions	3.6	331	972
Lease liabilities	3.3	4,751	60
Loans	4.2,4.6	22,976	21,631
Other payables		138	0
Total non-current liabilities		**31,602**	**26,316**
Current liabilities			
Loans	4.2,4.6	91	105
Lease liabilities	3.3	491	12
Short-term bank loans	4.2,4.6	681	0
Trade payables		4,309	3,814
Other payables		1,751	1,737
Contract liabilities	3.5	2,455	2,583
Amounts owed to joint ventures and associates		3	0
Income tax payable		2	0
Derivative financial instruments	4.6	143	761
Provisions	3.6	80	116
Total current liabilities		**10,006**	**9,128**
Total liabilities[1]		**41,608**	**35,444**
Total equity and liabilities		**56,894**	**50,906**

[1]Total liabilities excl. impact from IFRS 16		36,431	35,444

Consolidated statement of cash flows

(DKKm)	Note	2019	2018
Operating activities			
Operating profit before depreciation, amortisation and special items (*EBITDA*)		6,524	6,691
Adjustment for non-cash items	5.1	190	157
Pension contributions	3.7	133	(8)
Payments related to provisions	3.6	(45)	(27)
Special items	2.7	(128)	(1,121)
Change in working capital	5.2	(110)	471
Interest received	4.5	326	573
Interest paid	4.5	(1,335)	(1,665)
Income tax paid	2.8	(334)	(502)
Operating activities in continuing operations		5,221	4,569
Operating activities in discontinued operations		(3)	788
Total cash flow from operating activities		**5,218**	**5,357**
Investing activities			
Investment in enterprises	5.3	(140)	(342)
Investment in property, plant and equipment	3.2	(3,400)	(2,162)
Investment in intangible assets	3.1	(1,621)	(1,484)
Investment in other non-current assets		(1)	(60)
Divestment of enterprises		2	(1)
Sale of other non-current assets		30	66
Change in loans to joint ventures and associates		(1)	0
Dividends received from joint ventures and associates		1	0
Investing activities in continuing operations		(5,130)	(3,983)
Investing activities in discontinued operations	5.4	0	16,857
Total cash flow from investing activities		**(5,130)**	**12,874**

(DKKm)	Note	2019	2018
Financing activities			
Proceeds from long-term loans		0	46,603
Repayment of long-term loans		0	(47,351)
Cost relating to short-term credit facilities		0	(87)
Settlement of derivatives related to long-term loans		(136)	285
Lease payments		(314)	(42)
Change in short-term loans		681	0
Coupon payments on hybrid capital		0	(261)
Dividends paid		(995)	(11,316)
Repayment of hybrid capital		0	(5,588)
Dividends to non-controlling interest		(1)	(1)
Other changes in non-controlling interests		0	1
Financing activities in continuing operations		(765)	(17,757)
Financing activities in discontinued operations		0	0
Total cash flow from financing activities		**(765)**	**(17,757)**
Total cash flow		**(677)**	**474**
Cash and cash equivalents at 1 January		2,244	1,767
Effect of exchange-rate changes on cash and cash equivalents		10	3
Cash and cash equivalents at 31 December		**1,577**	**2,244**

Consolidated statement of changes in equity

(DKKm)	Attributable to shareholders of TDC A/S[1]							
	Share capital	**Reserve for currency translation adjustment**	**Reserve for cash flow hedges**	**Retained earnings**	**Total**	**Hybrid capital**	**Non-controlling interests**	**Total**
Equity at 1 January 2018	**812**	**(1,507)**	**(175)**	**20,881**	**20,011**	**5,552**	**1**	**25,564**
Profit for the year	-	-	-	5,489	5,489	235	(2)	5,722
Exchange-rate adjustments of foreign enterprises, cf. note 4.5	-	1,514	-		1,514	-	-	1,514
Value adjustments of hedging instruments, cf. note 4.5	-	-	(10)		(10)	-	-	(10)
Remeasurement of defined benefit plans	-	-	-	131	131	-	-	131
Income tax relating to remeasurement of defined benefit plans	-	-	-	(29)	(29)	-	-	(29)
Total comprehensive income	-	1,514	(10)	5,591	7,095	235	(2)	7,328
Share-based remuneration	-	-	-	180	180	-	-	180
Settlement of performance share programme	-	-	-	(472)	(472)	-	-	(472)
Income tax relating to share-based remuneration	-	-	-	(2)	(2)	-	-	(2)
Coupon payments on hybrid capital	-	-	-	-	-	(261)	-	(261)
Income tax relating to coupon payments on hybrid capital	-	-	-	-	-	26	-	26
Repayment of hybrid capital	-	-	-	(36)	(36)	(5,552)	-	(5,588)
Additions to non-controlling interests	-	-	-	-	-	-	4	4
Distributed dividends	-	-	-	(11,316)	(11,316)	-	(1)	(11,317)
Total transactions with shareholders	-	-	-	(11,646)	(11,646)	(5,787)	3	(17,430)
Equity at 31 December 2018	**812**	**7**	**(185)**	**14,826**	**15,460**	**0**	**2**	**15,462**
Profit for the year	-	-	-	179	179	-	1	180
Exchange-rate adjustments of foreign enterprises, cf. note 4.5	-	-	-	-	-	-	-	0
Value adjustments of hedging instruments, cf. note 4.5	-	-	45	-	45	-	-	45
Remeasurement of defined benefit plans	-	-	-	763	763	-	-	763
Income tax relating to remeasurement of defined benefit plans	-	-	-	(168)	(168)	-	-	(168)
Total comprehensive income	-	-	45	774	819	-	1	820
Distributed dividends	-	-	-	(995)	(995)	-	(1)	(996)
Total transactions with shareholders	-	-	-	(995)	(995)	-	(1)	(996)
Equity at 31 December 2019	**812**	**7**	**(140)**	**14,605**	**15,284**	**0**	**2**	

[1] See also note 4.1 for an explanation of distributable reserves and dividend.

Section 1

Basis of preparation

This section sets out the Group's basis of preparation, which relates to the financial statements as a whole. Where an accounting policy is specific to one note, the policy is described in the note to which it relates. Similarly, critical sources of estimation uncertainty are described in the notes to which they relate.

In this section

1.1 | Accounting policies

TDC Group's consolidated financial statements for 2019 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and further disclosure requirements in the Danish Financial Statements Act.

The consolidated financial statements are based on the historical cost convention, except that the following assets and liabilities are measured at fair value: derivatives, financial instruments held for trading, and financial instruments classified as available for sale.

When preparing the consolidated financial statements, Management makes assumptions that affect the reported amount of assets and liabilities at the balance sheet date, and the reported income and expenses for the accounting period. The accounting estimates and judgements considered critical to the preparation of the consolidated financial statements are shown in note 1.2 below.

Changes to accounting policies

TDC Group has adopted the new standards, amendments to standards and interpretations that are effective for the financial year 2019.

The standard IFRS 16 Leases, effective from 1 January 2019, replaces the previous standard IAS 17 Leases and its associated interpretation guidance.

IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the lessee. Under the new standard, leases result in the lessee obtaining the right to use an asset during the estimated lease term and, if lease payments are made over time, obtaining financing.

Consequently, all leases (with a few exceptions) must now be recognised in the balance sheet as lease assets and corresponding lease liabilities. The lease expenses, which were previously recognised as a single amount (operating expenses), now consist of two elements: depreciation and interest expenses.

In applying IFRS 16 for the first time, TDC has used the following practical expedients permitted by the standard:

- recognising payments associated with short-term leases and leases of low-value assets as expenses in the income statement
- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the lease assets at 1 January 2019
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- electing not to reassess whether a contract is or contains a lease at 1 January 2019
- accounting for leases previously classified as finance leases is unchanged
- classifying provisions for vacant tenancies at 31 December 2018 as a write-down of lease assets

The weighted average discount rate applied to lease liabilities at 1 January 2019 was 4.6%.

TDC has implemented IFRS 16 using the modified retrospective approach, which means that comparative figures for previous periods have not been restated. The cumulative effect of initially applying the standard was recognised at 1 January 2019.

Except for the changes mentioned above, the accounting policies are unchanged compared with the policies applied in the Annual Report 2018.

IFRS 16 impact on initial application at 1 January 2019 (DKKm)

Lease assets	4,704
Total assets	**4,704**
Provisions (incl. short term part)	(682)
Lease liabilities	5,386
Total liabilities	**4,704**

1.1 | Accounting policies (continued)

Measurement of lease liabilities on initial application at 1 January 2019 (DKKm)	
Operating lease commitments for all operating leases, net at 31 December 2018	5,694
Discounted using the incremental borrowing rate as per 1 January 2019	(2,068)
Short-term leases not recognised as a liability	(52)
Low-value leases not recognised as a liability	(34)
Contracts reassessed as lease contracts	4
Adjustments as a result of a different treatment of extension and terminal options	1,076
Adjustment relating to changes in the index or rate affecting variable payments	766
Lease liability recognised as at 1 January 2019	**5,386**

	2019		
Impact on consolidated financial statements (DKKm)	**Previous accounting policy**	**Changed accounting policy**	**New accounting policy**
External expenses	(2,696)	321	(2,375)
Personnel expenses	(3,379)	(5)	(3,384)
Other income (re. sublease of vacant tenancies)	102	82	184
Operating profit before depreciation, amortisation and special items (*EBITDA*)	**6,126**	**398**	**6,524**
Depreciation, amortisation and impairment losses	(4,815)	(349)	(5,164)
Financial income and expenses	(761)	(234)	(995)
Income taxes	(31)	40	9
Profit for the period	**323**	**(143)**	**180**
Total assets	**52,469**	**4,425**	**56,894**
Provisions (incl. short-term part)	1,043	(632)	411
Lease liabilities (incl. short-term part)	65	5,177	5,242
Deferred tax liabilities	3,446	(40)	3,406
Other liabilities	32,486	63	32,549
Total liabilities	**37,040**	**4,568**	**41,608**
Total cash flow from operating activities	**4,911**	**307**	**5,218**
Total cash flow from financing activities	**(458)**	**(307)**	**(765)**

1.1 | Accounting policies (continued)

Consolidation policies

The consolidated financial statements include the financial statements of the parent company and subsidiaries of which TDC A/S has direct or indirect control. Joint ventures of which the Group has joint control and associates of which the Group has significant influence are recognised using the equity method.

The consolidated financial statements have been prepared on the basis of the financial statements of TDC A/S and its consolidated enterprises, which have been restated to Group accounting policies, combining items of a uniform nature.

On consolidation, intra-group income and expenses; shareholdings, dividends, internal balances; and realised and unrealised profits and losses on transactions between the consolidated enterprises have been eliminated.

Foreign currency translation

A functional currency is determined for each of the Group's enterprises. The functional currency is the currency applied in the primary economic environment where each enterprise operates. Transactions in currencies other than the functional currency are transactions in foreign currencies. The consolidated financial statements are presented in Danish kroner (DKK), which is the parent company's functional and presentation currency.

Transactions in foreign currencies are translated at the transaction-date exchange rates. Foreign exchange gains and losses arising from differences between the transaction-date rates and the rates at the date of settlement are recognised as financial income and expenses in the income statement.

Cash, loans and other amounts receivable or payable in foreign currencies are translated into the functional currency at the official exchange rates quoted at year-end. Currency translation adjustments are recognised as financial income and expenses in the income statement.

The balance sheets and goodwill of consolidated foreign enterprises are translated into Danish kroner at the official exchange rates quoted at the balance sheet date, whereas the income statements of the enterprises are translated into Danish kroner at monthly average exchange rates. Currency translation adjustments arising from the translation of equity at the beginning of the year into Danish kroner at the official exchange rates quoted at year-end are recognised in other comprehensive income and in equity under a separate reserve for currency translation adjustments. The same applies to adjustments arising from the translation of the income statement from the monthly average exchange rates to the exchange rates quoted at year-end.

1.2 | Critical accounting estimates and judgements

The preparation of TDC Group's Annual Report requires Management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amount of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised during the period in which the estimates are revised and during any future periods affected.

The following areas involve a higher degree of estimates or complexity and are outlined in more detail in the related notes on:

Notes		Critical accounting estimates and judgements	Estimates /judgements
2.2	Revenue	Assessment of principal or agent	Judgement
		Assessment of contracts involving sale of complex products and services	Judgement
2.7	Special items	Assessment of special events or transactions	Judgement
3.1	Intangible assets	Assumptions for useful lives	Estimate
		Assumptions used for of impairment testing	Estimate
3.3	Lease assets	Assumptions related to write-down of lease assets re. vacant tenancies	Estimate
3.7	Defined benefit plans	Assumptions for discount rates, wage inflation and mortality	Estimate

Section 2

Profit for the year

This section focuses on disclosures of details of the TDC Group's results for the year including segment reporting, special items and taxation. A detailed review of revenue, *EBITDA* and profit for the year is provided in the section 'Our performance' in the Management's review.

In this section

2.1 | Segment reporting

Worth noting

TDC Group consists of the three operating segments: Nuuday, TDC NET and Group Functions.

Nuuday develops and markets the best communications and entertainment services, including the development of new innovative products and digital solutions.

TDC NET designs, builds, and runs Denmark's best broadband and mobile networks and delivers highly qualified technical support to customers and the networks.

Group Functions governs, advises and delivers shared services to the business units.

For further information, see 'Who we are', page 9ff.

Certain leases are recognised as operating expenses in Nuuday and TDC NET.

Accounting policies

Operating segments are reported in a manner consistent with the internal management and reporting structure.

Profit before depreciation, amortisation and special items (*EBITDA*) represents the profit earned by each segment. The operating segments are managed primarily on the basis of *EBITDA*.

Segment results are accounted for in the same way as in the consolidated financial statements except for certain leases. Leases relating to offices and cars are in Nuuday and TDC NET recognised as operating expenses whereas such leases in Group Functions are recognised as depreciations and interest expenses in accordance with IFRS 16. The adjustments related to such leases are included in eliminations.

Segment income and segment expenses are those items that, in our internal management reporting, are directly attributable to individual segments. Intersegment transactions are made on market terms.

Changes in segment reporting

Following the reorganisation of the business into two new companies with separate identities and strategies, TDC's segment reporting was changed. Our business operations are now carried out by Nuuday, TDC NET and Group Functions. Previously, our segments comprised Consumer, Business, Wholesale, Digital, Operations and Headquarters.

Comparative figures have been restated accordingly.

2.1 | Segment reporting (continued)

Activities (DKKm)	Nuuday[1] 2019	Nuuday[1] 2018	TDC NET 2019	TDC NET 2018	Group Functions 2019	Group Functions 2018
External revenue	15,299	15,442	1,741	1,900	4	14
Revenue across segments	326	351	5,309	5,050	-	35
Total revenue	**15,625**	**15,793**	**7,050**	**6,950**	**4**	**49**
Cost of sales	(9,730)	(9,659)	(462)	(518)	-	-
Gross profit	**5,895**	**6,134**	**6,588**	**6,432**	**4**	**49**
Operating expenses	(4,050)	(3,880)	(2,581)	(2,427)	(941)	(1,247)
Other income and expenses	119	70	240	282	1,422	1,294
EBITDA	**1,964**	**2,324**	**4,247**	**4,287**	**485**	**96**

	Eliminations 2019	Eliminations 2018	TDC Group 2019	TDC Group 2018
External revenue	-	-	17,044	17,356
Revenue across segments	(5,635)	(5,436)	-	-
Total revenue	**(5,635)**	**(5,436)**	**17,044**	**17,356**
Cost of sales	5,247	5,278	(4,945)	(4,899)
Gross profit	**(388)**	**(158)**	**12,099**	**12,457**
Operating expenses	1,813	1,686	(5,759)	(5,868)
Other income and expenses	(1,597)	(1,544)	184	102
EBITDA	**(172)**	**(16)**	**6,524**	**6,691**

[1] Nuuday comprises the business units Consumer, Business and Other. Gross profit amounted to DKK 5,935m (2018: DKK 6,054m) for Consumer, DKK 2,521m (2018: DKK 2,556m) for Business and DKK (2,561)m (2018: DKK (2,476)m) for Other.

Reconciliation of *EBITDA* to profit before income taxes (DKKm)	2019	2018
Total *EBITDA* from reportable segments	6,524	6,691
Unallocated:		
Depreciation, amortisation and impairment losses	(5,164)	(4,088)
Special items	(194)	(858)
Financial income and expenses	(995)	(1,360)
Consolidated profit before income taxes	**171**	**385**

2.2 | Revenue

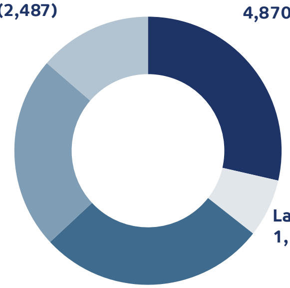
Specification of external revenue from products (DKKm)	Nuuday							
	Consumer		Business		Other		Nuuday total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Landline	496	593	571	672	0	0	1,067	1,265
Mobility	3,142	3,028	1,144	1,138	253	248	4,539	4,414
Internet & network	2,621	2,453	1,180	1,251	0	0	3,801	3,704
TV	3,892	3,960	28	31	4	0	3,924	3,991
Other	813	964	1,139	1,089	16	15	1,968	2,068
External revenue, total	**10,964**	**10,998**	**4,062**	**4,181**	**273**	**263**	**15,299**	**15,442**

Specification of external revenue from products	TDC NET		Group functions		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Landline	130	161	0	0	1,197	1,426
Mobility	331	309	0	0	4,870	4,723
Internet & network	884	972	0	0	4,685	4,676
TV	39	53	0	0	3,963	4,044
Other	357	405	4	14	2,329	2,487
External revenue, total	**1,741**	**1,900**	**4**	**14**	**17,044**	**17,356**

2.2 | Revenue (continued)

(DKKm)	2019	2018
Sales of goods recognised at a point in time	1,323	1,301
Sales of services recognised over time	15,721	16,055
Total	**17,044**	**17,356**

External revenue[1] from products and services (DKKm)



Critical accounting estimates

Revenue recognition for a telecom operator is a complex area of accounting that requires management estimates and judgements.

Recognition of revenue depends on whether the Group acts as a principal in a transaction or an agent representing another company. Whether the Group is considered to be the principal or agent in a transaction depends on an analysis of both the form and substance of the customer agreement. When the Group acts as the principal, revenue is recognised at the agreed value, whereas when the Group acts as an agent, revenue is recognised as the commission the Group receives for arranging the agreement.

Judgements of whether the Group acts as a principal or as an agent impact on the amounts of recognised revenue and operating expenses, but do not impact on net profit for the year or cash flows. Judgements of whether the Group acts as a principal are used primarily in transactions covering content.

When the Group concludes contracts involving the sale of complex products and services, management estimates are required to determine whether complex products or services shall be recognised together or as separate products and services.

Management estimates are also used for allocating the transaction price to the individual elements based on their respective fair values, if judged to be recognised separately. For example, business customer contracts can comprise several elements related to mobile phones, subscriptions, leases, etc.

[1] 2018 figures in brackets.

2.2 | Revenue (continued)

Critical accounting judgements

Revenue is measured at the fair value of the consideration receivable, exclusive of sales tax and discounts relating directly to sales. Revenue comprises goods and services provided during the year. Goods and services may be sold separately or in bundled packages. Services include traffic and subscription fees, *interconnection* and *roaming* fees, fees for leased lines, network services, TV distribution as well as connection and installation fees. Goods include customer premises equipment, telephony handsets, PCs, set-top boxes, etc.

The Group derives revenue from the transfer of goods and services to customers in the main segments as shown in the table above.

Consumer sells to households and the contracts are primarily perpetual, with the same service provided until the customer terminates the contract. Some of the contracts include a non-cancellation period of 6 months. Consumer also has contracts with antenna associations for longer periods.

Business sells digital solutions to enterprises and public segments. Business offers modular solutions for small and medium-sized enterprises, as well as customised solutions for public and large enterprises. Modular self-service contracts are perpetual and contracts with customised solutions are for longer periods, i.e. 3-5 years.

Wholesale delivers services from plain access to full-service packages to *service providers*. Wholesale revenue is partly regulated.

The significant sources of revenue are recognised in the income statements as follows:
- revenues from subscription fees and flat-rate services are recognised over the subscription period
- revenues from telephony are recognised at the time the calls are made
- sales related to prepaid products are deferred, and revenues are recognised at the time of use
- revenues from leased lines are recognised over the rental period
- revenues from the sale of equipment are recognised on delivery. Revenues from the equipment maintenance are recognised over the contract period

Revenue arrangements with multiple deliverables are recognised as separate units of accounting, independent of any contingent element related to the delivery of additional items or other performance conditions. Such revenues include the sale of equipment located at customer premises, e.g. switchboards and handsets.

The transaction price in revenue arrangements with multiple deliverables, such as handsets and subscriptions, are allocated to each performance obligation based on the stand-alone selling price. Where the selling price is not directly observable, it is estimated based on expected cost plus a margin. Discounts on bundled sales are allocated to each element in the contract.

Contracts with similar characteristics have been evaluated using a portfolio approach due to the large number of similar contracts.

In case of contracts for longer periods, and if the payment exceeds the services rendered, contract liabilities are recognised, see note 3.5.

Revenues are recognised gross when TDC Group acts as the principal in a transaction. For content-based services and the resale of services from content providers where TDC Group acts as the agent, revenues are recognised net of direct costs.

