DKT Holdings ApS

Annual report 2019

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DKTH group in brief

About DKTH

DKT Holdings ApS (DKTH) was established 22 December 2017 with the purpose of running an investing business through its 100% owned subsidiaries, DKT Finance ApS (DKTF) and DK Telekommunikation ApS (DKT). DKTH 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.

The business

All core activities relate to TDC. TDC is the incumbent operator and a provider of integrated communications and entertainment solutions in Denmark with a leading market position across broadband, pay-TV, mobile and landline voice services based on end-user subscriptions to consumer, business and wholesale customers and the multi-play segment with a focus on premium digital services. TDC also offer integrated solutions to business customers.

People

Transformation of 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. At TDC NET, the “Network Champions” culture being fostered supports the journey while maintaining Denmark’s status as a digital frontrunner. At TDC Group, the “Frontrunner 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 to attracting and retaining talent while creating an appealing secure culture that encourages people to stay.

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. TDC’s 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.

ESG

TDC Group is committed to contributing to positive and sustainable development throughout society, and the group’s most important impacts are linked to the UN’s Sustainable Development Goals (SDGs). DKTH Group’s online ESG Report constitutes DKTH group’s statutory reporting on ESG in accordance with Sections 99a and 99b of the Danish Financial Statements Act. See https://tdcgroup.com/en/responsibility#884dcecb-0d33-4601-8977-b85cdf73dbd1.

DKTH has set a target to have one representative of the underrepresented gender on the Board of Directors by 2021. Currently, status is that all 6 members of the Board of Directors are men. The target was not reached in 2019 since the General Assembly did not decide to make any changes to the current composition of the Board of Directors.

Financial review

The acquisition of TDC has resulted in a number of accounting adjustments to DKTH's financial statements, including purchase price allocation adjustments which have increased consolidated non-cash expenses and contributed to the consolidated net loss. The initial accounting for