The percentage-of-completion method is used to recognise revenue from contract work in progress based on an assessment of the stage of completion. Contract work in progress includes installation of telephone and IT systems, systems integration and other business solutions.

Non-refundable up-front connection fees are included in the total transaction price for the contract with the customer and thereby allocated to the identified performance obligations (services).

The period between the transfer of the service to the customer and the payment by the customer is not of an extent that gives reason to adjust the transaction prices for the time value of money.

Other income

Other income comprises mainly rental income, compensation for *cable* breakages, investment advisory fees from the related pension funds as well as profit relating to divestment of property, plant and equipment.

2.3 | Cost of sales

(DKKm)	2019	2018
Mobile services	(570)	(507)
Landline voice	(110)	(160)
Internet & network	(369)	(394)
TV	(2,233)	(2,075)
Other services	(1,663)	(1,763)
Total	**(4,945)**	**(4,899)**

Accounting policies

Cost of sales includes transmission costs and cost of goods sold. Transmission costs include external expenses related to operation of mobile and landline networks and leased transmission capacity as well as *interconnection* and *roaming* costs related directly to the Group's primary income.

Cost of goods sold includes terminal equipment and transmission material as well as TV-programme rights and other content costs.

2.4 | External expenses

(DKKm)	2019	2018
Marketing and advertising expenses	(247)	(202)
Subscriber acquisition and retention expenses, cf. note 3.5	(276)	(235)
Property expenses	(341)	(636)
IT expenses	(350)	(376)
Temps and personnel-related expenses	(242)	(198)
Other expenses	(919)	(885)
Total	**(2,375)**	**(2,532)**

The effect of change in accounting policy related to leasing is shown in note 1.1.

Accounting policies

External expenses include expenses related to marketing and advertising, IT, property, expenses related to staff, capacity maintenance, service contracts, etc.

2.5 | Personnel expenses

(DKKm)	2019	2018
Wages and salaries (including short-term bonuses)	(3,968)	(3,636)
Pensions:		
• defined benefit plans	(101)	(122)
• defined contribution plans	(304)	(287)
Share-based remuneration	0	(16)
Social security	(84)	(83)
Total	**(4,457)**	**(4,144)**
Of which capitalised as non-current assets	1,073	808
Total personnel expenses recognised in the income statement[1]	**(3,384)**	**(3,336)**

[1] The figures cover only continuing operations. Calculated including discontinued operations, personnel expenses totalled DKK 3,384m (2018: DKK 3,646m).

Remuneration for the key management and the Board of Directors[2] (DKKm)	2019	2018
Base salary (incl. benefits)	24.6	30.2
Cash bonus	20.8	29.5
Retention allowance[1]	69.6	32.1
One-off consideration	0.0	6.5
Pensions	4.2	5.1
Long-term incentive programme	3.6	0.0
Performance share remuneration	0.0	9.3
Share-based incentive programme in Norway	0.0	1.5
Employer social security contribution	0.0	1.1
	122.8	115.3
Redundancy compensation	24.2	50.7
Key management in total	147.0	166.0
Fee to the Board of Directors	4.9	5.2
Total	**151.9**	**171.2**

[1] In addition to the retention element, the allowance is linked to reaching a number of strategic targets in the execution of the new strategy.
[2] During 2019, the remuneration to the key management (excluding redundancy compensation) comprised 5.7 members on average (2018: 7.0 members).

The amounts for performance share remuneration included in the table above are the fair values of instruments granted during the year.

The fair values are expensed over the vesting period. The expense for 2019 amounted to DKK 0m (2018: DKK 25.5m). Total remuneration for the Key Management when including the expense rather than the fair values amounted to DKK 147.0m (2018: DKK 182.4m).

Remuneration for the Executive Committee amounted to DKK 108.4m (2018: DKK 166.0m).

2.5 | Personnel expenses (continued)

Number of full-time employee equivalents	2019	2018
1 January	7,126	7,362
Redundancy programmes	(58)	(203)
Acquisitions and divestments	38	109
Hirings and resignations	392	(142)
31 December	**7,498**	**7,126**
Former Danish civil servants	72	77
Employees entitled to pension from TDC Group's pension fund	767	806
Other employees	6,659	6,243
31 December	**7,498**	**7,126**
Of which in Denmark[1]	**7,405**	**7,011**
Average number of full-time employee equivalents, TDC Group[2,3]	**7,327**	**7,109**

1 Employees outside Denmark are employed by Contact Center Europe GmbH, Flensburg, Germany.
2 The average number of full-time employee equivalents seconded to external parties in connection with outsourcing of tasks or divestment of operations and entitled to pensions on conditions similar to those provided for Danish civil servants is not included in the reported figures (100 in 2019 and 108 in 2018).
3 The figures cover only continuing operations. Calculated including discontinued operations, the average number of full-time employee equivalents amounted to 7,327 in 2019 (2018: 7,603).

Comments

The increase in full-time employee equivalents from 2018 to 2019 related primarily to *fibre*, IT separation and digital activities.

Accounting policies

Wages, salaries, social security contributions, paid leave and sick leave, bonuses and other employee benefits are recognised in the year in which the employee renders the related services.

Pension costs

See note 3.7.

Incentive programmes

See note 6.1.

Full-time employee equivalents

The number of full-time employee equivalents includes permanent employees and trainees.

Employees who are entitled to pensions on conditions similar to those provided for Danish civil servants and who are seconded to external parties in connection with outsourcing of tasks or divestment of operations are not included in the reported numbers.

Employees in acquired enterprises are included as the average number of full-time employee equivalents from the time of acquisition until 31 December. Employees in divested enterprises are included as the average number of full-time employee equivalents from 1 January until the time of divestment.

Employees in discontinued operations are not included in the number of full-time employee equivalents. The total number of full-time employee equivalents including discontinued operations is disclosed in a footnote.

2.6 | Depreciation, amortisation and impairment losses

(DKKm)	2019	2018
Amortisation of intangible assets, cf. note 3.1	(1,639)	(1,657)
Depreciation of property, plant and equipment, cf. note 3.2	(3,086)	(2,363)
Depreciation of lease assets, cf. note 3.3	(382)	-
Impairment losses, cf. notes 3.1 and 3.2	(85)	(68)
Of which capitalised as tangible and intangible assets	28	0
Total	**(5,164)**	**(4,088)**

Comments

The increase in depreciation from 2018 to 2019 was due primarily to the reduced useful lives of existing mobile equipment as a result of the ongoing replacement with Ericsson equipment as well as the impact of a change in accounting policy. The effect of the new accounting policy related to leasing is shown in note 1.1.

2.7 | Special items

(DKKm)	2019	2018
Costs related to redundancy programmes and vacant tenancies	(72)	(221)
Other restructuring costs, etc.	(104)	(470)
Loss on sale of enterprises	(5)	(34)
Income from rulings	0	85
Loss from rulings	(1)	(3)
Settlement of performance share programme, cf. note 6.1	0	(192)
Adjustment of purchase price re. acquisition of enterprises	(1)	0
Costs related to acquisition of enterprises	(11)	(23)
Special items before income taxes	**(194)**	**(858)**
Income taxes related to special items	36	93
Special items related to joint ventures and associates	2	0
Special items related to discontinued operations	0	5,280
Total special items	**(156)**	**4,515**

Cash flow from special items (excl. discontinued operations) (DKKm)	2019	2018
Redundancy programmes and vacant tenancies	(70)	(188)
Rulings	0	83
Settlement of performance share programme	0	(444)
Other	(58)	(572)
Total	**(128)**	**(1,121)**

Comments

The positive development in special items related to continuing operations was due primarily to costs in 2018 caused by the takeover of TDC by DK Telekommunikation ApS. The changed accounting policy for provisions for vacant tenancies (cf. note 1.1) also had a positive impact.

Special items related to discontinued operations in 2018 primarily related to the gain on divesting TDC's Norwegian business.

2.7 | Special items (continued)

Worth noting

Special items are significant amounts that Management considers are not attributable to normal operations such as restructuring costs and special write-downs for impairment of intangible assets and property, plant and equipment. Special items also include gains and losses related to divestment of enterprises, as well as transaction costs and adjustments of purchase prices relating to the acquisition of enterprises.

Reconciliation of special items (DKKm)	2019 Reported income statement	2019 Special items	2019 Adjusted income statement	2018 Reported income statement	2018 Special items	2018 Adjusted income statement
Revenue	17,044	0	17,044	17,356	0	17,356
Cost of sales	(4,945)	0	(4,945)	(4,899)	0	(4,899)
Gross profit	12,099	0	12,099	12,457	0	12,457
External expenses	(2,375)	(94)	(2,469)	(2,532)	(575)	(3,107)
Personnel expenses	(3,384)	(95)	(3,479)	(3,336)	(334)	(3,670)
Other income	184	0	184	102	59	161
Other expenses	0	(5)	(5)	0	(34)	(34)
Operating profit before depreciation and amortisation	6,524	(194)	6,330	6,691	(884)	5,807
Depreciation, amortisation and impairment losses	(5,164)	0	(5,164)	(4,088)	0	(4,088)
Special items	(194)	194	0	(858)	858	0
Operating profit	1,166	0	1,166	1,745	(26)	1,719
Financial income and expenses	(995)	0	(995)	(1,360)	26	(1,334)
Profit before income taxes	**171**	**0**	**171**	**385**	**0**	**385**

Critical accounting judgements

In the Group's income statement, special items are presented as a separate item. Special items include income or costs that in Management's judgement shall be disclosed separately by virtue of their size, nature or incidence. In determining whether an event or transaction is special, Management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence of the transaction or event, including whether the event or transaction is recurrent. This is consistent with the way that financial performance is measured by Management and reported to the Board of Directors, and assists in providing a meaningful analysis of the operating results of the Group.

Accounting policies

Special items, as described above, are disclosed on the face of the income statement. Items of a similar nature for non-consolidated enterprises and discontinued operations are recognised in profit from joint ventures and associates and profit for the year from discontinued operations, respectively.

2.8 | Income taxes

Worth noting

A large part of TDC Group's deferred tax liabilities relates to assets that are not expected to be taxed in the foreseeable future (pension assets, customer relations and brands). The deferred tax liabilities relating to customer relationships and brands stem primarily from the merger of TDC A/S and the former parent company NTC ApS in 2009 and the resulting adoption of NTC's purchase price allocation.

Reconciliation of income taxes (DKKm)

	2019			2018		
	Income taxes cf. the income statement	**Income tax payable/ (receivable)**	**Deferred tax liabilities/ (assets)**	**Income taxes cf. the income statement**	**Income tax payable/ (receivable)**	**Deferred tax liabilities/ (assets)**
At 1 January	-	(77)	3,653	-	(9)	4,341
Additions relating to acquisition of enterprises	-	-	7	-	2	10
Transferred to discontinued operations						(649)
Income taxes for the year	(81)	357	(276)	(403)	462	(56)
Adjustment of tax for previous years	90	56	(146)	26	(30)	4
Tax relating to remeasurement effects from defined benefit plans	-	-	168	-	-	29
Tax relating to coupon payments on hybrid capital	-	-	-	-	-	(26)
Tax relating to share-based remuneration	-	-	-	-	-	2
Income tax paid	-	(334)	-	-	(502)	-
Total	**9**	**2**	**3,406**	**(377)**	**(77)**	**3,653**
Shown in the balance sheet as:						
Tax payable/deferred tax liabilities		2	3,406			3,653
Tax receivable/deferred tax assets					(77)	
Total		**2**	**3,406**		**(77)**	**3,653**
Income taxes are specified as follows:						
Income excluding special items	(27)			(470)		
Special items	36			93		
Total	**9**			**(377)**		

Comments

Reconciliation of income taxes
In both 2019 and 2018, all income taxes paid related to the Danish business.

In Sweden, the Group had a non-recognised tax loss of DKK 3m (2018: DKK 5m).

2.8 | Income taxes (continued)

Specification of deferred tax (DKKm)	2019 Deferred tax assets	2019 Deferred tax liabilities	2019 Total[1]	2018
Intangible assets	0	81	81	110
Other	0	32	32	26
Current	**0**	**113**	**113**	**136**
Intangible assets	0	2,182	2,182	2,226
Property, plant and equipment	(351)	0	(351)	(100)
Lease assets and liabilities	(170)	0	(170)	-
Pension assets and pension liabilities	0	1,642	1,642	1,508
Tax value of tax-loss carryforwards	(8)	0	(8)	(7)
Other	(2)	0	(2)	(110)
Non-current	**(531)**	**3,824**	**3,293**	**3,517**
Deferred tax at 31 December	**(531)**	**3,937**	**3,406**	**3,653**

[1] The total net deferred tax is recognised as a liability in the balance sheets.

Reconciliation of effective tax rate (DKKm)	2019 DKKm	2019 %	2018 DKKm	2018 %
Danish corporate income tax rate	81	22.0	273	22.0
Limitation on the tax deductibility of interest expenses	38	10.4	230	18.6
Other non-taxable income and non-tax deductible expenses	0	0	2	0.1
Tax value of non-capitalised tax losses and utilised tax losses, net	(2)	(0.6)	(9)	(0.7)
Adjustment of tax for previous years	(90)	(24.4)	(26)	(2.2)
Effective tax excluding special items	**27**	**7.4**	**470**	**37.8**
Special items	(36)	(12.7)	(93)	60.1
Effective tax including special items	**(9)**	**(5.3)**	**377**	**97.9**

TDC A/S participates in joint taxation with all its Danish subsidiaries. With effect from 4 May 2018, TDC A/S has also participated in joint taxation with DK Telekommunikation ApS, DKT Finance ApS and DKT Holdings ApS, of which the latter became the new administration company in the joint taxation. The jointly taxed companies are jointly and severally liable for the total income taxes, taxes paid on account and outstanding residual tax (with additional payments and interest) relating to the joint taxation.

Reconciliation of effective tax rate

The decreasing effective tax rate (excluding special items) was due primarily to a decreased impact of the Danish limitation on the deductibility of interest as well as the increase of adjustment of tax for previous years.

2.8 | Income taxes (continued)

Accounting policies

Tax for the year comprises current income tax, changes in deferred tax and adjustments from prior years and is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income.

Current income tax liabilities and current income tax receivables are recognised in the balance sheet as income tax payable or income tax receivable.

Deferred tax is measured under the balance-sheet liability method on the basis of all temporary differences between the carrying amounts and the tax bases of assets and liabilities at the balance sheet date. However, deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or if it arises from initial recognition of an asset or liability in a transaction other than a business combination that affects neither accounting nor taxable profit/loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by TDC Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets including the tax value of tax-loss carryforwards are recognised at the value at which they are expected to be realised. Realisation is expected to be effected either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Adjustment of deferred tax is made concerning elimination of unrealised intra-group profit and losses.

Deferred tax is measured on the basis of the tax rules and tax rates effective under the legislation in the respective countries at the balance sheet date when the deferred tax is expected to be realised as current income tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement except for the effect of items recognised directly in other comprehensive income.

Deferred tax assets and liabilities are offset in the consolidated balance sheet if the Group has a legally enforceable right to offset them, and the deferred tax assets and liabilities relate to the same legal tax entity.

2.9 | Discontinued operations

(DKKm)	2019	2018
Revenue	**0**	**2,353**
Total operating costs	0	(1,428)
Income taxes	0	(81)
Results from discontinued operations excluding gain from divestment	0	434
Gain from divestment of discontinued operations (special items)	0	5,293
Other special items relating to discontinued operations	0	(13)
Profit for the year from discontinued operations	**0**	**5,714**

Discontinued operations in 2018 comprised the former 100% owned subsidiaries Get AS and TDC Norway AS.

Accounting policies

Disclosure of discontinued operations
Discontinued operations are recognised separately as they constitute entities comprising separate major lines of business or geographical areas, whose activities and cash flows for operating and accounting purposes can be clearly distinguished from the rest of the entity, and where the entity has been disposed of or classified as held for sale, and it seems highly probable that the disposal will be effected within twelve months in accordance with a single coordinated plan.

Profit/loss after tax of discontinued operations is presented in a separate line in the income statement with restated comparative figures. Revenue, cost and taxes relating to the discontinued operation are disclosed in the table above.

Cash flows from operating, investing and financing activities of discontinued operations are presented in separate lines in the statement of cash flow with restated comparative figures.

Section 3

Operating assets and liabilities

This section shows the assets used to generate the Group's performance and the resulting liabilities incurred. Assets and liabilities relating to the Group's financing activities are addressed in Section 4. Deferred tax assets and liabilities are shown in note 2.8.

In this section

3.1 | Intangible assets

	2019					2018				
(DKKm)	Goodwill	Customer relationships	Brands	Other rights, software, etc.	Total	Goodwill	Customer relationships	Brands	Other rights, software, etc.	Total
Accumulated cost at 1 January	16,136	14,409	5,469	13,440	49,454	20,962	18,490	6,065	12,314	57,831
Transferred to discontinued operations	-	-	-	-	-	(5,018)	(4,124)	(596)	(4)	(9,742)
Additions relating to the acquisition of enterprises	95	19	4	23	141	192	81	13	10	296
Additions	0	0	0	2,706	2,706	0	1	0	1,357	1,358
Assets disposed of or fully amortised	0	0	(12)	(597)	(609)	0	(39)	(13)	(237)	(289)
Accumulated cost at 31 December	**16,231**	**14,428**	**5,461**	**15,572**	**51,692**	**16,136**	**14,409**	**5,469**	**13,440**	**49,454**
Accumulated amortisation and write-downs for impairment at 1 January	(3,692)	(11,765)	(117)	(10,116)	(25,690)	(3,692)	(12,214)	(159)	(9,160)	(25,225)
Transferred to discontinued operations	-	-	-	-	-	0	909	42	0	951
Amortisation	0	(390)	(5)	(1,244)	(1,639)	0	(494)	(4)	(1,159)	(1,657)
Write-downs for impairment	0	0	(4)	(65)	(69)	0	(5)	(9)	(34)	(48)
Assets disposed of or fully amortised	0	0	12	597	609	0	39	13	237	289
Accumulated amortisation and write-downs for impairment at 31 December	**(3,692)**	**(12,155)**	**(114)**	**(10,828)**	**(26,789)**	**(3,692)**	**(11,765)**	**(117)**	**(10,116)**	**(25,690)**
Carrying amount at 31 December	**12,539**	**2,273**	**5,347**	**4,744**	**24,903**	**12,444**	**2,644**	**5,352**	**3,324**	**23,764**

3.1 | Intangible assets (continued)

Worth noting

TDC Group's intangible assets relate largely to goodwill, customer relations and brands stemming from the merger of TDC A/S and the former parent company NTC ApS in 2009 and the resulting adoption of NTC's purchase price allocation.

Comments

Write-downs for impairment of intangible assets, etc. totalled DKK 69m (2018: DKK 48m) of which DKK 19m related to right to use assets, DKK 43m from termination of various software projects and DKK 4m related to the write-down of a minor brand, all in Nuuday. The remaining DKK 3m related to write-downs stemming from termination of various software projects in TDC NET.

Assets with indefinite useful lives other than goodwill related to the TDC brand in Denmark are unchanged at DKK 5,339m compared with 2018.

The carrying amount of software amounted to DKK 2,284m (2018: DKK 1,945m). The addition of internally developed software totalled DKK 482m (2018: DKK 415m).

The carrying amount of individually material Danish mobile licences included in other rights, software etc., amounted to DKK 2,215m (2018: DKK 1,062m) and is shown in the next table. Of this DKK 1.349m relates to licences not in use yet.

Critical accounting judgements

Useful lives
Management estimates useful lives for intangible assets based on periodic studies of customer churn or actual useful lives and the intended use for those assets. Such studies are completed or updated when new events occur that may have the potential to impact the determination of the useful life of the asset, i.e. when events or circumstances occur that indicate that the carrying amount of the asset may not be recoverable and should therefore be tested for impairment. Any change in customer churn or the expected useful lives of these assets is recognised in the financial statements, as soon as any such change has been ascertained, as a change of a critical accounting estimate.

Impairment testing of intangible assets
Intangible assets comprise a significant portion of TDC Group's total assets. The measurement of the recoverable amount of intangible assets is a complex process that requires significant Management judgements in determining various assumptions to be used in the calculation of cash-flow projections, discount rates and terminal growth rates. In 2018, Management also estimated the cost drivers, etc. in the activity-based costing model used for allocation of the carrying amount and value in use of the cash-generating units.

The sensitivity of changes in the assumptions used to determine the recoverable amount may be significant. Furthermore, the use of other estimates or assumptions when determining the recoverable amount of the assets may result in other values and could result in required impairment of intangible assets in future periods. The assumptions used for the impairment testing of goodwill are shown in the section Impairment testing of goodwill and intangible assets with indefinite useful lives.

Spectrum licences in Denmark (DKKm)

Spectrum (MHz)	Bandwidth (MHz)	Type/Technology	Licence expiry	Carrying amount
700	2 x 15 + 1 x 20	Technology neutral	2040	683
800	2 x 20	Technology neutral	2034	381
900	2 x 9 + 2 x 10	Technology neutral	2020+2034	35
1800	2 x 20	Technology neutral	2032	247
2100	2 x 15 + 1 x 5	Technology neutral	2021	44
2300	1 x 60	Technology neutral	2041	657
2600	2 x 20	Technology neutral	2030	168

Cash flow (DKKm)	2019	2018
Additions, cf. table above	(2,706)	(1,358)
Instalments regarding mobile licences	(254)	(126)
Non-cash part of acquisition of mobile licences	1,339	-
Cash flow from investment in intangible assets	**(1,621)**	**(1,484)**

3.1 | Intangible assets (continued)

Impairment testing of goodwill and intangible assets with indefinite useful lives

The carrying amount of goodwill is tested for impairment annually and if events or changes in circumstances indicate impairment. The annual tests were carried out at 1 October 2019 and at 1 October 2018, respectively.

Impairment testing is an integral part of TDC Group's budget and planning process, which is based on long-term business plans with projection until 2030. The discount rates applied reflect specific risks relating to the individual cash-generating unit. The recoverable amount is based on the value in use determined on expected cash flows based on long-term business plans approved by Management. The business plans approved by Management follow the operating segments as described in note 2.1.

Projections for the terminal period are based on general expectations and risks, taking into account the general growth expectations for the telecoms industry in Denmark. We apply a negative real growth rate (1.0% perpetuity growth factor) reflecting expectations of relatively saturated markets.

The long-term business plans are based on current trends. The budget period includes cash flow effects from completed restructurings combined with effects of strategic initiatives aimed at improving or maintaining trend lines.

For the impairment testing of goodwill, TDC Group uses a pre-tax discount rate for each cash-generating unit. In determining the discount rate, a risk premium on the risk-free interest rate is fixed at a level reflecting Management's expectations of the spread for future financing.

Following the reorganisation of the business into the two new companies, goodwill has been reallocated. Our business operations are now carried out by Nuuday, TDC NET and Group Functions. Intersegment transactions are now made on market terms. Previously, the carrying amount and value in use of the cost centres (Operations, Digital and Headquarters) were allocated to the sales units Consumer, Business and Wholesale for impairment testing purposes based on cost drivers, etc. in the activity-based costing model.

Goodwill relates to Nuuday and TDC NET. The assumptions for calculating the value in use for the most significant goodwill amounts are given below.

Key assumptions for calculating the value in use for the significant[1] goodwill amounts (2019) (DKKm)

	Nuuday	TDC NET
Carrying amount of goodwill at 31 December 2019 (DKKm)	5,562	6,977
Market-based growth rate applied to extrapolated projected future cash flows for the period following 2030	1.0%	1.0%
Applied pre-tax discount rate at 1 October 2019	8.8%	6.9%

[1] Representing 100% of the total carrying amount in 2019.

Assumptions regarding recoverable amounts and projected earnings, 2019

Nuuday

Any reasonably possible changes in the key assumptions are not expected to cause the carrying amount of goodwill to exceed the recoverable value.

Projections are based on the assumption of a stabilising *EBITDA* development from 2020 and positive growth hereafter in the long-term business plan based on the following assumptions:

- Landline voice decline from continuation of lower churn and improved product mix
- Growth in mobility services from higher *ARPU* partly offset by increased *roaming* costs on mobile voice, and the ambition to continue to have superior networks
- Medium-run broadband gross profit decline due to decreasing *RGU*s, however offset in the long run by increased *ARPU*s as customers migrate to higher speed technologies (e.g. *fibre*)
- TV gross profit decline due to customer loss and expected erosion of gross profit margin. This was in line with the uptake of new flexible TV packages with *SVoD* services and higher content cost following these offerings, which was partly offset by price increases. Churn will improve after revitalisation of the TV offering, leading to a stable TV market share
- *Opex* savings driven by digital transformation, focus on moving customers to a digital universe and call reductions

Sensitivity analyses have been performed to assess the probability that any likely changes in cash flow or discount rate will result in an impairment loss. One of the key swing factors behind the projection is the *EBITDA* level in the planning period. A sensitivity analysis indicates that each year in the planning period *EBITDA* may be as much as DKK 210m lower before a write-down would have to be recognised.

TDC NET

Any reasonably possible changes in the key assumptions are not expected to cause the carrying amount of goodwill to exceed the recoverable value.

Projections are based on the assumption of steady *EBITDA* growth and an *EBITDA* margin in the long term business plan based on the following assumptions:

- Positive gross profit development from increased growth in mobility services.
- Positive gross profit development from increased growth in *fibre* broadband, stemming primarily from the investments in the *fibre* roll-out
- Heightened customer demand for data consumption leading to a switch in customer mix from established broadband technologies such as DSL and coax to high-speed *fibre* technologies with higher *ARPU*.
- *Opex* savings driven by digital transformation and general productivity increases
- Increased capital expenditure to due to increased investment in *fibre* roll-out and investments in upgrading our mobile network in preparation for 5G and digital activities

Sensitivity analyses have been performed to assess the probability that any likely changes in cash flow or discount rate will result in an impairment loss. The sensitivity analysis of the *EBITDA* level shows that *EBITDA* each year in the planning period may be as much as DKK 1,240m lower before a write-down would have to be recognised.

Key assumptions for calculating the value in use for the significant[1] goodwill amounts (2018) (DKKm)

	YouSee	Online Brands	Business
Carrying amount of goodwill at 31 December 2018 (DKKm)	6,745	1,438	4,233
Market-based growth rate applied to extrapolated projected future cash flows for the period following 2030	1.9%	1.9%	1.9%
Applied pre-tax discount rate at 1 October 2018	7.1%	6.8%	7.8%

[1] Representing 100% of the total carrying amount in 2018.

Assumptions regarding recoverable amounts and projected earnings, 2018

The ownership change in TDC Group achieved at a purchase price of DKK 50.25 per share, or a total of DKK 40.5bn, shows that previous years' headroom was cautiously estimated.

A new long-term strategic focus has been developed requiring significant investments, which are expected to stabilise future cash flow and secure that TDC Group can match inflation in the period after the projected long-term business plan. If growth is excluded in the terminal period, this will cause a minor write-down in the Business segment.

Any reasonably possible changes in the key assumptions are not expected to cause the carrying amount of goodwill to exceed the recoverable value.

YouSee

Projections are based on the assumption of a slightly declining *EBITDA* development, stabilising towards the end of the long-term business plan based on the following assumptions:

- Landline voice decline from continuation of lower churn and improved product mix
- Growth in mobility services from higher *ARPUs* partly offset by increased *roaming* costs on mobile voice, and the ambition to continue to have superior networks

3.1 | Intangible assets (continued)

- Decline in broadband gross profit as customers switch to new technology (e.g. *fibre*). Mixed overall gross profit effect due to increased churn from customers migrating to new technology, offset by higher *ARPU*-level on *fibre*
- TV gross profit decline due to customer loss and expected erosion of gross profit margin in line with uptake of new flexible TV packages with *SVoD* services and higher content cost following these offerings, partly offset by price increases. Churn will improve after revitalisation of the TV offering, leading to a stable TV market share
- *Opex* savings driven by digital transformation, focus on moving customers to a digital universe and call reductions

Online Brands

Projections are based on the assumption of significant *EBITDA* growth in the long-term business plan based on the following assumptions:

- Growth in the mobile voice and broadband segments from the acquisition of Plenti and Hiper
- Adjusted for acquisitions, growth is driven mainly by mobility services from an increasing customer base and moderate rise in *ARPU* and increases in broadband *ARPU* along with new customers on high-*ARPU fibre* connections

Business

Projections are based on assumptions of a gradual improvement in the declining *EBITDA* development, turning into slightly increasing *EBITDA* growth in the long-term business plans *based on* the following assumptions:

- Continued intense price competition in the enterprise segment is expected to negatively impact earnings, offset by better development in the SME segment
- New products and services and improvement of the overall end-to-end processes are expected to positively impact on gross profit
- Entering the emerging *IoT* market with our current machine-to-machine market as a stepping stone and continued focus on *cloud* and integrator services
- *Opex* savings from *FTE* reductions driven by our continued focus and investments in the digital transformation

§ Accounting policies

Goodwill and brands with indefinite useful lives are recognised at cost less accumulated write-downs for impairment. The carrying amounts of goodwill and brands with indefinite useful lives are tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable, and are subsequently written down to the recoverable amounts in the income statement if exceeded by the carrying amounts. Write-downs of goodwill are not reversed. For the purpose of impairment testing in the consolidated financial statement, goodwill is allocated to the Group's cash-generating units. The determination of cash-generating units is based on the operating segments in the Group's internal management reporting.

Brands with finite useful lives, licences, proprietary rights, etc. are measured at cost less accumulated amortisation and impairment losses, and are amortised on a straight-line basis over their estimated useful lives.

Customer-related assets are measured at cost less accumulated amortisation and impairment losses, and are amortised using the diminishing-balance method based on the percentage of churn (5% to 33%) corresponding to the expected pattern of consumption of the expected future economic benefits.

Development projects, including costs of computer software purchased or developed for internal use, are recognised as intangible assets if the cost can be calculated reliably and if they are expected to generate future economic benefits. Costs of development projects include wages, external charges, depreciation and amortisation that are directly attributable to the development activities as well as interest expenses in the production period.

Development projects that do not meet the criteria for recognition in the balance sheet are expensed as incurred in the income statement.

The main amortisation periods are as follows:

Brands	3-5 years
Mobile licences	16-22 years
Development projects	3-7 years

Development projects in process and intangible assets of indefinite useful lives are tested for impairment at least annually and written down to recoverable amounts in the income statement if exceeded by the carrying amount.

Intangible assets are recorded at the lower of recoverable amount and carrying amount.

Impairment tests on goodwill and other intangible assets with indefinite lives are performed at least annually and, if necessary, when events or changes in circumstances indicate that their carrying amounts may not be recoverable.

3.2 | Property, plant and equipment

(DKKm)	2019 Land and buildings	2019 Network infra-structure	2019 Equipment	2019 Assets under construction	2019 Total	2018 Land and buildings	2018 Network infra-structure	2018 Equipment	2018 Assets under construction	2018 Total
Accumulated cost at 1 January	573	36,245	2,148	705	39,671	598	39,099	2,030	1,501	43,228
Effect of changes in presentation at 1 January	(82)	(85)	(9)	0	(176)	-	-	-	-	-
Transferred to discontinued operations	0	0	0	0	0	(43)	(4,657)	0	(793)	(5,493)
Transfers (to)/from other items	(87)	413	176	(502)	0	1	530	40	(571)	0
Transfers from leased assets	0	80	0	0	80	0	0	0	0	0
Additions relating to the acquisition of enterprises	0	0	0	0	0	0	40	(2)	0	38
Disposals relating to the divestment of enterprises	0	(4)	(7)	0	(11)	0	0	0	0	0
Additions	31	2,295	232	787	3,345	18	1,387	169	568	2,142
Assets disposed of	0	(139)	(115)	0	(254)	(1)	(154)	(89)	0	(244)
Accumulated cost at 31 December	**435**	**38,805**	**2,425**	**990**	**42,655**	**573**	**36,245**	**2,148**	**705**	**39,671**
Accumulated depreciation and write-downs for impairment at 1 January	(138)	(22,924)	(1,681)	(331)	(25,074)	(148)	(23,325)	(1,585)	(330)	(25,388)
Effect of changes in presentation at 1 January	36	61	9	0	106	-	-	-	-	-
Transferred to discontinued operations	0	0	0	0	0	20	2,430	0	5	2,455
Transfers (to)/from other items	61	0	(61)	0	0	0	0	0	0	0
Transfers from leased assets	0	(61)	0	0	(61)	0	0	0	0	0
Depreciation	(6)	(2,880)	(200)	0	(3,086)	(10)	(2,171)	(182)	0	(2,363)
Write-downs for impairment	0	(14)	0	(2)	(16)	0	(12)	(2)	(6)	(20)
Disposal relating to the divestment of enterprises	0	1	4	0	5	0	0	0	0	0
Assets disposed of	0	110	113	0	223	0	154	88	0	242
Accumulated depreciation and write-downs for impairment at 31 December	**(47)**	**(25,707)**	**(1,816)**	**(333)**	**(27,903)**	**(138)**	**(22,924)**	**(1,681)**	**(331)**	**(25,074)**
Carrying amount at 31 December	**388**	**13,098**	**609**	**657**	**14,752**	**435**	**13,321**	**467**	**374**	**14,597**
Carrying amount of finance leases at 31 December	**-**	**-**	**-**	**-**	**-**	**46**	**24**	**0**	**-**	**70**

Comments

In 2019, write-downs for impairment totalled DKK 16m (2018: DKK 20m) related to assets in Denmark operated by TDC NET.

3.2 | Property, plant and equipment (continued)

Cash flow (DKKm)	2019	2018
Additions, cf. table above	(3,345)	(2,142)
Non-cash additions regarding decommissioning obligations	14	(4)
Additions not yet paid	(97)	(16)
Capitalised depreciations cf. note 2.6	28	0
Cash flow from investment in property, plant and equipment	**(3,400)**	**(2,162)**

Accounting policies

Property, plant and equipment are measured at cost less accumulated depreciation and write-downs for impairment.

Cost comprises purchase price and costs directly attributable to the acquisition until the date on which the asset is ready for use. The cost of self-constructed assets includes directly attributable payroll costs, materials, depreciation, parts purchased and services rendered by sub-suppliers or contractors as well as interest expenses in the construction period. Cost also includes estimated decommissioning costs if the related obligation meets the conditions for recognition as a provision.

Directly attributable costs comprise personnel expenses together with other external expenses calculated in terms of time spent on self-constructed assets.

The depreciation base is measured at cost less residual value and any write-downs. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. The main depreciation periods are as shown in the next table.

The useful lives and residual values of the assets are reviewed regularly. If the residual value exceeds the carrying amount of an asset, depreciation is discontinued.

Buildings	20 years
Network infrastructure:	
mobile networks	20 years
copper	20 years
coax	20 years
fibre	30 years
exchange equipment	3-15 years
other network equipment	3-20 years
Equipment (computers, tools and office equipment)	3-15 years

Property, plant and equipment that have been disposed of or scrapped are eliminated from accumulated cost and accumulated depreciation. Gains and losses arising from sale of property, plant and equipment are measured as the difference between the sales price less selling expenses and the carrying amount at the time of sale. The resulting gain or loss is recognised in the income statement under other income.

Software that is an integral part of telephone exchange installations, for example, is presented together with the related assets. Useful lives are estimated individually.

Installation materials are measured at the lower of weighted average cost and recoverable amount.

Customer-placed equipment (e.g. set-top boxes) is capitalised and depreciated over the estimated useful life of the individual asset, not exceeding five years.

Property, plant and equipment are recognised at the lower of recoverable amount and carrying amount.

3.3 | Lease assets and liabilities

Lease assets (DKKm)	2019 Land and buildings	Network infra-structure	Vehicles and equip-ment	Total
Carrying amount at 1 January previously recognised as property, plant and equipment	46	24	0	70
Effect of changes in accounting policies at 1 January	4,495	24	185	4,704
Additions	31	0	68	99
Transfers to property, plant and equipment	0	(19)	0	(19)
Depreciation	(296)	(8)	(78)	(382)
Carrying amount at 31 December	**4,276**	**21**	**175**	**4,472**

Lease liabilities (DKKm)	**2019**
Recognised in the balance sheet at present value:	5,242
Of which presented as current	(491)
Total non-current	4,751
Maturing between 1 and 3 years	826
Maturing between 3 and 5 years	677
Maturing between 5 and 10 years	1,340
Maturing between 10 and 20 years	1,404
Maturing between 20 and 27 years	504
Total non-current	4,751

Comments

In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as ‘finance leases’ under IAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the Group’s borrowings.

For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 1.1.

Although the leases terminate in 2041 at the latest, certain extension options until 2047 are also included in the measurement of the liability.

The total cash outflow for leases in 2019 was DKK 558m.

In 2019 the future sublease payment amounted to DKK 268m (2018: DKK 211m).

Amounts recognised in the income statement (DKKm)	**2019**
Expense relating to short-term leases	(98)
Expense relating to leases of low-value assets	(1)
Income from sublease	85
Depreciation charge of lease assets, cf. above	(382)
Interest expense (included in financing costs)	(244)
Total	**(640)**

Critical accounting estimates

Impairment tests of lease assets require management to make significant estimates related to vacant tenancies. Management has estimated the expected sublease income net of operating cost. For each category of lease assets (offices, exchanges, etc.) and in consideration of the geographical location, the probability of obtaining income from sublease and expected sublet rent rates is judged. The most critical assumptions used in determining the write-down relate to the probability of sublease and expected sublet rent rates that will be impacted by e.g. changed market conditions for subletting.

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The Group has 163,650 square metres of leased tenancies no longer used by the Group (2018: 167,763). Of this, 90,479 (2018: 88,582) square metres were sublet. The leases terminate in 2041 at the latest.

The Group is expected to vacate and sublet additional tenancies in the future, following further reductions in the number of employees and upgrading to technical equipment that requires fewer square metres.

3.3 | Lease assets and liabilities (continued)

Accounting policies

The Group leases various offices, mobile sites, retail stores, vehicles and equipment. Rental contracts are typically made for fixed periods of 3 to 15 years but may have extension options as described below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a lease asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the lease asset in a similar economic environment with similar terms, security and conditions.

The incremental borrowing rates are based on our existing credit facilities and observable market data.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the lease asset.

Lease payments are allocated between principal and financing costs. The financing costs are charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Lease assets are measured at cost less accumulated depreciation and write-downs for impairment. Cost comprises the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- decommissioning costs.

Lease assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the lease asset is depreciated over the underlying asset's useful life cf. note 3.2.

Impairment tests on lease assets are performed at least annually and, if necessary, when circumstances indicate their carrying amounts may not be recoverable. Write-downs of lease assets related to vacant tenancies are based on expectations concerning timing and scope, future cost level etc. The calculation of the write-downs comprises rent and operating costs for the contract period reduced by the expected rental income from subleases.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are expensed as incurred. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

3.4 | Receivables

(DKKm)	2019	2018
Trade receivables	2,082	1,922
Allowances for doubtful debts	(228)	(242)
Trade receivables, net	**1,854**	**1,680**
Allowances for doubtful debts at 1 January	(242)	(260)
Transferred to discontinued operations	-	12
Additions	(70)	(95)
Realised losses	45	67
Reversed allowances	39	34
Allowances for doubtful debts at 31 December	**(228)**	**(242)**

Trade receivables (DKKm)	**Not yet due**	**Less than 1 month past due**	**More than 1 month past due**	**More than 3 months past due**	**More than 6 months past due**	**Total**
2019						
Expected loss rate	1%	1%	7%	20%	74%	11%
Gross carrying amount	1,453	227	89	41	272	2,082
Loss allowance	(9)	(3)	(6)	(8)	(202)	(228)
2018						
Expected loss rate	1%	2%	3%	23%	78%	13%
Gross carrying amount	1,170	326	105	52	269	1,922
Loss allowance	(10)	(6)	(3)	(12)	(211)	(242)

Comments

The carrying amount of the balance's approximated fair value is due to the short maturity of amounts receivable.

Of the receivables classified as current assets, DKK 23m falls due after more than one year (2018: DKK 19m).

Accounting policies

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. TDC operates with standard customer payment terms where customer subscriptions are billed and paid in advance of the subscription period, while usage and one-off services are billed and paid after the subscription period. The receivables are generally due for settlement within 20-30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

TDC Group applies the simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables, contract assets and lease receivables. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

3.5 | Contract assets and liabilities

(DKKm)	2019	2018
Assets recognised from costs to obtain a contract (SAC)	237	284
Assets recognised from costs to fulfil a contract	64	0
Work in progress for the account of third parties	94	75
Total contract assets	**395**	**359**
Deferred subscription income	2,417	2,560
Work in progress for the account of third parties, liabilities	38	23
Total contract liabilities	**2,455**	**2,583**

Comments

Of the deferred subscription income, DKK 32m (2018 DKK 39m) will be recognised as income after more than one year.

Revenue recognised in 2019 that was included in deferred subscription income at the beginning of the period amounted to DKK 2,521m (2018 DKK 2,974m).

Costs recognised in 2019 that were included in assets recognised from costs to obtain a contract (SAC) at the beginning of the period amounted to DKK 174m (2018 DKK 207m).

Of the assets recognised from costs to obtain a contract, (SAC) DKK 89m (2018 DKK 110m) and DKK 38m (2018 DKK 0m) of costs to fulfil a contract will be recognised as costs after more than one year.

Accounting policies

Subscriber acquisition costs and fulfilment costs

The most common subscriber acquisition costs are dealer commissions. Subscriber acquisition costs and fulfilment costs are capitalised and recognised as expenses in external expenses and personnel expenses over the expected term of the related customer relationship. The term is estimated using historical customer *churn rates*. Change of management estimates may have a significant impact on the amount and timing of the expenses for any period.

Deferred subscription income recognised as a liability comprises payments received from customers covering income in subsequent years.

3.6 | Provisions

	2019				2018
(DKKm)	Decommissioning obligations	Restructuring obligations	Other provisions	Total	
Provisions at 1 January	231	754	103	1,088	1,110
Effect of changes in accounting policies at 1 January	3	(665)	(20)	(682)	-
Transferred to discontinued operations	-	-	-	-	(19)
Additions relating to the acquisition of enterprises	0	0	0	0	8
Provisions made	7	96	18	121	219
Change in present value	10	0	0	10	3
Provisions used (payments)	(4)	(107)	(5)	(116)	(226)
Reversal of unused provisions	0	(1)	(9)	(10)	(7)
Provisions at 31 December	**247**	**77**	**87**	**411**	**1,088**
Of which recognised through special items in the income statement	**-**	**66**	**13**	**79**	**762**
Recognised as follows in the balance sheet:					
Non-current liabilities	247	8	76	331	972
Current liabilities	0	69	11	80	116
Total	**247**	**77**	**87**	**411**	**1,088**

Specification of how payments regarding provisions are recognised in the statements of cash flow (DKKm)	2019	2018
Payments related to provisions	(45)	(27)
Cash flow related to special items	(71)	(199)
Total	**(116)**	**(226)**

3.6 | Provisions (continued)

Comments

Provisions for decommissioning obligations relate to the future dismantling of mobile stations and restoration of property owned by third parties. The uncertainties relate primarily to the timing of the related cash outflows. The majority of these obligations are not expected to result in cash outflow within the next five years.

Provisions for restructuring obligations relate primarily to redundancy programmes. The majority of the provisions for redundancy programmes are expected to result in cash outflows in the next five years. The uncertainties relate primarily to the estimated amounts and the timing of the related cash outflows.

At 1 January 2019, the provisions for vacant tenancies were transferred to Lease assets cf. note 3.3 to offset the initial measurement of the lease assets.

Other provisions relate mainly to onerous contracts and jubilee benefits for employees as well as legal claims. The majority of these provisions are expected to result in cash outflows in the next five years. The uncertainties regarding legal claims and onerous contracts relate to both timing and estimated amounts. The uncertainties regarding jubilee benefits relate to both salary and the number of employees included.

In pursuance of Section 32 of the Danish Civil Servants Act, the Group has a termination benefit obligation to former Danish civil servants and to employees with civil-servant status hired before 1 April 1970 who are members of the related Danish pension fund. In the event of termination, such employees have a right to special termination benefits in the amount of three years' salary (tied-over allowance) or three months' full salary and two-thirds of their full monthly salary for four years and nine months (stand-off pay).

The Group's total termination benefits include wages during the notice period, severance pay, stand-off pay, payments pursuant to the Danish Salaried Employees Act, special termination benefits (in accordance with IAS 19 Employee Benefits), social security contributions and outplacement costs. The average redundancy cost per full-time employee equivalent, calculated as the total cost divided by the number of full-time employee equivalents included in the redundancy programmes during this period, is shown in the table on the left.

Average redundancy cost per full-time employee equivalent[1] (DKK thousands)	2019	2018
Non-civil servants	405	372
Former Danish civil servants	936	1,406
Employees with civil-servant status	1,771	911
Weighted average per full-time employee equivalent	441	667
Number of redundancies	104	79

[1] Excluding corporate management.

Accounting policies

Provisions are recognised when the Group has a legal or constructive obligation arising from past events, it is probable that economic benefits must be sacrificed to settle it, and the amount can be estimated reliably.

Provisions for restructuring, etc. are recognised when a final decision thereon has been made before or on the balance sheet date and has been announced to the parties involved, provided that the amount can be measured reliably. Provisions for restructuring are based on a defined plan, which means that the restructuring commences immediately after the decision has been made.

When the Group is under an obligation to demolish an asset or re-establish the site where the asset was used, a liability corresponding to the present value of estimated future costs is recognised and an equal amount is capitalised as part of the initial carrying amount of the asset. Subsequent changes in such a decommissioning liability that results from a change in the current best estimate of cash flows required to settle the obligation or from a change in the discount rate are added to (or deducted from) the amount recognised for the related asset. However, to the extent that such a treatment would result in a negative asset, the effect of the change is recognised as profit or loss for the year.

Provisions are measured at Management's best estimate of the amount at which the liability is expected to be settled. Provisions are discounted if the effect is material to the measurement of the liability.

3.7 | Pension assets and pension obligations

Worth noting

In a defined contribution plan, TDC Group pays fixed contributions to a third party on behalf of the employees and has no further obligations towards the employees. The benefits for the employees ultimately depend on the third party's ability to generate returns. In a defined benefit plan, members receive cash payments on retirement, the value of which depends on factors such as salary and length of service. The Group underwrites investment, mortality and inflation risks necessary to meet these obligations. In the event of returns not being sufficient to honour obligations towards the employees, TDC Group needs to address this through increased levels of contribution. The Group has a defined benefit plan in TDC Pension Fund. 880 of TDC Group's employees are covered by the defined benefit plan, while all other employees are covered by defined contribution plans. TDC Group makes contributions to TDC Pension Fund, which is not consolidated in these financial statements, but are reflected in the balance sheet in pension assets. TDC Group's pension assets and pension obligations are outlined in more detail in the following.

Defined benefit plan

Under conditions similar to those provided by the Danish Civil Servants' Pension Plan, 880 of TDC Group's employees (2018: 923) were entitled to pensions from the pension fund related to the Group. Of these, 96 (2018: 102) employees were seconded to external parties in connection with outsourcing tasks or divesting operations. In addition, 7,731 (2018: 7,886) members of the pension fund receive or are entitled to receive pension benefits. The pension benefits comprise lifelong old-age and disability pensions as well as certain benefits for spouses and children. Future pension benefits are based primarily on years of credited service and on participants' compensation at the time of retirement. Since 1990, no new members have joined the pension fund plans, and the pension fund is prevented from admitting new members in the future due to the articles of association.

The pension fund operates defined benefit plans via a separate legal entity supervised by the Danish Financial Supervisory Authority (FSA). In accordance with existing legislation, articles of association and the pension regulations, the Group is required to make contributions to meet the capital adequacy requirements. When all pension obligations have been met, the remaining funds will be distributed from the pension fund to TDC Group. With effect from 2019, TDC Pension Fund can under certain circumstances distribute “excess capital” to TDC Group triggering a payment to members of the pension fund as well.

Ordinary monthly contributions to the pension fund are made corresponding to a percentage of wages. The ordinary contributions were reduced from 1 January 2018. This decision was made due to the positive funding situation of the pension fund. Extraordinary contributions are made in connection with redundancy programmes and other retirements. Overall, the risk of additional capital contributions to the pension fund stem from investment, longevity and regulatory risks.

Investment risk is managed within risk tolerance limits to mitigate excessive risk that could lead to contribution. The fund invests in a wide variety of marketable securities (predominantly fixed-income securities) and the return on the investments has implications for TDC Group's financial results. Uncompensated risk related to nominal interest rates and inflation has been hedged.

Since the Danish FSA introduced the longevity benchmark in 2011 for statutory purposes, the fund's actuary has conducted a detailed longevity statistical analysis, that overall underpinned the fund's assumptions regarding observed current longevity. In line with the sector, however, the fund has increased its provisions for future expected improvements to longevity corresponding to the updated Danish FSA benchmark.

Other risks of capital contributions in excess of the planned ordinary contributions and extraordinary contributions in connection with redundancies going forward relate primarily to future changes to pension regulation and benefits over which the Group does not have full control.

The surplus under the Danish FSA pension regulation amounted to approx. DKK 3.3bn (2018: DKK 3.5bn). The equity of the pension fund amounted to approx. DKK 4.3bn (2018: DKK 4.4bn). The equity differs from the pension assets recognised in accordance with IFRS (DKK 7.5bn) due to specific FSA pension regulation requirements resulting in a higher pension obligation for regulatory purposes. The method for determining the fair value of plan assets is identical under the two requirements.

Plan assets include property with a fair value of DKK 0m used by group companies (2018: DKK 41m).

Pension (costs)/income (DKKm)	**Expected 2020**	**2019**	**2018**
Service costs	(85)	(91)	(108)
Administrative expenses	(11)	(10)	(14)
Personnel expenses (included in *EBITDA*)	(96)	(101)	(122)
Interest on pension assets	57	105	108
Pension (costs)/income	**(39)**	4	**(14)**
Domestic redundancy programmes recognised in special items		(4)	(29)
Members part of distribution of “excess capital”		(24)	0
Total pension (costs)/income recognised in the income statement	**-**	**(24)**	**(43)**

3.7 | Pension assets and pension obligations (continued)

Assets and obligations (DKKm)	**2019**	**2018**
Specification of pension assets		
Fair value of plan assets	31,430	29,990
Defined benefit obligation	(23,967)	(23,136)
Pension assets recognised in the balance sheet	**7,463**	**6,854**
Change in defined benefit obligation		
Defined benefit obligation at 1 January	(23,136)	(24,207)
Service cost	(91)	(108)
Administrative expenses	(10)	(14)
Interest cost on the defined benefit obligation	(351)	(369)
Termination benefits	(4)	(29)
Past service cost – distribution of “excess capital”	(4)	-
Remeasurement effect:		
Demographic experience	342	(167)
Financial assumptions	(1,799)	680
Benefit paid	1,086	1,078
Projected benefit obligations at 31 December	**(23,967)**	**(23,136)**
Change in fair value of plan assets		
Fair value of plan assets at 1 January	29,990	30,959
Interest income on plan assets	456	477
Actual return on plan assets greater/(less) than discount rate (remeasurement effect)	2,220	(382)
Distribution of “excess capital”	(156)	-
TDC’s contribution	6	14
Benefit paid	(1,086)	(1,078)
Fair value of plan assets at 31 December	**31,430**	**29,990**
Change in pension assets		
Pension assets at 1 January	6,854	6,752
Pension (costs)/income	0	(43)
Remeasurement effects	763	131
Distribution of “excess capital”	(160)	-
TDC’s contribution (see also table below)	6	14
Pension assets recognised in the balance sheet at 31 December	**7,463**	**6,854**

Asset allocation by asset categories at 31 December (DKKm)	**2019**	**2018**
Assets with quoted prices:		
Government and mortgage bonds (incl. hedges and repos)	10,838	13,819
High-yield bonds	4,524	3,671
Investment grade bonds	3,249	1,682
Emerging markets-debt	3,772	3,228
Property	2,600	2,301
Equities	480	361
Cash	67	(38)
Other	193	340
Assets without quoted prices:		
High-yield bonds	829	1,050
Investment grade bonds	2,247	1,510
Property	1,766	1,684
Alternatives	32	63
Equities	833	319
Fair value of plan assets	**31,430**	**29,990**

Assumptions used to determine defined benefit obligations (balance sheet) (%)	**2019**	**2018**
Discount rate	0.77	1.55
General price/wage inflation	1.30	1.51

Assumptions used to determine pension (costs)/income (%)	**2020**	**2019**	**2018**
Discount rate	0.77	1.55	1.56
General price/wage inflation	1.30	1.51	1.73

3.7 | Pension assets and pension obligations (continued)

The basis for determining the discount rate is the yield of AA-rated euro-denominated corporate bonds with an average maturity of 12 years, taking into account that the pension liability is in Danish kroner. For purposes of determining TDC Group's pension costs, the assumed discount rate was 1.55% (1.56% in 2018) and inflation was 1.51% (1.73% in 2018). The assumptions for 2020 reflect a discount rate decrease to 0.77% and a decrease of the assumed inflation rate to 1.30%.

The decreased discount rate and inflation rate during 2019 resulted in an increased pension benefit obligation compared with year-end 2018.

In 2020, with these changed assumptions, pension costs from the domestic defined benefit plan are expected to amount to DKK 39m (2019: income of DKK 5m), assuming all other factors remain unchanged.

The remeasurement effects of DKK 763m covered primarily a gain related to the plan assets (DKK 2,220m) as the actual return was higher than the expected return[1] and a loss related to the benefit obligation (DKK 1,457m) resulting from the decreasing discount rate (from 1.55% to 0.77%), was partly offset by the decreasing inflation rate (from 1.51% to 1.30%).

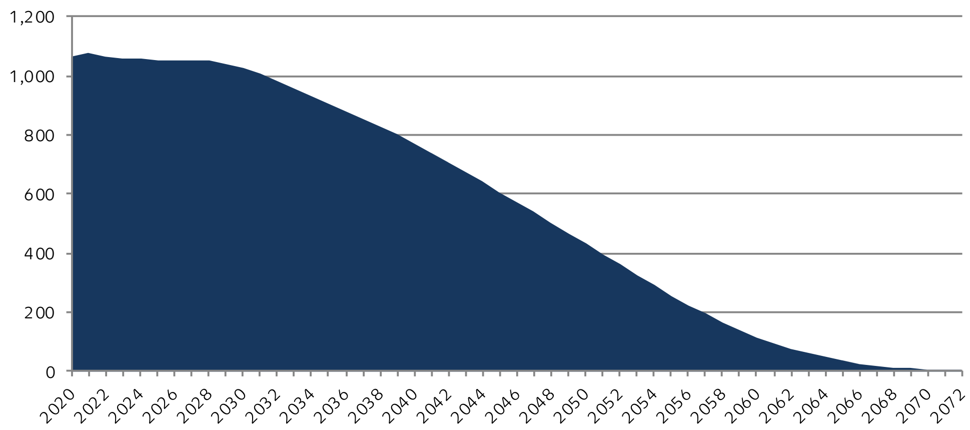
In 2018, the remeasurement effects of DKK 131m covered mainly a gain related to the benefit obligation (DKK 513m) resulting from the decreasing inflation rate (from 1.73% to 1.51%), which was partly offset by a decreasing discount rate (from 1.56% to 1.55%) and a loss related to the plan assets (DKK 382m) as the actual return was lower than the expected return.

The mortality assumptions are based on a yearly mortality study, which analyses the actual mortality experience of the TDC Group pension fund plan. The mortality assumptions provide the best estimate for the Group's recent experience plus an allowance for future improvement. The allowance for future improvement is in accordance with the Danish FSAs guidelines.

The table below shows the estimated impact of some of the risks to which TDC Group is exposed. The Group is also exposed to fluctuations in the market value of assets. For some of these risks, if the defined benefit obligation rises or falls, the market value of assets may move in the opposite direction, thereby eliminating part of the risk.

Sensitivity analysis (DKKm)	**2019**	**2018**
Reported defined benefit obligation	23,967	23,136
Discount rate sensitivity	**0.77%**	**1.55%**
Assumption -0.5%	25,714	24,801
Assumption +0.5%	22,399	21,644
General price/wage inflation sensitivity	**1.30%**	**1.51%**
Assumption +0.25%	24,844	23,977
Assumption -0.25%	23,132	22,337
Mortality sensitivity		
Assumption +1 year longevity	25,288	24,339
Assumption -1 year longevity	22,630	21,913

Projected benefit payments[1] **DKKm**



1 The duration of the pension plan is approximately 14 years.

1 In accordance with International Financial Reporting Standards, the expected return should be assumed to equal the discount rate as of the end of the previous year.

3.7 | Pension assets and pension obligations (continued)

TDC Group's contributions (DKKm)	**Expected 2020**	**2019**	**2018**
Ordinary contributions	3	3	5
Extraordinary contributions in connection with retirements	8	3	9
Total	**11**	**6**	**14**

Other information

Ultimately, 497 members of the defined benefit plans will have part of their pension payments reimbursed by the Danish government.

The related benefit obligations of DKK 396m (2018: DKK 404m) have been deducted in the projected benefit obligation.

Critical accounting estimates

Defined benefit plans

The pension liability regarding defined benefit plans is estimated based on certain actuarial assumptions, the most significant of which relate to discount rates, wage inflation and mortality. The discount rate applied is based on the yield of corporate bonds and may change over the years depending on interest rate developments. Management estimates of actuarial assumptions illustrate current market conditions. See the separate section Sensitivity analysis for a statement on the sensitivity of the defined benefit obligation to the discount rate, inflation and mortality.

Accounting policies

In a defined benefit plan, TDC Group is obliged to pay a specific benefit at the time of retirement. A pension asset or pension obligation corresponding to the present value of the obligations less the defined pension plans' assets at fair value is recognised for these benefit plans.

The obligations are determined annually by independent actuaries using the projected unit credit method assuming that each year of service gives rise to an additional unit of benefit entitlement, and each unit is measured separately to build up the final obligations. Estimation of future obligations is based on the Group's projected future developments in mortality, early retirement, future wages, salaries and benefit levels, interest rate, etc. The obligation does not take into account potential distributions of "excess capital" which is under TDC's control. The defined pension plan assets are estimated at fair value at the balance sheet date.

Differences between the projected and realised developments in pension assets and pension obligations are referred to as remeasurement effects and are recognised in other comprehensive income when gains and losses occur.

Pension assets are recognised to the extent that they represent future repayments from the pension plan.

Pension income/costs from defined benefit plans comprise the items: service cost, administrative expenses and interest on pension assets. Service cost and administrative expenses are recognised in personnel expenses, whereas interest on pension assets is presented as an item in financial income and expenses.

For the defined contribution plans, the Group will pay in a fixed periodic contribution to separate legal entities and will have no further obligations after the payment has been made.

Section 4

Capital structure and financing costs

This section explains the Group's capital structure and related financing costs, net interest-bearing debt as well as finance-related risks and how these are managed. The bar chart on the right shows the development in net interest-bearing debt (*NIBD*) and operating profit before depreciation, amortisation and special items (*EBITDA*) over the last five years.

In this section

4.1 | Equity

Comments

The total authorised number of shares is 812,000,000 with a par value of DKK 1 per share (unchanged in 2019 and 2018). All issued shares have been fully paid up.

During 2019, total equity decreased by DKK 176m to DKK 15,286m due mainly to distributed interim dividends (DKK 995m) partly offset by the positive total comprehensive income (DKK 820m).

During 2018, total equity decreased by DKK 10.1bn to DKK 15.5bn due mainly to distributed interim dividends (DKK 11.3bn) and repayment of hybrid capital (DKK 5.6bn) partly offset by the positive total comprehensive income (DKK 7.3bn).

The parent company statement of changes in equity specifies which reserves are available for distribution. The distributable reserves amounted to DKK 14,452m at 31 December 2019 before proposed dividend (2018: DKK 13,415m before proposed dividend). At the Annual General Meeting, the Board of Directors will not propose any dividend.

Dividend payments during the financial year 2019 amounted to DKK 995m (2018: DKK 11,316m).

Accounting policies

Treasury shares

The cost of treasury shares is deducted from equity under retained earnings on the date of acquisition. Similarly, payments received in connection with the disposal of treasury shares are recognised directly in equity.

Dividends

Dividends expected to be distributed for the year are recognised in a separate item in equity. Dividends and interim dividends are recognised as a liability at the time of adoption by the Annual General Meeting and the meeting of the Board of Directors, respectively.

Currency translation reserve

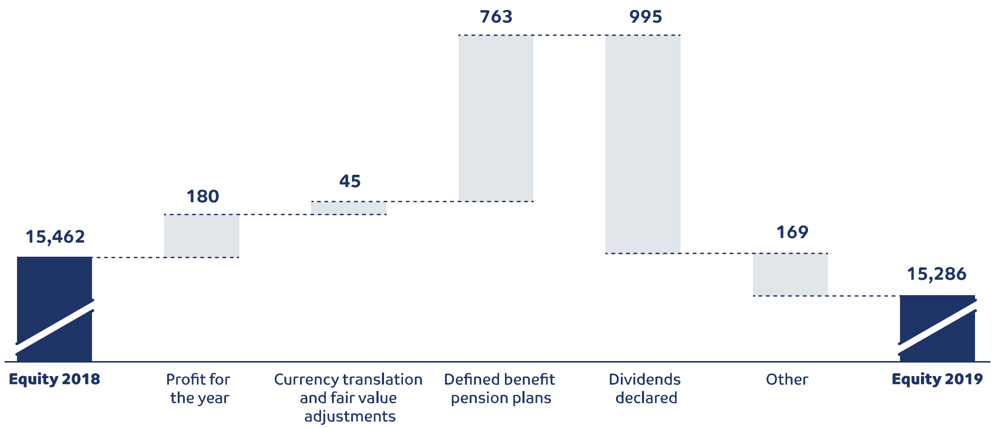
The currency translation reserve comprises exchange-rate differences arising from translation of the functional currency of foreign enterprises' financial statements into Danish kroner. Translation adjustments are recognised in the income statement when the net investment is realised.

Reserve for cash flow hedges

The reserve for cash flow hedges in equity comprises changes in the fair value of hedging transactions that qualify for recognition as cash flow hedges and where the hedged transaction has not yet been realised.

Treasury shares	Shares (number)	Nominal value (DKKm)	% of share capital
Holding at 1 January 2018	9,299,380	9	1.15
Used to settle share-based incentive programmes	(3,312,584)	(3)	(0.41)
Holding at 1 January 2019	**5,986,796**	**6**	**0.74**
Used during the year	0	0	0.00
Holding at 31 December 2019	**5,986,796**	**6**	**0.74**

Equity (DKKm)



4.2 | Loans and derivatives

Worth noting

TDC Group is financed through the European bond market (EMTN) and the market for syndicated senior secured bank loans (Senior Facility Agreement or SFA).

The next upcoming maturity is the EUR 500m EMTN bond that will mature in March 2022.

The Group's outstanding EMTN bonds have been issued in EUR and GBP with fixed interest rates. The GBP bonds have been swapped to fixed EUR interest rates. In Q1 2019, the EMTN bonds had a step up of 1.25% in coupon interest due to a rating downgrade to below investment-grade level.

The Group's outstanding SFA loan has been issued in EUR with floating interest rates and is partly hedged to fixed interest rates due to requirements in the Senior Facility Agreement (SFA).

Derivatives are used for hedging interest and exchange-rate exposure only, and not for taking speculative positions.

Loans (DKKm)	**2019**	**2018**
SFA loan[1]	14,158	14,140
EMTN[1]	7,495	7,285
Revolving Credit Facility drawings[1]	681	0
Spectrum licence liabilities[2]	1,414	311
Total	**23,748**	**21,736**
Recognised as follows in the balance sheet:		
Non-current liabilities	22,976	21,631
Current liabilities	772	105
Total	**23,748**	**21,736**

[1] For maturity profiles of expected cash outflows and fair value of debt, see note 4.6.
[2] Spectrum licence liabilities are maturing as follows: DKK 91m within 1 year, DKK 210m between 1 and 3 years, DKK 347m between 3 and 5 years, DKK 648m between 5 and 10 years and DKK 118m within 11 years.

4.2 | Loans and derivatives (continued)

Euro Medium Term Notes (EMTNs) and Senior Facility Agreement (SFA) loan	2022	2023	2024	2025	Total
Maturity	Mar 2022	Feb 2023	Jun 2024	Jun 2025	
Fixed/floating rate	Fixed	Fixed	Floating	Floating	
Coupon	5%	6.875%	Margin + floored Euribor[1]	Margin + floored Euribor[1]	
Currency	EUR	GBP	EUR/DKK	EUR	
Type	EMTN Bond	EMTN Bond	RCF[2]	SFA loan	
Nominal value (DKKm)	3,735	3,750	681	14,195	22,361
Nominal value (currency)	500	425	681	1,900	
– Of which nominal value swapped to EUR or DKK (currency)[3]	200	425	-	-	
Nominal value of debt incl. currency hedging in DKKm	3,733	3,739	681	14,195	22,348
– Of which nominal value swapped to or with floating interest rate (EURm)[4]	100	-	91	700	891
– Of which nominal value swapped to or with fixed interest rate (EURm)[4]	400	500	-	1,200	2,100

1 The RCF and SFA Loan have Euribor floors at zero and margins of 2.5% and 2.75% per 31-12-2019, respectively.
2 Revolving Credit Facility (RCF) totalling EUR 500m matures in June 2024 and is used for liquidity management. The drawing at year-end 2019 was repaid in January 2020.
3 EUR exposures are not considered a significant risk due to the fixed EUR/DKK exchange rate policy.
4 The maturity of interest rate swaps used for hedging long-term EMTN bonds matches the maturity of the underlying EMTN bonds. Derivatives of nominal EUR 925m used for hedging long-term SFA loan matures in June 2020 and nominal EUR 275m matures in later periods.

§ Accounting policies

Loans
Loans are recognised initially at the proceeds received net of transaction expenses incurred. In subsequent periods, loans are measured at amortised cost so that the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Fair value hedged loans are measured at fair value excluding the effect of changes in own credit risk.

Other financial liabilities are measured at amortised cost.

Financial instruments
On initial recognition, financial derivatives are recognised in the balance sheet at fair value and subsequently remeasured at fair value in the balance sheet and in the income statement. Depending on the type of instrument, different recognised measurement methods are applied for derivative financial instruments.

On 30 June 2018, TDC decided to stop using the hedge accounting rules in accordance with IAS 39. As a result, values recognised in other comprehensive income or fair value adjustments on loans at 30 June 2018 were fixed and will be reversed to the income statement over the lifetime of the underlying hedged item.

Before 30 June 2018, the following recognition methods applied. Fair value changes of financial derivatives are recognised in the income statement. However, in case of changes in the fair value of financial derivatives designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income. Any ineffective portion of the hedge is recognised in the income statement. Changes in the fair value of derivative financial instruments that qualify as hedges of fair value are recognised in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged interest-rate risk.

Unrealised gains/losses relating to hedging of future cash flows are recognised in other comprehensive income under a separate reserve.

4.3 | Financial risks

Worth noting

TDC Group is exposed to financial market and credit risks when buying and selling goods and services denominated in foreign currencies as well as due to its investing and financing activities. As a consequence of TDC Group's capital structure and financing, the Group faces interest-rate and exchange-rate risks. TDC's Group Treasury identifies, monitors and manages these risks through policies and procedures that are revised on an annual basis, if necessary, and approved by the Board of Directors.

Following the acquisition in 2018 of TDC Group by a consortium of long-term infrastructure investors, the new financing includes financial covenants and undertakings to which TDC Group must adhere.

TDC Group's current financial strategy which was approved in 2017, will be updated during H1 2020. It defines maxima/minima for interest-rate, exchange-rate and counterparty risks as well as maxima/minima for a range of other variables. Together with market values of financial assets and liabilities, these exposures are calculated and monitored monthly. All risk measures are reported to the Group Chief Financial Officer on a monthly basis.

Interest-rate risks

TDC Group is exposed to interest-rate risks in the euro area, as 100% of the nominal gross debt is denominated in or swapped to EUR or DKK.

The interest-rate risk emerges from fluctuations in market interest rates, which affect the market value of financial instruments and financial income and expenses.

Throughout 2019, the Group monitored and managed its interest-rate risks using several variables and protected the Group's financial policy targets.

The following variables are monitored:

- Floating interest-rate debt shall not exceed 60% of the total gross debt (including related derivatives)
- The maximum share of TDC Group's fixed-rate debt (including related derivatives) to be reset within one year shall not exceed 25% in year two and 30% in year three, respectively. The Group Chief Financial Officer can approve breaches of the limit for up to one month, during which Group Treasury must take action or have plans approved by the Group Chief Financial Officer to reduce the interest resetting risk to below the limit
- The BPV (basis point value or DKK change in the value of the financial portfolio for a one basis-point change in interest rates) of the financial portfolio shall not exceed the BPV of the debt portfolio if it were fully fixed for its entire maturity
- The duration (interest-rate sensitivity) of TDC Group's financial assets shall not exceed 0.25 years
- A breach of a sub-limit (being either the foreign-exchange-risk limit or the interest-rate limit) must be reported to the CFO. Group Treasury must take action or have plans approved by the CFO within 1 month to reduce the risk below the sub-limit.

Monitored interest-rate risk variables (average)	Maxima/ minima	Average 2019	Average 2018
Share of floating interest-rate debt	Max. 60%	48%	47%
Actual financial portfolio BPV (DKKm)		3.1	7.2
Max. BPV of the financial portfolio (DKKm)[1]		9.8	15.2
Duration of financial assets (years)	Max. 0.25	0.0	0.0
The maximum share of fixed interest-rate gross debt to be reset within one year in year two[2]	Max. 25%	16%	5%
The maximum share of fixed interest-rate gross debt to be reset within one year in year three	Max. 30%	15%	7%

[1] At 31 December 2019, a +/- 1 percentage point parallel shift in the interest-rate curve would impact profit for the year by approx. DKK -65/-31m due to changes in fair value adjustments and paid interest (2018: +47/-188m). A negative 1 percentage point parallel shift will not impact the receivable interest on the SFA loan due to a 2.75% floor. The impact on equity is estimated to be immaterial in both years.
[2] Due to the floating SFA Loan and hedging obligations in the Senior Facility Agreement, this share of reset risk of max 25% was breached in Q1 and Q2 2019. There were no breaches in Q3 and Q4

4.3 | Financial risks (continued)

Exchange-rate risks

TDC Group is exposed primarily to exchange-rate risks from USD, GBP and EUR. The GBP bonds have been swapped to EUR.

The USD exchange-rate exposure relates to payables and receivables mainly from *roaming* and *interconnection* agreements with foreign operators as well as equipment and handset suppliers.

Due to TDC Group's capital structure, the exposure from financial activities in EUR is significant, as 90% of the nominal gross debt (including derivatives) is denominated in EUR. However, due to the fixed EUR/DKK exchange-rate policy of Danmarks Nationalbank (the Danish central bank), TDC Group does not consider its positions in EUR to constitute a significant risk. The last 10% of the nominal debt is in DKK. The Group's EUR exposure was DKK 20.2bn at year-end 2019 (2018: DKK 21.7bn).

Throughout 2019, TDC Group monitored and managed its exchange-rate risks using several variables in accordance with the Group's financial strategy to protect mainly the Group's financial policy targets. The following variables are monitored:

- total open gross position, including payables and receivables, cash accounts, financing (including derivatives) and marketable securities in other currencies than DKK and EUR must not exceed DKK 500m
- forecasted cash flows in other currencies than EUR and DKK in the coming year must be hedged if foreign currencies constitute a risk to *EFCF* of more than DKK 35m. This is measured and tested on a monthly basis using Value at Risk (VaR). VaR is a measure of the maximum potential loss (caused by changes in market exchange rates) with 90% certainty within a certain time frame.

In addition to the above variables, the financial strategy includes a range of exchange-rate hedging policies that e.g. stipulate the guiding rule that EUR positions of TDC group companies with local currencies in DKK or EUR are not to be hedged.

Credit risks

TDC Group is exposed to credit risks principally as a provider of telecommunications services in Denmark and as counterparty in financial contracts. The credit risk arising from supplying telecommunications services is handled by subsidiaries, whereas the credit risks in relation to financial contracts are handled centrally by Group Treasury. Credit risks arising in relation to financial contracts are governed by the financial strategy that defines a maximum exposure for each counterparty. The maxima are based primarily on the lowest credit ratings of the counterparties from either Standard & Poor's (S&P) or Moody's Investor Services (Moody's).

Financial transactions with a potential financial exposure for TDC Group are entered into only with counterparties holding the long-term credit rating of at least BBB+ from Standard & Poor's or Baa1 from Moody's. Each counterparty credit line is determined by the counterparty's credit rating and is of a size that spreads the credit risks of total credit lines over several counterparties. However, should one of the Group's counterparties default, the Group might incur a loss. Credit risks are monitored on a monthly basis.

TDC Group's maximum credit risks, including both commercial and financial contracts, amounted to DKK 3,930m at 31 December 2019 (2018: DKK 4,224m).

Monitored exchange-rate risk variables (end-of-period) (DKKm)	Maxima	Average 2019	Average 2018
Value at Risk (VaR)	35	25	17
Total open gross position in other currencies than DKK and EUR[1]	500	66	59

[1] Including payables and receivables, cash accounts and financing (including derivatives).

Liquidity risks

TDC Group has no short-term refinancing risk as the next debt maturity is in March 2022.

The committed Revolving Credit Facilities provided by a group of banks under the Senior Facility Agreement (SFA) totalling EUR 500m (or DKK 3,733m), the available cash and cash generated by the business activities, are deemed sufficient to maintain current operations, to complete projects underway and to finance stated objectives and plans for the coming period.

Undrawn credit lines

At year-end 2019, TDC Group had undrawn committed credit lines totalling DKK 3,043m under the SFA.

4.4 | Credit ratings and net interest-bearing debt

Worth noting

Credit rating

TDC Group is rated by three international rating agencies: S&P's, Moody's and Fitch.

The senior secured credit facilities borrowed by TDC contain change-of-control provisions customary for this type of financing. Further, the senior secured credit facilities contain customary cross-default provisions in relation to certain other indebtedness of DK Telekommunikation, TDC and its subsidiaries.

The EMTN notes issued by TDC contain change-of-control provisions customary for this type of financing. Further, the EMTN notes contain customary cross-default provisions in relation to certain other indebtedness of TDC and its principal subsidiaries.

During 2019, Moody's downgraded TDC's senior secured and unsecured debt one notch, Fitch upgraded it by one notch and S&P assigned TDC a negative outlook.

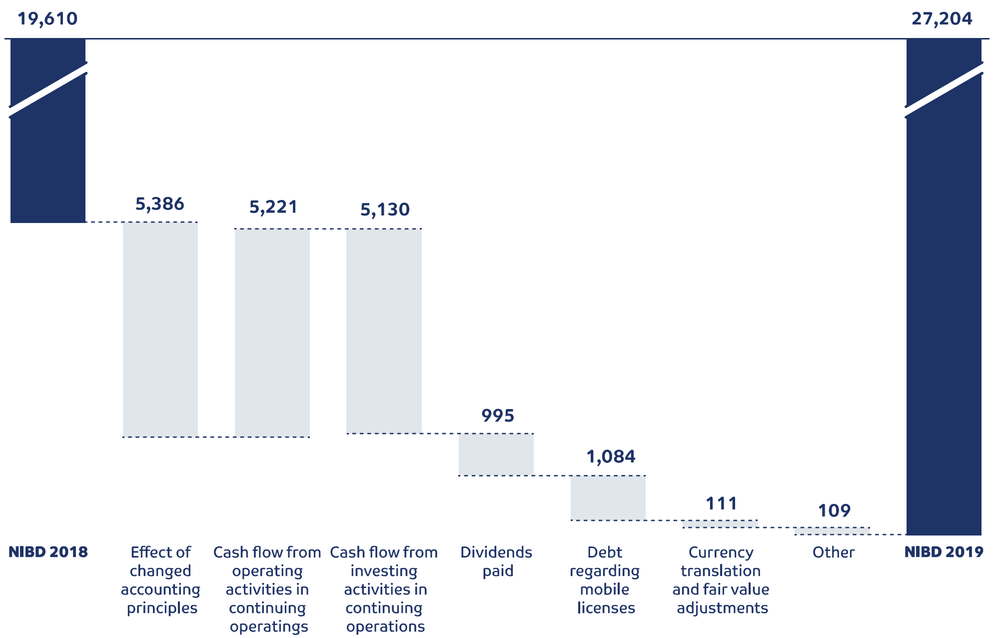
Comments

In 2019, *net interest-bearing debt* increased by DKK 7,594m. DKK 5,386m of the increase was due to the changed accounting policy for leases. The increase was also impacted by a negative *Equity Free Cash Flow* of DKK 114m, dividend payment of DKK 995m and the non-cash part of the acquisition of mobile licenses (DKK 1,339m).

In 2018, *net interest-bearing debt* fell by DKK 488m. The *Equity Free Cash Flow* totalled DKK 620m and the net proceeds from the divestment of TDC's Norwegian business amounted to DKK 17,404m (after adjustment for cash and transaction costs). This was partly offset by the dividend payment of DKK 11,316m, the repayment of hybrid capital of DKK 5,588m and fair value adjustments of long-term loans of DKK 537m.

TDC Group's company ratings at 31 December 2019	Corporate rating	Senior unsecured debt	Senior secured debt	Outlook
Rating				
S&P	B+	BB-	BB-	Negative
Moody's		B1	B1	Stable
Fitch		BB	BB+	Stable

NIBD (DKKm)



4.4 | Credit ratings and net interest-bearing debt (continued)

Net interest-bearing debt (DKKm)

2019	At 1 January, 2019	Effect of changes in accounting policies	Included in cash flows from: Investing activities	Included in cash flows from: Financing activities	Non-cash changes: Acquisitions /disposals	Non-cash changes: Debt from new licences and leases	Non-cash changes: Amortisation of borrowing costs	Non-cash changes: Currency translation adjustment	Non-cash changes: Fair value adjustments	At 31 December, 2019
Long-term loans incl. short-term part	21,736	-	(255)	0	(15)	1,339	29	233	0	23,067
Lease liabilities incl. short term part	72	5,386	0	(314)	0	98	0	0	0	5,242
Short term loans	0	-	0	681	0	0	0	0	0	681
Interest-bearing payables	2	-	0	0	0	0	0	0	0	2
Corrections for derivatives and reversals of fixed fair values on loans due to hedge accounting[1]	200	-	0	(136)	0	0	0	(221)	99	(58)
Total interest-bearing debt	**22,010**	**5,386**	**(255)**	**231**	**(15)**	**1,437**	**29**	**12**	**99**	**28,934**
Interest-bearing receivables and investments	(156)									(153)
Cash	(2,244)									(1,577)
Net interest-bearing debt	**19,610**									**27,204**
Hereof impact from IFRS 16	-									(5,177)
Net interest-bearing debt excl. impact from IFRS 16	**19,610**									**22,027**

[1] Currency adjustment effect from derivatives that hedge long-term loans and fixed hedge accounting effects that will be reversed to the income statement over the lifetime of the underlying hedged long-term loans.

2018	At 1 January, 2018	Effect of changes in accounting policies	Included in cash flows from: Investing activities	Included in cash flows from: Financing activities	Non-cash changes: Acquisitions /disposals	Non-cash changes: Debt from new licences and leases	Non-cash changes: Amortisation of borrowing costs	Non-cash changes: Currency translation adjustment	Non-cash changes: Fair value adjustments	At 31 December, 2018
Long-term loans incl. short-term part	21,933	-	(141)	(790)	8	0	30	231	537	21,808
Interest-bearing payables	2	-	0	0	0	0	0	0	0	2
Corrections for derivatives and reversals of fixed fair values on loans due to hedge accounting[1]	133	-	0	285	0	0	0	(246)	28	200
Total interest-bearing debt	**22,068**	**-**	**(141)**	**(505)**	**8**	**0**	**30**	**(15)**	**565**	**22,010**
Interest-bearing receivables and investments	(203)									(156)
Cash	(1,767)									(2,244)
Net interest-bearing debt	**20,098**									**19,610**
50% of hybrid capital	2,776									-
Adjusted *net interest-bearing debt*	**22,874**									**19,610**

[1] Currency adjustment effect from derivatives that hedge long-term loans and fixed hedge accounting effects that will be reversed to the income statement over the lifetime of the underlying hedged long-term loans..

4.5 | Financial income and expenses

(DKKm)	2019	2018
Interest income	36	7
Interest expenses	(1,183)	(1,092)
Net interest	**(1,147)**	**(1,085)**
Currency translation adjustments	(224)	(209)
Fair value adjustments	271	(173)
Interest, currency translation adjustments and fair value adjustments	**(1,100)**	**(1,467)**
Profit/(loss) from joint ventures and associates	0	(1)
Interest on pension assets	105	108
Total	**(995)**	**(1,360)**

Comments

Financial income and expenses represented an expense of DKK 995m in 2019. The decrease of DKK 365m compared with 2018 was driven primarily by:

- In 2018, a partial redemption of the SFA loan and a full redemption of 2027 EMTNs resulted in a fair value loss of DKK 544m. Furthermore, losses on derivative financial instruments relating to SFA and EMTN loans negatively impacted fair value adjustments in 2018 by DKK 61m.

  Interest expenses in 2019 were DKK 117m higher than in 2018 due mainly to IFRS 16 implementation as of 1 January 2019 resulting in additional interest expenses of DKK 232m relating to lease liabilities. This was partly offset by lower average debt in 2019 compared with 2018 due the combined effects of the new debt facilities put in place following DK Telekommunikation ApS' acquisition of TDC in Q2 2018 resulting in a higher level of debt and the deleveraging effect from the Get AS disposal late Q4 2018.

- In 2018, currency adjustments were positively impacted by a gain of DKK 180m related to the USD 1,418m SFA loan established on 28 June 2018 and pre-hedged from 11 June 2018. This was partly offset by DKK 54m in currency adjustments relating to EUR debt.

From 30 June 2018 and onwards, TDC Group no longer applies hedge accounting under IAS 3. As a consequence, currency translation adjustments and interest from derivatives are reported as fair value adjustments in the income statement.

In TDC´s internal reporting, currency translation adjustments and interest from derivatives are reported as such, see the table below for a specification.

(DKKm)	Net interest	Currency translation adjustments	Fair value adjustments	Total
2019				
Senior Facility Agreement (SFA) loans	(405)	(12)	(18)	(435)
Euro Medium Term Notes (EMTNs)	(381)	0	16	(365)
Lease liabilities	(244)	0	0	(244)
Other	(77)	8	13	(56)
Total	**(1,107)**	**(4)**	**11**	**(1,100)**
2018				
Senior Facility Agreement (SFA) loans	(457)	149	(499)	(807)
Euro Medium Term Notes (EMTNs)	(398)	(23)	(106)	(527)
Lease liabilities	(12)	0	0	(12)
Other	(123)	6	(4)	(121)
Total	**(990)**	**132**	**(609)**	**(1,467)**

4.5 | Financial income and expenses (continued)

Net financials recognised in other comprehensive income (DKKm)	**2019**	**2018**
Currency translation adjustment, foreign enterprises	0	279
Reversal of currency translation adjustment related to disposal of foreign enterprises	0	1,235
Exchange-rate adjustments of foreign enterprises	**0**	**1,514**
Change in fair value adjustments of cash flow hedges	0	(30)
Change in fair value adjustments of cash flow hedges transferred to financial expenses	45	20
Value adjustments of hedging instruments	**45**	**(10)**

Comments

In 2018, the divestment of TDC's Norwegian business impacted positively on other comprehensive income, and the increasing NOK/DKK currency rate also had a positive effect.

Cash flow from net interest (DKKm)	**2019**	**2018**
Interest received	326	573
Interest paid	(1,335)	(1,665)
Net interest paid	**(1,009)**	**(1,092)**
Specified as follows:		
Senior Facility Agreement (SFA) loans incl. hedges	(412)	(400)
Euro Medium Term Notes (EMTNs) incl. hedges	(320)	(623)
Lease liabilities	(244)	(12)
Other	(33)	(57)
Net interest paid	**(1,009)**	**(1,092)**

Comments

Net interest of DKK 1,009m paid in 2019 represented a DKK 83m decrease compared with 2018 (DKK 1,092m), driven primarily by lower average debt in 2019 compared with 2018 due the combined effects of the new debt facilities put in place following DK Telekommunikation ApS' acquisition of TDC in Q2 2018 resulting in a higher level of debt and the deleveraging effect from the Get AS disposal late Q4 2018. This was partly offset by interest paid relating to lease liabilities in 2019.

4.6 | Maturity profiles of financial instruments

Maturity profiles

The maturity analyses of financial assets and liabilities are disclosed by category and class and are allocated according to maturity period. All interest payments and repayments of financial liabilities are based on contractual agreements. Interest payments on floating-rate instruments are determined using forward rates.

Financial assets and liabilities measured at fair value relate to derivatives. Calculation of fair value of these derivatives is based on observable inputs such as interest rates, etc. (Level 2 in the IFRS fair value hierarchy).

Maturity profiles of expected cash flows[1] (DKKm)	**< 1 year**	**1-3 years**	**3-5 years**	**> 5 years**	**Total**	**Fair value**	**Carrying amount**
Financial assets and liabilities measured at fair value through profit or loss							
Assets[2]**:**							
Derivatives							
Inflow	580	1,871	932	0	3,383		
Outflow	(551)	(1,797)	(873)	0	(3,221)		
Total derivatives assets	**29**	**74**	**59**	**0**	**162**	**116**	**116**
Liabilities:							
Derivatives							
Inflow	305	322	3,026	0	3,653		
Outflow	(303)	(312)	(3,057)	0	(3,672)		
Total derivatives liabilities	**2**	**10**	**(31)**	**0**	**(19)**	**(143)**	**(143)**
Total derivatives	**31**	**84**	**28**	**0**	**143**	**(27)**	**(27)**
Financial liabilities measured at amortised cost							
Senior Facility Agreement (SFA) loan	0	0	0	(14,195)	(14,195)	(14,195)	(14,158)
Euro Medium Term Notes (EMTNs)	0	(3,735)	(3,750)	0	(7,485)	(8,360)	(7,495)
Bank loans (Revolving Credit Facility under the SFA)	(681)	0	0	0	(681)	(681)	(681)
Spectrum license liabilities	(93)	(222)	(354)	(972)	(1,641)	(1,414)	(1,414)
Total loans	(774)	(3,957)	(4,104)	(15,167)	(24,002)	(24,650)	(23,748)
Lease liability	(515)	(910)	(808)	(6,432)	(8,665)	(5,242)	(5,242)
SFA and EMTN, interest[3]	(892)	(1,819)	(1,189)	(206)	(4,106)	(395)	(395)
Trade and other payables[4]	(2,577)	0	0	0	(2,577)	(2,577)	(2,577)
Total financial liabilities measured at amortised cost	**(4,758)**	**(6,686)**	**(6,101)**	**(21,805)**	**(39,350)**	**(32,864)**	**(31,962)**
Total 2019	**(4,727)**	**(6,602)**	**(6,073)**	**(21,805)**	**(39,207)**	**(32,891)**	**(31,989)**
Total 2018	**(3,435)**	**(1,605)**	**(8,906)**	**(14,937)**	**(28,883)**	**(25,939)**	**(25,161)**

1 All cash flows are undiscounted. The table reflects only the cash flow from financial liabilities and derivatives recognised as financial assets. Other cash flow from financial assets is not disclosed.
2 Both assets and liabilities measured at fair value through profit or loss are disclosed in the above table because some of the derivatives are used for hedging financial liabilities measured at amortised cost, see table.
3 Fair value and carrying amount value consist of accrued interest on SFA loan and EMTNs at 31 December 2019.
4 As not all trade and other payables recognised in the balance sheet are financial instruments (e.g. unbilled payables do not constitute a financial liability), the amount differs from the amount disclosed in the balance sheet.

Section 5

Cash flow

This section provides information on the Group's cash flow. More information on development in the cash flow items is included in note 2.7 Special items, note 3.1 Intangible assets, note 3.2 Property, plant and equipment, 3.6 Provisions, note 3.8 Pension assets and pension obligations as well as note 4.5 Financial income and expenses. A review of *Equity free cash flow* is provided in the section Our performance in the Management's review.

In this section

5.1 | Adjustment for non-cash items

(DKKm)	2019	2018
Pension costs regarding defined benefit plans	101	122
Share-based remuneration	0	9
(Gain)/loss on disposal of property, plant and equipment, net	(4)	(12)
Other adjustments	93	38
Total	**190**	**157**

5.2 | Change in working capital

(DKKm)	2019	2018
Change in inventories	(45)	57
Change in receivables	(298)	166
Change in contract assets	(7)	38
Change in trade payables	522	203
Change in contract liabilities	(128)	(61)
Change in prepaid expenses	(166)	5
Change in other items, net	12	63
Total	**(110)**	**471**

§ Accounting policies

Cash flow from operating activities is presented using the indirect method and is based on profit before interest, taxes, depreciation, amortisation and special items adjusted for non-cash operating items, cash flow related to special items, changes in working capital, interest received and paid, realised currency translation adjustments as well as income taxes paid. Interest received and paid includes settlement of interest-hedging instruments.

Cash flow from investing activities comprises acquisitions and divestments of enterprises, purchases and sales of intangible assets, property, plant and equipment as well as other non-current assets, and purchases and sales of securities that are not recognised as cash and cash equivalents. Cash flow from acquired enterprises are recognised from the time of acquisition, while cash flows from enterprises divested are recognised up to the time of divestment.

Cash flows from operating, investing and financing activities of discontinued operations is presented in separate lines in the statement of cash flow with comparative figures.

Cash flow from financing activities comprises changes in interest-bearing debt, financial lease instalments, purchase of treasury shares and dividends to shareholders.

Cash and cash equivalents covers cash and marketable securities with a remaining life not exceeding three months at the time of acquisition, and with an insignificant risk of changes in value.

The cash flow statement cannot be derived solely from the financial statements.

5.3 | Investment in enterprises

Acquisitions in 2019

Enterprises and activities acquired	Segment	Date of recognition	Proportion acquired
Firmafon ApS	Nuuday	28 February 2019	100%
Secu A/S	Nuuday	8 March 2019	100%
Music streaming (activity)	Nuuday	2 May 2019	100%

At the date of acquisition, the cost of the assets and liabilities acquired totalled DKK 44m. Following adjustment of net assets to fair value, goodwill was measured at DKK 95m. Goodwill represents the value of current employees and know-how as well as expected synergies arising from the business combinations.

Adjusted for cash in acquired enterprises of DKK (10)m and change in unpaid acquisition costs of DKK (4)m, the cash flow related to investment in enterprises amounted to DKK 125m. In addition, DKK 15m was paid in relation to acquisitions in prior years.

The acquisitions had no significant impact on the income statement for 2019.

Acquisitions in 2018

Enterprises and activities acquired	Segment	Date of recognition	Proportion acquired
Mobilcenter Bagsværd A/S (formerly owned by 50%)	Nuuday	1 January 2018	30%
CC Factory ApS	Nuuday	17 September 2018	100%
Hiper A/S	Nuuday	30 November 2018	100%

The previously held ownership of 50% in Mobilcenter Bagsværd A/S was remeasured at its acquisition-date fair value and the resulting loss of DKK (1)m was recognised as Profit/(Loss) from joint ventures and associates in the income statement.

At the date of acquisition, the cost of the assets and liabilities acquired was DKK 118m. Following adjustment of net assets to fair value, goodwill was measured at DKK 192m.

Goodwill represents the value of current employees and know-how as well as expected synergies arising from the business combinations.

Adjusted for cash in acquired enterprises of DKK (3)m, change in unpaid acquisition costs of DKK 24m and fair value of previously held equity interests of DKK (3)m, the cash flow related to investment in enterprises amounted to DKK 327m. In addition, DKK 15m was paid in relation to acquisitions in prior years.

The acquisitions had no significant impact on the income statement for 2018.

§ Accounting policies

On acquisition of subsidiaries, joint ventures and associates, the purchase method is applied, and acquired assets, liabilities and contingent liabilities are measured on initial recognition at fair values on the date of acquisition. Identifiable intangible assets are recognised if they can be separated and the fair value can be reliably measured. Deferred tax on the revaluation made is recognised.

Any positive differences between the cost and fair value of the assets, liabilities and contingent liabilities acquired on acquisition of subsidiaries are recognised as goodwill in the balance sheet under intangible assets. The cost is stated at the fair value of shares, debt instruments as well as cash and cash equivalents. Goodwill is not amortised, but is tested annually for impairment. Negative goodwill is recognised in the income statement on the date of acquisition. Positive differences on acquisition of joint ventures and associates are recognised in the balance sheet under investments in joint ventures and associates.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected, adjustments made within twelve months of the acquisition date to the provisional fair value of acquired assets, liabilities and contingent liabilities or cost of the acquisition are adjusted to the initial goodwill. The adjustment is calculated as if it were recognised at the acquisition date and comparative figures are restated. Changes in estimates of the cost of the acquisition being contingent on future events are recognised in the income statement.

Acquired enterprises are recognised in the consolidated financial statements from the time of acquisition.

5.4 | Cash flow from investing activities in discontinued operations

In 2018, TDC Group divested Get and TDC Norway. These divestments have been presented as discontinued operations.

At the time of divestment, the carrying amount of assets and liabilities in discontinued operations consisted of the following:

The carrying amounts of assets and liabilities in discontinued operations at the time of divestment (DKKm)	**2018**
Intangible assets	9,028
Property, plant and equipment	3,347
Other non-current assets	3
Inventories	7
Receivables and contract assets	421
Cash	334
Provisions	(814)
Trade and other payables	(1,173)
Net assets	**11,153**
Non-controlling interest in discontinued operations	**3**
TDC's share of net assets	**11,156**
Gain relating to divestment of discontinued operations including tax	5,293
Reversal of provision relating to divestment	0
Cost of hedges relating to the disposal	(56)
Reversal of currency adjustments recognised in equity	1,235
Sales costs not paid yet/(reversal of provision for sales costs)	3
Cash and bank deposit in discontinued operations	(227)
Net cash flow on divestment	**17,404**
Cash flow from investing activities in discontinued operations excluding divestment	(547)
Net cash flow from investing activities in discontinued operations	**16,857**

Section 6

Other disclosures

This section contains statutory notes or notes that are presumed to be less important for understanding the Group's financial performance.

In this section

6.1 | Incentive programmes

Bonus programmes

Approximately 300 TDC Group top managers participate in a short-term bonus programme called the Top Managers' Compensation Programme, and approximately 100 TDC Group managers and specialists participate in a short-term bonus programme called the Managers' Compensation Programme.

The short-term bonus programmes are closely linked to the four main goals in our strategy: *equity free cash flow* (*EFCF*), *EBITDA*, *fibre* connection performance and customer satisfaction.

Bonus payments are calculated as the individual employee's basic salary multiplied by the bonus percentage multiplied by the degree of target fulfilment.

The bonus achieved when targets are met is called the on-target bonus.

For the Top Managers' Compensation Programme, the bonus percentage is fixed in the contract of employment with the individual employee and usually varies within a range of 10%-33% of basic salary. The bonus percentage is somewhat lower for the Managers' Compensation Programme. The bonus achieved can be maximum 200% of the on-target bonus.

The short-term bonus programme for the members of the Executive Committee is based on the same principles as those for other managers, usually with a bonus percentage of 50.

Approximately 200 TDC Group top managers also participate in a long-term incentive programme – LTI programme. The LTI programme is cash based and its objectives are linked to long term strategy. The programme is revolving with grants given each year but with a 3-year vesting period, as the goals are principally set for a 3-year period. The objectives are *EBITDA*, cash flow, *fibre* connection performance and *NPS*, but with variance between Nuuday, TDC NET and Group Functions. The expenses are recognised over the 3-year vesting period.

Bonus payments are calculated as the individual employee's basic salary multiplied by an LTI percentage multiplied by the degree of target fulfilment.

The bonus achieved when targets are met is called the on-target LTI.

The LTI percentage is fixed in the contract of employment with the individual employee and usually varies within a range of 12%-36% of basic salary. The bonus achieved can be maximum 200% of the on-target bonus.

Performance share programme

Until May 2018, approximately 200 TDC Group managers, including the Executive Committee, participated in a performance share programme that rewarded long-term performance. The programme was settled with cash payments due to the takeover of TDC by DK Telekommunikation ApS. The settlement was based on vesting in the range of 140-200% for the various grants.

The settlement of the programme is accounted for as an acceleration of vesting, and the amount that would otherwise have been recognised as an expense over the remainder of the vesting period has been recognised as a special item. The cash payments to the participants have been recognised directly in equity.

All eligible participants were granted performance share units annually. Vested performance share units were converted into shares in TDC A/S. The value of performance share units granted was calculated as a percentage of participants' base salary depending on their tier level and individual performance. For the Executive Committee, the number of performance share units granted corresponded to 30% of base salary and, for other TDC Group managers, up to 25% of their base salary.

After three years, the performance share units would vest into TDC A/S shares, provided that satisfactory performance had been achieved.

For the Executive Committee, performance was measured by:

- growth in *equity free cash flow* (*EFCF*) weighted 50%
- *Total Shareholder Return* (*TSR*) weighted 50%

For other TDC Group managers, the performance was measured solely by growth in *equity free cash flow*.

Growth in *EFCF* was measured relative to the target *EFCF* annual growth over a three-year period. The vesting could be in the range of 0-200%.

TSR was calculated as share price movements plus dividends received over a stated period divided by the share price at the beginning of such period relative to a peer group of 13 telecommunications companies (BT, Deutsche Telekom, Elisa, KPN, Orange, Proximus, Swisscom, TDC, Telefonica Deutschland, Telekom Austria, Telenor, Telia and Vodafone).

The number of *TSR*-based performance share units was determined by the fair value per unit on the basis of a Monte Carlo simulation.

6.1 | Incentive programmes (continued)

Share units 2018	Performance share units (*EFCF*-based) Executive Committee	Other managers[1]	Performance share units (*TSR*-based) Executive Committee	Other managers[1]
Outstanding at 1 January	139,179	1,484,699	276,732	2,497,482
Granted	134,029	1,191,628	133,729	27,327
Vested	0	0	(46,463)	(1,040,471)
Forfeited	0	(9,250)	0	(11,493)
Settled	(273,208)	(2,667,077)	(363,998)	(1,472,845)
Outstanding at 31 December	**0**	**0**	**0**	**0**

The fair value at grant date for the *EFCF*-based units was DKK 34.74 per unit for the 2018 grant. The fair value of the grant is calculated using a probability distribution model for compounded annual growth rate in *equity free cash flow* for TDC Group and the share price at the time of granting.

The fair value at grant date for the *TSR*-based units was DKK 34.82 per unit for the 2018 grant. The fair value of the grant is calculated using a Monte Carlo simulation model with the assumptions given below.

Assumptions for using the Monte Carlo simulation model	2018
Interest rate	(0.42)%
Volatility	23.7%
Average correlation between TDC A/S and peers	32.7%
Share price at time of granting (DKK)	38.60

§ Accounting policies

Share-based remuneration

TDC Group operated share-based incentive programmes, under which TDC Group granted the programmes and receives services from employees. The fair value of employee services received was recognised in the income statement under personnel expenses. The total expense was recognised over the period from the start of employees providing services (under the performance share programme, employees provided services in advance of the grant date) until the end of the vesting period, which was the period during which all the specified vesting conditions were to be satisfied. The performance share programme was an equity-settled programme.

6.2 | Related parties

Name of related party	Nature of relationship	Domicile
DKTUK Limited, managed by Macquarie Infrastructure and Real Assets Europe Limited	Indirect ownership	London, United Kingdom
Arbejdsmarkedets Tillægspension (ATP)	Indirect ownership	Hillerød, Denmark
PFA Ophelia InvestCo I 2018 K/S, managed by PFA Asset Management A/S	Indirect ownership	Copenhagen, Denmark
PKA Ophelia Holding K/S, managed by AIP Management P/S	Indirect ownership	Hellerup, Denmark
DKT Holdings ApS	Indirect ownership	Copenhagen, Denmark
DKT Finance ApS	Indirect ownership	Copenhagen, Denmark
DK Telekommunikation ApS	Ownership	Copenhagen, Denmark
TDC Pensionskasse	Pension fund	Copenhagen, Denmark

The Group has annual contributions paid to the pension fund, TDC Pensionskasse, see note 3.7. TDC A/S has issued a subordinated loan to the pension fund.

The Group has property lease contracts with Arbejdsmarkedets Tillægspension (ATP) and PFA who are shareholders of TDC's ultimate parent company, DKT Holdings ApS.

Related parties also included the Group's joint ventures and associates shown in note 6.8.

Remuneration for the Board of Directors and the Executive Committee is specified in note 2.5.

The Group has the following additional transactions and balances with related parties; income/(expenses), receivables/(debt):

Related parties (DKKm)	2019	2018
TDC Pensionskasse		
Rental expense	0	(3)
Investment advisory fees	17	17
Interest income of subordinated loan and other income	2	2
Payables	0	(2)
Subordinated loan	149	149
Other receivables	0	3
Joint ventures and associates		
Income	1	2
Expenses	(4)	(5)
Receivables	3	3
Payables	(3)	0

6.3 | Fees to auditors

Fees to auditors elected by the Annual General Meeting (DKKm)	2019	2018
Statutory audit, PricewaterhouseCoopers	**7**	**7**
Other assurance engagements	2	3
Tax advisory services	1	1
Other services	4	5
Total non-statutory audit services, PricewaterhouseCoopers	**7**	**9**
Total, PricewaterhouseCoopers	**14**	**16**

Fee for other services than statutory audit services rendered by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab to the Group amounted to DKK 7m and consisted mainly of auditor's statements to customers regarding services provided by the Group, advisory and tax services and statements regarding the demerging of TDC Group into two entities, acquisition of enterprises, IT, etc.

6.4 | Other financial commitments

(DKKm)	2019	2018
Lease commitments for all operating leases[1]		
Properties and mobile sites	-	5,381
Machinery, equipment, computers, etc.	-	313
Total	**-**	**5,694**
Future sublease payments	-	(211)
Net commitments	**-**	**5,483**
Lease commitments for short-term and low value leases		
Short-term leases	45	-
Low value leases	5	-
Total	50	
Total lease commitments can be specified as follows		
Due not later than 1 year	-	537
Due later than 1 year and not later than 5 years	-	1,529
Due later than 5 years	-	3,628
Total	**-**	**5,694**
Capital and purchase commitments		
Investments in intangible assets	553	523
Investments in property, plant and equipment	1,379	307
Commitments related to outsourcing agreements	428	382

[1] Lease commitments 2018 included commitments on vacant tenancies for which a provision of DKK 657m has been recognised in the balance sheet, cf. note 3.6.

Comments

From 1 January 2019, leases are recognised as a lease asset and a corresponding liability at the date at which the leased asset is available for use by the Group, except for short-term leases and low-value leases cf. note 3.3.

Worth noting

Commitments represent amounts TDC Group has contractually committed to pay to third parties in the future. This gives an indication of future cash flows.

6.5 | Pledges and contingencies

Pledges
Cash with a carrying amount of DKK 1,577m is pledged as security for the Senior Facility Agreement.

Contingent liabilities
TDC Group is party to certain pending lawsuits and cases pending with public authorities and complaints boards. Based on a legal assessment of the possible outcome of each of these lawsuits and cases, Management is of the opinion that these will have no significant adverse effect on TDC Group's financial position.

6.6 | Events after the balance sheet date

There have been no events that materially affect the assessment of this Annual Report 2019 after the balance sheet date and up to today.

6.7 | New accounting standards

At 10 March 2020, IASB approved a number of new accounting standards and changes to standards. TDC has evaluated the standards and none of them are expected to be relevant to the Group and are therefore not expected to have an impact on the financial statements.

6.8 | Overview of group companies at 31 December 2019

Company name[1]	Domicile	Currency	Ownership share (%)
Nuuday			
Nuuday A/S	Copenhagen, Denmark	DKK	100
Contact Center Europe GmbH	Flensburg, Germany	EUR	100
Hiper A/S	Copenhagen, Denmark	DKK	100
Secu A/S	Dragør, Denmark	DKK	100
TDC Mobil Center A/S	Odense, Denmark	DKK	100
TDC Erhvervscenter TS Kommunikation ApS	Odense, Denmark	DKK	100
TDC Erhvervscenter Holbæk ApS	Holbæk, Denmark	DKK	60
Mobilcenter Bagsværd A/S	Bagsværd, Denmark	DKK	80
TDC Telco ApS	Taastrup, Denmark	DKK	100
Cloudeon A/S[2]	Søborg, Denmark	DKK	43
4T af 1. oktober 2012 ApS[2]	Copenhagen, Denmark	DKK	25
TDC NET			
TDC NET A/S	Copenhagen, Denmark	DKK	100
Dansk Kabel TV A/S	Copenhagen, Denmark	DKK	100
Fiberkysten A/S	Gilleleje, Denmark	DKK	60
OCH A/S[2]	Copenhagen, Denmark	DKK	25
Other			
TDC Nordic AB	Stockholm, Sweden	SEK	100

[1] In order to give readers a clear presentation, four minor enterprises are not listed separately in the overview. In pursuance of Section 6 of the Danish Financial Statements Act, the following subsidiaries have chosen not to prepare an annual report: Kaisai A/S, 4WEB A/S and TDCH III ApS.
[2] The enterprise is included under the equity method.

Parent company financial statements

Parent company income statement

(DKKm)	Note	2019	2018
Revenue	2.1	1,392	1,306
External expenses		(559)	(906)
Personnel expenses	2.2	(383)	(348)
Other income		37	39
Operating profit before depreciation, amortisation and special items (*EBITDA*)		487	91
Depreciation, amortisation and impairment losses	1.1	(331)	(48)
Special items	2.3	(64)	4,266
Operating profit (EBIT)		92	4,309
Profit from subsidiaries	3.4	(384)	426
Financial income and expenses	4.3	(99)	(1,101)
Profit before income taxes		(391)	3,634
Income taxes	2.4	10	150
Profit for the year from continuing operations		(381)	3,784
Profit from discontinued operations	2.5	560	1,940
Profit for the year		**179**	**5,724**

Parent company statement of comprehensive income

(DKKm)	Note	2019	2018
Profit for the year		179	5,724
Items that may subsequently be reclassified to the income statement:			
Exchange-rate adjustments of foreign subsidiaries	4.3	0	1,514
Value adjustments of hedging instruments	4.3	45	(10)
Share of other comprehensive income in subsidiaries		0	(158)
Items that cannot subsequently be reclassified to the income statement:			
Remeasurement of the defined benefit plan		763	131
Income tax relating to remeasurement of defined benefit plan	2.4	(168)	(29)
Other comprehensive income		640	1,448
Total comprehensive income		**819**	**7,172**

Parent company balance sheet

Assets (DKKm)	**Note**	**2019**	**2018**
Non-current assets			
Intangible assets	3.1	33	23,119
Property, plant and equipment	3.2	206	14,701
Lease assets	3.3	3,907	0
Investments in subsidiaries	3.4	9,526	1,220
Other investments		14	90
Pension assets	3.5	7,463	6,854
Receivables from group enterprises	3.6	21,712	0
Other receivables		154	194
Prepaid expenses		33	43
Total non-current assets		**43,048**	**46,221**
Current assets			
Inventories		2	166
Trade receivables		18	1,631
Receivables from group enterprises	3.6	503	0
Contract assets	3.7	0	284
Amounts owed by group associates and joint ventures		0	3
Other receivables		104	25
Income tax receivables	2.4	334	109
Derivative financial instruments	4.4	116	309
Prepaid expenses		31	398
Cash		1,551	2,236
Total current assets		**2,659**	**5,161**
Total assets		**45,707**	**51,382**

Equity and liabilities (DKKm)	**Note**	**2019**	**2018**
Equity			
Share capital	4.1	812	812
Other reserves		(120)	1,048
Retained earnings		14,592	13,600
Total equity		**15,284**	**15,460**
Non-current liabilities			
Deferred tax liabilities	2.4	1,458	3,688
Provisions	3.8	22	971
Loans	4.2	21,653	21,630
Lease liabilities		4,293	56
Other payables		12	0
Total non-current liabilities		**27,438**	**26,345**
Current liabilities			
Lease liabilities		397	6
Short-term bank loans		681	107
Trade payables		403	3,817
Contract liabilities	3.7	0	2,569
Payables to group enterprises		807	734
Other payables		538	1,467
Derivative financial instruments	4.4	142	761
Provisions	3.7	17	116
Total current liabilities		**2,985**	**9,577**
Total liabilities		**30,423**	**35,922**
Total equity and liabilities		**45,707**	**51,382**

Parent company statement of cash flow

(DKKm)	Note	2019	2018
Operating profit before depreciation, amortisation and special items (*EBITDA*)		487	91
Adjustment for non-cash items	5.1	102	158
Pension contributions		133	(8)
Payments related to provisions		(10)	(2)
Special items		(62)	(1,000)
Change in working capital	5.2	1,574	2,865
Interest received		1,134	796
Interest paid		(1,287)	(1,748)
Income tax paid		(300)	(479)
Operating activities in continuing operations		**1,771**	**673**
Operating activities in discontinued operations		2,281	3,997
Total cash flow from operating activities		**4,052**	**4,670**
Investment in property, plant and equipment		(81)	(40)
Investment in intangible assets		(24)	(14)
Divestment of subsidiary		0	13,439
Sale of non-current assets		8	0
Repayment of loans from subsidiaries, joint ventures and associates		2	4,007
Dividends received from subsidiaries, joint ventures and associates		0	583
Investing activities in continuing operations		**(95)**	**17,975**
Investing activities in discontinued operations	5.3	(3,426)	(3,948)
Total cash flow from investing activities		**(3,521)**	**14,027**
Proceeds from long-term loans		0	46,603
Repayments on long-term loans		0	(47,351)
Settlement of derivatives related to long-term loans		(136)	285
Cost relating to short-term credit facilities		0	(87)
Lease payments		(214)	(6)
Change in short-term bank loans		372	0
Change in interest-bearing receivables and payables		(202)	(451)
Coupon payments on hybrid capital		0	(261)
Repayment of hybrid capital		0	(5,588)
Dividends paid		(995)	(11,316)
Sale of treasury shares		0	118
Financing activities in continuing operations		**(1,175)**	**(18,054)**
Financing activities in discontinued operations		(53)	(49)
Total cash flow from financing activities		**(1,228)**	**(18,103)**
Total cash flow		**(697)**	**594**
Cash and cash equivalents at 1 January		2,236	1,644
Effect of exchange-rate changes on cash and cash equivalents		12	(2)
Cash and cash equivalents at 31 December		**1,551**	**2,236**

Parent company statement of changes in equity

(DKKm)	Share capital	Reserve for cash flow hedges	Reserve for capitalised development projects	Retained earnings	Hybrid capital	Total
Equity at 1 January 2018	812	(175)	1,153	18,221	5,552	25,563
Profit for the year	-	-	80	5,409	235	5,724
Exchange-rate adjustments of subsidiaries, cf. note 4.3	-	-	-	1,514	-	1,514
Value adjustments of hedging instruments, cf. note 4.3		(10)	-	-	-	(10)
Share of other comprehensive income in subsidiaries	-	-	-	(170)	-	(170)
Remeasurement of the defined benefit plan	-	-	-	131	-	131
Income tax relating to remeasurement of the defined benefit plan	-	-	-	(29)	-	(29)
Total comprehensive income	-	(10)	80	6,855	235	7,160
Share-based remuneration	-	-	-	(240)	-	(2540
Tax on share-based remuneration	-	-	-	(2)	-	(2)
Sale of treasury shares	-	-	-	118	-	118
Distributed dividends			-	(11,316)	-	(11,316)
Coupon payments on hybrid capital	-	-	-	-	(261)	(261)
Income tax relating to coupon payments on hybrid capital	-	-	-	-	26	26
Repayment of hybrid capital	-	-	-	(36)	(5,552)	(5,588)
Total transactions with owners	-	-	-	(11,476)	(5,787)	(17,263)
Equity at 31 December 2018	**812**	**(185)**	**1,233**	**13,600**	**0**	**15,460**
Effect of demerger	-	-	(1,139)	1,139	-	-
Equity at 1 January 2019	812	(185)	14	14,819	0	15,460
Profit for the year	-	-	6	173		179
Value adjustments of hedging instruments, cf. note 4.3	-	45	-	-	-	45
Remeasurement of the defined benefit plan	-	-	-	763	-	763
Income tax relating to remeasurement of the defined benefit plan	-	-	-	(168)	-	(168)
Total comprehensive income	-	45	6	768	-	819
Distributed dividends	-	-	-	(995)	-	(995)
Total transactions with owners	-	-		(995)	-	(995)
Equity at 31 December 2019	**812**	**(140)**	**20**	**14,592**	**0**	**15,284**

Notes to parent company financial statements

1.1 | Accounting policies

The financial statements 2019 of the parent company have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and further disclosure requirements in the Danish Financial Statements Act.

The parent company accounting policies are the same as those applied for the Group, with the additions mentioned below. See note 1.1 to the consolidated financial statements for the Group's accounting policies.

Demerger of TDC A/S

The financial statements reflect the demerger of TDC A/S where some of the rights and obligations of TDC A/S were transferred to the subsidiaries Nuuday A/S and TDC NET A/S following the demerger on 11 June 2019. Subsequently, Nuuday A/S and TDC NET A/S distributed non-cash dividends of DKK 21,712m to TDC A/S resulting inreceivables from group enterprises of DKK 21,712m. The demerger is accounted for by derecognising rights and obligations at 11 June 2019, and instead recognising the carrying amounts of the transferred net assets as investments in subsidiaries. The operations transferred to Nuuday A/S and TDC NET A/S comprise major lines of business. Hence, they are presented as discontinued operations, as disclosed in note 2.5. Comparative figures for the income statement and the statement of cash flows are restated accordingly.

Changes to accounting policies

TDC A/S has adopted the new standards, amendments to standards and interpretations that are effective for the financial year 2019.

For a description of the changes, see note 1.1 to the consolidated financial statements.

TDC has implemented IFRS 16 using the modified retrospective approach, which means that comparative figures for previous periods have not been restated. The cumulative effect of initially applying the standard was recognised at 1 January 2019.

IFRS 16 impact on initial application at 1 January 2019 (DKKm)

Lease assets	4,704
Total assets	**4,704**
Provisions (incl. short term part)	(682)
Lease liabilities	5,386
Total liabilities	**4,704**

Measurement of lease liabilities on initial application at 1 January 2019 (DKKm)

Operating lease commitments for all operating leases, net as per 31 December 2018	5,644
Discounted using the lessee's incremental borrowing rate as per 1 January 2019	(2,068)
Short-term leases not recognised as a liability	(52)
Low-value leases not recognised as a liability	(6)
Contracts reassessed as lease contracts	26
Adjustments as a result of a different treatment of extension and terminal options	1,076
Adjustment relating to changes in the index or rate affecting variable payments	766
Lease liability recognised as at 1 January 2019	**5,386**

The impact of IFRS 16 is affected by the demerger of Nuuday A/S and TDC NET A/S, see note 3.3 for more information.

1.1 | Accounting policies (continued)

Impact on parent company financial statements (DKKm)	**Previous accounting policy 2019**	**Changed accounting policy 2019**	**New accounting policy 2019**
Revenue (re. sublease of vacant tenancies)	1,310	82	1,392
External expenses	(811)	252	(559)
Personnel expenses	(380)	(3)	(383)
Operating profit before depreciation, amortisation and special items (*EBITDA*)	**156**	**331**	**487**
Depreciation, amortisation and impairment losses	(51)	(280)	(331)
Profit from subsidiaries	(388)	4	(384)
Financial income and expenses	119	(218)	(99)
Income taxes	(26)	36	10
Profit from discontinued operations	578	(18)	560
Profit for the period	**322**	**(143)**	**179**
Total assets	**41,815**	**3,892**	**45,707**
Provisions (incl. short term part)	648	(609)	39
Lease liabilities (incl. short term part)	59	4,631	4,690
Deferred tax liabilities	1,494	(36)	1,458
Other liabilities	24,187	49	24,236
Total liabilities	**26,388**	**4,035**	**30,423**
Total cash flow from operating activities	**361**	**212**	**573**
Total cash flow from financing activities	**(963)**	**(212)**	**(1,175)**

Supplementary accounting policies for the parent company

Investments in subsidiaries, joint ventures and associates

The equity method is used for measuring the investments in subsidiaries, joint ventures and associates. Under the equity method, the investment in a subsidiary, a joint venture or an associate is recognised on initial recognition at cost, and the carrying amount is increased or decreased to recognise the parent company's share of the profit or loss of the investment after the date of acquisition. The parent company's share of profit or loss is recognised in the parent company's profit or loss. Dividends received from investments in subsidiaries, joint ventures and associates reduce the carrying amount of the investment. The parent company's share of other comprehensive income arising from the investment is recognised in other comprehensive income of the parent company.

Reserve for capitalised development projects

In accordance with the Danish Financial Statements Act, the parent company has established a non-distributable reserve in equity regarding development projects capitalised in 2016 and later. This reserve will be reversed as the development projects are amortised or impaired.

1.2 | Critical accounting estimates and judgements

For information on critical accounting estimates and judgements, see note 1.2 to the consolidated financial statements.

2.1 | Revenue

In 2019, TDC A/S governed, advised and delivered shared services to its subsidiaries/discontinued operations of DKK 1,392m (2018 DKK 1,306m).

2.2 | Personnel expenses

(DKKm)	2019	2018
Wages and salaries (including short-term bonus)	(344)	(298)
Pensions	(125)	(143)
Pensions allocated to business lines	95	103
Share-based remuneration	0	(5)
Social security	(12)	(9)
Total	**(386)**	**(352)**
Of which capitalised as non-current assets	3	4
Total	**(383)**	**(348)**
Average number of full-time employee equivalents[1]	373	310

[1] Denotes the average number of full-time employee equivalents including permanent employees and trainees.

Remuneration for the Board of Directors and the Executive Committee is described in note 2.5 to the consolidated financial statements.

2.3 | Special items

(DKKm)	2019	2018
Gain on sale of enterprises	0	5,053
Costs related to redundancy programmes and vacant tenancies	(25)	(218)
Other restructuring costs, etc.	(38)	(432)
Income from rulings	0	85
Loss from rulings	(1)	(3)
Settlement of performance share programme	0	(191)
Costs related to acquisition and divestment of enterprises	0	(28)
Special items before income taxes	**(64)**	**4,266**
Income taxes related to special items	10	76
Total special items	**(54)**	**4,342**

For more information on special items, see note 2.7 to the consolidated financial statements.

2.4 | Income taxes

(DKKm)	2019 Income taxes cf. the income statement	2019 Income tax payable/ (receivable)	2019 Deferred tax liabilities/ (assets)	2018 Income taxes cf. the income statement	2018 Income tax payable/ (receivable)	2018 Deferred tax liabilities/ (assets)
At 1 January		(109)	3,688		(35)	3,737
Effects of demerger			(2,313)	515		
Tax receivable transferred from subsidiary in relation to dissolvement					(14)	
Income taxes	24	20	(44)	(386)	440	(54)
Adjustment of tax for previous years	(14)	55	(41)	21	(21)	0
Tax relating to remeasurement effects from the defined benefit plan			168			29
Tax relating to coupon payments on hybrid capital						(26)
Tax relating to share-based remuneration						2
Tax paid		(300)			(479)	
Total	**10**	**(334)**	**1,458**	**150**	**(109)**	**3,688**
Income taxes are specified as follows:						
Income excluding special items	0			74		
Special items	10			76		
Total	**10**			**150**		

TDC A/S participates in joint taxation with all its Danish subsidiaries. With effect from 4 May 2018, TDC A/S also participates in joint taxation with DK Telekommunikation ApS, DKT Finance ApS and DKT Holdings ApS, which is the management company in the joint taxation. The jointly taxed companies are jointly and severally liable for the total income taxes, taxes paid on account and outstanding residual tax (with additional payments and interest) relating to the joint taxation.

Reconciliation of effective tax rate (%)	2019	2018
Danish corporate income tax rate	22.0	22.0
Profit from subsidiaries, joint ventures and associates	(25.7)	14.8
Other non-taxable income and non-tax deductible expenses	0.0	(0.4)
Adjustment of tax for previous years	(4.3)	3.3
Limitation on the tax deductibility of interest expenses	8.3	(28.0)
Effective tax rate excluding special items	**0.4**	**11.7**
Special items	2.3	(15.8)
Effective tax rate including special items	**2.6**	**(4.1)**

Specification of deferred tax (DKKm)	2019	2018
Intangible assets	0	110
Other	(1)	25
Current	**(1)**	**135**
Intangible assets	6	1,656
Property, plant and equipment	(64)	482
Lease assets and liabilities	(173)	-
Pension assets	1,642	1,508
Other	48	(93)
Non-current	**1,459**	**3,553**
Deferred tax at 31 December	**1,458**	**3,688**

2.5 | Discontinued operations

(DKKm)	2019	2018
Revenue	**6,868**	**16,687**
Total operating costs	**(4,241)**	**(10,239)**
Profit before income taxes	**881**	**2,937**
Income taxes	**(321)**	**(997)**
Profit for the year from discontinued operations	**560**	**1,940**

Discontinued operations comprise the segments Nuuday and TDC NET, which were demerged in 2019.

Accounting policies

Disclosure of discontinued operations
Discontinued operations are recognised separately as they constitute entities comprising separate major lines of business or geographical areas. This relates to activities and cash flows that for operating and accounting purposes can be clearly distinguished from the rest of the entity, and where the entity has been disposed of or classified as held for sale, and it seems highly probable that the disposal will be effected within twelve months in accordance with a single coordinated plan.

Profit/loss after tax of discontinued operations is presented in a separate line in the income statement with restated comparative figures. Revenue, cost and taxes relating to the discontinued operation are disclosed in the table above.

Cash flows from operating, investing and financing activities of discontinued operations are presented in separate lines in the statement of cash flow with restated comparative figures.

3.1 | Intangible assets

(DKKm)	2019 Goodwill	2019 Customer relationships	2019 Brands	2019 Other rights, software, etc.	2019 Total	2018 Goodwill	2018 Customer relationships	2018 Brands	2018 Other rights, software, etc.	2018 Total
Accumulated cost at 1 January	15,624	14,312	5,457	13,386	48,779	15,280	14,314	5,470	12,263	47,327
Effect of demerger	(15,624)	(14,312)	(5,457)	(12,964)	(48,357)	-	-	-	-	-
Additions	0	0	0	24	24	344	1	0	1,367	1,712
Assets disposed of or fully amortised	0	0	0	(22)	(22)	0	(3)	(13)	(244)	(260)
Accumulated cost at 31 December	**0**	**0**	**0**	**424**	**424**	**15,624**	**14,312**	**5,457**	**13,386**	**48,779**
Accumulated amortisation and write-downs for impairment at 1 January	(3,693)	(11,766)	(118)	(10,083)	(25,660)	(3,693)	(11,292)	(118)	(9,129)	(24,232)
Effect of demerger	3,693	11,766	118	9,682	25,259	-	-	-	-	-
Amortisation	0	0	0	(12)	(12)	0	(472)	(4)	(1,149)	(1,625)
Write-downs for impairment	0	0	0	0	0	0	(5)	(9)	(49)	(63)
Assets disposed of or fully amortised	0	0	0	22	22	0	3	13	244	260
Accumulated amortisation and write-downs for impairment at 31 December	**0**	**0**	**0**	**(391)**	**(391)**	**(3,693)**	**(11,766)**	**(118)**	**(10,083)**	**(25,660)**
Carrying amount at 31 December	**0**	**0**	**0**	**33**	**33**	**11,931**	**2,546**	**5,339**	**3,303**	**23,119**

3.2 | Property, plant and equipment

	2019					2018				
(DKKm)	Land and buildings	Network infra-structure	Equipment	Assets under construction	Total	Land and buildings	Network infra-structure	Equipment	Assets under construction	Total
Accumulated cost at 1 January	569	36,450	2,093	702	39,814	551	34,674	1,925	703	37,853
Effect of changes in presentation at 1 January	(82)	(80)	(9)	0	(171)	-	-	-	-	-
Effect of demerger	(380)	(36,370)	(1,525)	(687)	(38,962)	-	-	-	-	-
Transfers (to)/from other items	(86)	0	115	(29)	0	1	528	40	(569)	0
Additions	27	0	9	45	81	17	1,398	165	568	2,148
Assets disposed of	0	0	(21)	0	(21)	0	(150)	(37)	0	(187)
Accumulated cost at 31 December	**48**	**0**	**662**	**31**	**741**	**569**	**36,450**	**2,093**	**702**	**39,814**
Accumulated depreciation and write-downs for impairment at 1 January	(134)	(23,011)	(1,640)	(328)	(25,113)	(125)	(20,968)	(1,502)	(322)	(22,917)
Effect of changes in presentation at 1 January	36	61	9	0	106	-	-	-	-	-
Effect of demerger	31	22,950	1,183	328	24,492	-	-	-	-	-
Transfers (to)/from other items	61	0	(61)	0	0	0	0	0	0	0
Depreciation	0	0	(39)	0	(39)	(9)	(2,181)	(173)	0	(2,363)
Write-downs for impairment	0	0	0	0	0	0	(12)	(2)	(6)	(20)
Assets disposed of	0	0	19	0	19	0	150	37	0	187
Accumulated depreciation and write-downs for impairment at 31 December	**(6)**	**0**	**(529)**	**0**	**(535)**	**(134)**	**(23,011)**	**(1,640)**	**(328)**	**(25,113)**
Carrying amount at 31 December	**42**	**0**	**133**	**31**	**206**	**435**	**13,439**	**453**	**374**	**14,701**
Carrying amount of finance leases at 31 December	**-**	**-**	**-**	**-**	**-**	**46**	**19**	**0**	**-**	**65**

3.3 | Lease assets and liabilities

Lease assets (DKKm)	**2019** Land and buildings	Network infra-structure	Vehicles and equip-ment	Total
Carrying amount at 1 January previously recognised as property, plant and equipment	46	19	0	65
Effect of changes in accounting policies at 1 January	4,495	24	185	4,704
Effect of demerger	(623)	(43)	0	(666)
Additions	16	0	68	84
Depreciation	(202)	0	(78)	(280)
Carrying amount at 31 December	**3,732**	**0**	**175**	**3,907**

In the previous year, the company recognised only lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the company's borrowings. For information about impairment tests of lease assets see note 3.3 to the consolidated financial statements.

For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 1. 1.

The total cash outflow for leases in 2019 was DKK 442m, of which, DKK 228m related to interest payments on lease liabilities.

Lease liabilities (DKKm)	**2019**
Recognised in the balance sheet at present value:	
Current	397
Non-current	4,293
Total	**4,690**
Maturing within 1 year	397
Maturing between 1 and 3 years	672
Maturing between 3 and 5 years	558
Maturing after 5 years	3,063
Total	**4,690**

Amounts recognised in the statement of profit and loss (DKKm)	**2019**
Expense relating to short term leases	(45)
Income from sublease	683
Depreciation charge of lease assets, cf. above	(280)
Interest expense (included in finance cost)	(228)
Total	**130**

3.4 | Investments in subsidiaries

(DKKm)	2019	2018
Accumulated cost at 1 January	8,419	18,104
Effect of demerger	29,675	-
Additions	0	278
Disposals	0	(10,103)
Currency translation adjustments	(96)	140
Accumulated cost at 31 December	**37,998**	**8,419**
Accumulated write-downs at 1 January	(7,199)	(9,712)
Effect of demerger	731	-
Dividends from subsidiaries	(21,712)	(596)
Other adjustments through equity	0	(170)
Disposals	0	2,605
Share of profit/(loss)	(384)	535
Currency translation adjustments	92	139
Accumulated write-downs at 31 December	**(28,472)**	**(7,199)**
Carrying amount at 31 December	**9,526**	**1,220**

Overview of subsidiaries at 31 December 2019

Company name[1]	Domicile	Currency	Ownership share (%)
Subsidiaries:			
Nuuday A/S	Copenhagen, Denmark	DKK	100
TDC NET A/S	Copenhagen, Denmark	DKK	100
TDC Nordic AB	Stockholm, Sweden	SEK	100

[1] Some minor subsidiaries are not listed separately in the overview.

3.5 | Pension assets

For information on pension assets, see note 3.7 to the consolidated financial statements under the domestic defined benefit plan.

3.6 | Receivables from group enterprises

(DKKm)	2019	2018
Loan	21,712	0
Receivables	503	0
Total	**22,215**	**0**
Recognised as follows:		
Non-current assets	21,712	0
Current assets	503	0
Total	**22,215**	**0**

In 2019,The parent company provided intra-group loans of DKK 12,712m to TDC NET A/S and DKK 9,000m to Nuuday A/S.

Loan to subsidiaries[1]	**2022**	**2023**	**2025**	**2022**	**2023**	**2025**	**Total**
Maturity	Mar 2022	Feb 2023	Jun 2025	Mar 2022	Feb 2023	Jun 2025	
Fixed/floating rate	Fixed	Fixed	Floating	Fixed	Fixed	Floating	
Coupon	5%	6.47%	Margin + floored Euribor[2]	5%	6.47%	Margin + floored Euribor[2]	
Currency	DKK	DKK	DKK	DKK	DKK	DKK	
Counterpart	Nuuday	Nuuday	Nuuday	TDC NET	TDC NET	TDC NET	
Nominal value (DKKm)	1,547	1,573	5,880	2,186	2,220	8,306	21,712

[1] Corresponding intragroup balances have been established between the parent company and Nuuday and TDC NET on conditions similar to the parent company's external loans, however with the exception that the intragroup loans are all in DKK.
[2] The floating 2025 loans have a Euribor floor at zero and a margin of 2.5% and 2.75% per 31-12-2019, respectively.

3.7 | Contract assets and liabilities

(DKKm)	2019	2018
Assets recognised from costs to obtain a contract (SAC)	0	284
Total contract assets	**0**	**284**
Deferred subscription income	0	2,546
Work in progress for the account of third parties, liabilities	0	23
Total contract liabilities	**0**	**2,569**

3.8 | Provisions

(DKKm)	2019 Decommissioning obligations	2019 Restructuring obligations	2019 Other provisions	2019 Total	2018 Total
Provisions at 1 January	232	754	101	1,087	1,063
Effect of demerger	(227)	(75)	(74)	(376)	-
Provisions transferred to lease assets	0	(657)	0	(657)	0
Provisions made	0	32	0	32	228
Change in present value	0	0	0	0	3
Provisions used (payments)	(1)	(41)	(5)	(47)	(203)
Reversal of unused provisions	0	0	0	0	(4)
Provisions at 31 December	**4**	**13**	**22**	**39**	**1,087**
Recognised as follows:					
Non-current liabilities	4	1	17	22	971
Current liabilities	0	12	5	17	116
Total	**4**	**13**	**22**	**39**	**1,087**

Provisions for decommissioning obligations relate to the future restoration of property owned by third parties. The uncertainties concern primarily the timing of the related cash outflows. The majority of these obligations are not expected to result in cash outflows within the next five years.

Provisions for restructuring obligations stem primarily from redundancy programmes. The majority of the provisions for redundancy programmes are expected to result in cash outflows in the next five years. The uncertainties relate primarily to the estimated amounts and the timing of the associated cash outflows.

At 1 January 2019, the provisions for vacant tenancies were transferred to lease assets cf. note 1.1 to offset the initial measurement of the lease assets.

Other provisions relate mainly to pending lawsuits and onerous contracts, as well as jubilee benefits for employees. The majority of these provisions are expected to result in cash outflows within the next five years. The uncertainties regarding lawsuits and onerous contracts relate to both timing and estimated amounts. The uncertainties regarding jubilee benefits relate to both salary and the number of employees included.

4.1 | Equity

For information on share capital and treasury shares, see note 4.1 to the consolidated financial statements.

4.2 | Loans

For a reconciliation between loans and cash flows from financing activities, see note 4.4 to the consolidated financial statements.

4.3 | Financial income and expenses

(DKKm)	2019	2018
Interest income	29	135
Interest expenses	(1,128)	(1,068)
Interest from group enterprises	844	1
Interest to group enterprises	0	(1)
Net interest	**(255)**	**(933)**
Currency adjustment	(221)	(35)
Fair value adjustment	272	(241)
Interest, currency translation adjustments and fair value adjustments	**(204)**	**(1,209)**
Interest on pension assets	105	108
Total	**(99)**	**(1,101)**

Net financials recognised in other comprehensive income

(DKKm)	2019	2018
Currency translation adjustment, subsidiaries, joint ventures and associates	0	279
Reversal of currency translation adjustment related to disposal of subsidiaries, joint ventures and associates	0	1,235
Exchange-rate adjustments of subsidiaries, joint ventures and associates	**0**	**1,514**
Change in fair value adjustments of cash flow hedges	0	(30)
Change in fair value adjustments of cash flow hedges transferred to financial expenses	45	20
Value adjustments of hedging instruments	**45**	**(10)**

4.4 | Financial instruments

TDC's currency risks concern mainly financing and hedging. As financing and hedging are carried out by the parent company, note 4.3 to the consolidated financial statements also largely reflects the parent company's currency exposure.

The parent company manages the Groups external liquidity exposure, including the external long-term loans (SFA and EMTN). Corresponding intra-group balances have been established between the parent company and Nuuday and TDC NET on conditions similar to the parent company's external loans, however with the exception that the intra-group loans are all in DKK. Accordingly, TDC Groups' financial income and expenses (see note 4.5) largely reflects the parent company's financial income and expenses when adjusted for interest income related to the mirrored internal loans totalling DKK 838m in 2019.

For information on the parent company's capital management, see notes 4.4 and 4.5 to the consolidated financial statements.

5.1 | Adjustment for non-cash items

(DKKm)	2019	2018
Pension costs related to the defined benefit plan	101	122
Share-based remuneration	0	5
(Gain)/loss on disposal of enterprises and property, plant and equipment, net	(4)	0
Other adjustments	5	31
Total	**102**	**158**

5.2 | Change in working capital

(DKKm)	2019	2018
Change in receivables	986	2,901
Change in trade payables	523	17
Change in prepaid expenses	52	(23)
Change in other items, net	13	(30)
Total	**1,574**	**2,865**

5.3 | Cash flow from investing activities in discontinued operations

In 2019, TDC demerged the segments Nuuday and TDC NET. These have been presented as discontinued operations.

At the time of demerger, the carrying amount of assets and liabilities in discontinued operations consisted of the following:

The carrying amounts of assets and liabilities in demerged operations at the time of divestment (DKKm)	**2019**	**2018**
Intangible assets	24,372	0
Property, plant and equipment	14,739	0
Lease assets	613	0
Investments in subsidiaries	973	0
Other non-current assets	88	0
Receivables and contract assets	3,450	0
Cash	146	0
Deferred tax liabilities	(2,313)	0
Provisions	(245)	0
Other non-current liabilities	(1,870)	0
Trade and other payables	(6,035)	0
Contract liabilities	(2,539)	0
Net assets	**31,379**	**0**
Investment in Nuuday A/S and TDC NET A/S	(31,379)	0
Net cash flow on demerger	**0**	**0**
Cash flow from investing activities in demerged operations	(3,426)	(3,948)
Net cash flow from investing activities in demerged operations	**(3,426)**	**(3,948)**

6.1 | Related parties

For information about the related parties of the Group, see note 6.2 to the consolidated financial statements. The parent company has the following transactions and balances with its subsidiaries (cf. the overview of subsidiaries in note 3.2):

Subsidiaries (DKKm)	**2019**	**2018**
Income	2,136	1,434
Expenses	(83)	(76)
Receivables	22,215	70
Debt	(807)	(734)
Guarantees	(795)	(56)

In addition to income from subsidiaries, the parent company received dividends, as shown in note 3.2.

All transactions were made on an arm's length basis. Remuneration for the Board of Directors and the Executive Committee is described in note 2.5 and incentive programmes in note 6.1 to the consolidated financial statements. In addition, payment of contributions to the pension fund is described in note 3.7 to the consolidated financial statements.

TDC A/S is included in the Group Annual Report of the ultimate parent company DKT Holdings ApS.

The Group Annual Report of DKT Holdings ApS may be obtained at the following address:

DKT Holdings ApS
c/o TDC A/S
Teglholmsgade 1
2450 København SV

6.2 | Fees to auditors elected by the Annual General Meeting

(DKKm)	**2019**	**2018**
Statutory audit	**2**	**6**
Other assurance engagements	2	3
Tax advisory services	1	1
Other services	4	5
Total non-statutory audit services	**7**	**9**
Total	**9**	**15**

6.3 | Other financial commitments

(DKKm)	2019	2018
Lease commitments		
Lease expenses relating to properties and mobile sites in the period of interminability	-	5,371
Accumulated lease commitments for machinery, equipment, computers, etc.	-	273
Total	**-**	**5,644**
Specified as follows:		
Due not later than one year	-	517
Due later than one year but not later than five years	-	1,499
Due later than five years	-	3,628
Total	**-**	**5,644**
Lease commitments for short-term and low value leases		
Short-term leases	17	-
Low value leases	0	-
Total	**17**	**-**

From 1 January 2019, leases are recognised as a lease asset and a corresponding liability at the date at which the leased asset is available for use by the company, except for short-term leases and low-value leases cf. note 3.1.

6.4 | Pledges and contingencies

Shares in subsidiaries with a carrying amount of DKK 9,526m (2018: DKK 1,220m), cash with a carrying amount of DKK 1,551m (2018: DKK 2,236m) and receivables from group enterprises with a carrying amount of DKK 22,215m (2018: DKK 70m) are pledged as security for long-term loans.

TDC A/S has provided guarantees for the amount of DKK 795m concerning subsidiaries.

For information on pending lawsuits and change-of-control clauses, see note 6.5 to the consolidated financial statements.

TDC A/S is jointly registered for Danish VAT with the majority of Danish subsidiaries and is jointly and severally liable for payment of VAT.

6.5 | Events after the balance sheet date

For information on events after the balance sheet date, see note 6.6 to the consolidated financial statements.

6.6 | New accounting standards

For information on new accounting standards for the Group, see notes 1.1 and 6.7 to the consolidated financial statements.

Other

Management statement

Today, the Board of Directors and the Executive Committee considered and approved the annual report of TDC A/S for 2019.

The annual report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and parent company financial statements give a true and fair view of the financial position at 31 December 2019 of the Group and the parent company and of the results of the Group and parent company operations and cash flows for 2019.

In our opinion, the management's review includes a true and fair account of the developments in the operations and financial circumstances of the Group and the parent company, of the results for the year and of the financial position of the Group and the parent company as well as a description of the most significant risks and elements of uncertainty facing the Group and the parent company.

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

Copenhagen, 10 March 2020

Executive Committee

Henrik Clausen
Group Chief Executive Officer and President

Lasse Pilgaard
Senior Executive Vice President, Group Chief Financial Officer

Jens Aaløse
Senior Executive Vice President of Stakeholder Relations and Group Chief People Officer

Board of Directors

Bert Nordberg
Chairman

Michael Parton

Marianne Rørslev Bock

Martin Bradley

Nathan Luckey

Arthur Rakowski

Mogens Jensen

Thomas Lech Pedersen

John Schwartzbach

Zanne Stensballe

Independent auditor's report

To the shareholders of TDC A/S

Our opinion
In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2019 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited
The Consolidated Financial Statements and Parent Company Financial Statements of TDC A/S for the financial year 1 January to 31 December 2019 comprise income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes, including summary of significant accounting policies for the Group as well as for the Parent Company. Collectively referred to as the "Financial Statements".

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 Group 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. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code. To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment
Following the admission of the shares of TDC A/S for listing on Nasdaq Copenhagen, we were first appointed auditors of TDC A/S the 4 May 1992 for the financial year 1992. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 28 years including the financial year 2019.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2019. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Revenue recognition TDC's billing environment is complex comprising a high number of applications and complex contracts, some of which include multiple elements. We focused on this area due to the risk of errors when recognising revenue, especially due to incorrect transfer of data between applications and due to the fact that complex contracts in some instances are handled in separate tools outside the normal IT billing applications. Refer to notes 2.2 and 3.5 to the Consolidated Financial Statement.	In our audit we focused on the design of controls and tested the operating effectiveness of relevant controls such as controls over: • changes in standing data • capturing and recording of revenue transactions • interfaces between systems • transactions from separate tools outside the normal IT billing applications, and • monthly Management review On a sample test basis we also collected confirmations from Business and Wholesale customers to confirm the Group's accounts receivables, tested transactions against underlying documentation and performed analytical procedures.

Key audit matter	How our audit addressed the key audit matter
Impairment of lease assets The new IFRS 16 became effective from 1 January 2019 resulting in lease contracts being recognised as lease assets and lease liabilities. Some of the lease assets comprises tenancies no longer in use by TDC (vacant tenancies). As of 31 December 2019, Management has performed an impairment test of lease assets comprising vacant tenancies. We focused on impairment of lease assets comprising vacant tenancies because the process is complex and requires management estimates in determining certain assumptions, of which the most significant ones relate to the probability of sublease and expected sublease rent rates. Refer to note 3.3 to the Consolidated Financial Statements.	We challenged main assumptions in Management's impairment test such as the adjustments made to reflect future expected sublease probability and assessed whether sublease rent rates are reasonable. This included analysing historical progress in subleasing vacant tenancies, comparing the rent level to other tenancies available for sublease in the same areas, assessing the impact from development activities and comparison against market insights.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover 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 Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as 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 Group's and the Parent 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 Group or the Parent 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 about 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 can 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 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 Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent 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 Group or the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hellerup, 10 March 2020

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Lars Baungaard
State Authorised Public Accountant
mme23331

Tue Stensgård Sørensen
State Authorised Public Accountant
mme32200

Terminology

Financial terms

Adjusted NIBD refers to *NIBD* plus 50% of hybrid capital. The hybrid bonds issued by TDC Group provide 50% equity credit from rating agencies.

Capex refers to capital expenditure excluding investments in mobile licences and share acquisitions.

EBITDA refers to operating profit before depreciation, amortisation and special items.

EFCF or equity free cash flow refers to *EBITDA* adjusted for non-cash items, pension contributions, provisions payments, changes in net working capital, net interest paid, corporate income tax paid, cash flow related to special items and cash flows relating to *capex*.

FTE or Full-Time Equivalents refers to full-time employee equivalents, including permanent employees, trainees and temporary employees but excluding temps and outsourced civil servants.

Net working capital or NWC refers to a key financial figure defined as current assets less current liabilities related mainly to receivables, trade payables and inventory. Cash balances as well as a number of cash flow components treated separately in the cash flow statement, e.g. taxes, interest, dividends payable, are not included.

NIBD or net interest-bearing debt refers to long-term loans, short-term loans, interest-bearing payables and derivatives related to loans less interest-bearing receivables and investments and cash.

Opex refers to operating expenses and includes external expenses, wages, salaries and pension costs, and other income.

Organic EBITDA refers to *EBITDA* adjusted for foreign exchange effects, effects from acquisitions and divestments, and changes in regulation.

Telco specific terms

ARPU refers to Average Revenue Per User and is calculated per month. TDC Group calculates *ARPU* for a given product group as its total revenue divided by the average *RGU*s in the period. *ARPU* includes gross traffic revenue unless otherwise stated.

Churn rate refers to yearly customer turnover expressed as a percentage. TDC Group calculates churn by dividing the gross decrease in the number of customers for a given period by the average number of customers for that period.

Cable refers to a technology based on coaxial cables - electrical cables with an inner conductor surrounded by a flexible, tubular insulating layer, surrounded by a tubular conducting shield. Coax is used to transmit radio frequency signals, distribute cable-TV signals, etc.

Cloud refers to online distributed computing, storage, and back-up.

Fibre refers to a technology used to transmit telephone signals, internet communications and cable television signals.

Flow TV refers to a television service that enables viewers to watch a scheduled TV programme at the particular time it is offered and on the particular channel it is transmitted. This is the opposite of e.g. Video-on-Demand.

Interconnection refers to the provision of access or availability of facilities or services for another provider to provide electronic communications services, and exchange of traffic between communications networks used by the same or a different provider.

IoT or Internet of Things refers to a network of electronic devices that can collect and share data via sensors.

LRAIC (Long Run Average Incremental Cost) refers to the most applied pricing regulation methods used to set *interconnection* prices for operators with Significant Market Power (SMP). LRAIC uses an average of the costs of services. The interconnection prices are set equal to the costs associated with producing the regulated services in a modern and fully effective telecommunications network of the same size as the SMP operator's network.

NPS or Net Promoter Score measures customers experience and loyalty towards the company or brand.

OTT or Over The Top refers to online delivery of video and audio without the internet service provider being involved in the control or distribution of the content itself.

Roaming refers to a means of accessing a foreign operator's mobile network that enables customers to automatically make and receive voice calls or send and receive data when travelling abroad.

RGU or Revenue Generating Unit refers to the total number of customer relationships generating revenue for TDC Group. TDC Group's RGU statement includes the number of main products sold by TDC Group's residential, business and wholesale segments. Customer relationships are synonymous with RGUs.

Service provider refers to partners providing services under their own brands to external customers using TDC's infrastructure.

SVoD or Subscription Video on demand refers to a service that gives users unlimited access to a wide range of programmes for a monthly fee.

Organic figures

In order to evaluate TDC Group's underlying organic growth, TDC Group's figures are adjusted on the 2018 base for a number of factors affecting comparability; regulatory price adjustments, impact from acquisitions and divestments as well as costs related to the separation of TDC, investments in *fibre* rollout, effects from new lease accounting principles (IFRS 16) and impact from changed classification of certain costs related to customer installations.

TDC Group, adjustments	Q1	Q2	Q3	Q4	2019
Reported *EBITDA* 2018	**1,767**	**1,701**	**1,659**	**1,563**	**6,691**
Acquisitions, divestments & regulation	3	(2)	(3)	(4)	(6)
IFRS 16 and classification	95	86	88	40	309
YoY growth in costs related to the separation of TDC incl. investments in *fibre* rollout	(114)	(70)	(25)	(9)	(219)
Adjusted *EBITDA* 2018	**1,751**	**1,715**	**1,719**	**1,590**	**6,775**
Reported *EBITDA* 2019	**1,698**	**1,671**	**1,657**	**1,526**	**6,552**
Organic Growth %	**-3.0%**	**-2.6%**	**-3.6%**	**-4.0%**	**-3.3%**

TDC Group, absolute separation costs	Q1 19	Q2 19	Q3 19	Q4 19	2019
Absolute costs related to the separation of TDC incl. investments in *fibre* rollout	(116)	(83)	(73)	(84)	(358)

Disclaimer

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Disclaimer
This report has been prepared in accordance with GRI Standards: Core option and it is in compliance with section 99a and b of the Danish Financial Statements Act.

This report may include statements about TDC Group's expectations, beliefs, plans, objectives, assumptions or future events or performance that are not historical facts and may be forward-looking. These statements are often, but not always, formulated using words or phrases such as "are likely to result", "are expected to", "will continue", "believe", "is anticipated", "estimated", "intends", "expects", "plans", "seeks", "projection" and "outlook" or similar expressions or negatives thereof. These statements involve known and unknown risks, estimates, assumptions and uncertainties that could cause actual results, performance or achievements or industry results to differ materially from those expressed or implied by such forward-looking statements.

Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this financial report. Key factors that may have a direct bearing on TDC Group's results include: the competitive environment and the industry in which TDC Group operates; contractual obligations in TDC Group's financing arrangements; developments in competition within the domestic and international communications industry; information technology and operational risks including TDC Group's responses to change and new technologies; introduction of and demand for new services and products; developments in demand, product mix and prices in the mobile and multimedia services market; research regarding the impact of mobile phones on health; changes in applicable legislation, including but not limited to tax and telecommunications legislation and anti-terror measures; decisions made by the Danish Business Authority; the possibility of being awarded licences; increased interest rates; the status of important intellectual property rights; exchange-rate fluctuations; global and local economic conditions; investments in and divestment of domestic and foreign companies; and supplier relationships.

As the risk factors referred to in this report could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made in this Report, undue reliance is not to be placed on any of these forward-looking statements. New factors will emerge in the future that TDC Group cannot predict. In addition, TDC Group cannot assess the impact of each factor on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those described in any forward-looking statements.

The market shares included in this report are estimated by TDC Group Market Intelligence and may change with retrospective effect as increased knowledge of the market is obtained. The total market is defined to include residential and business. Market share for landline voice is based on the number of lines. Market shares for broadband and TV are based on subscriptions. Market share for mobile voice is based on subscriptions excl. prepaid cards.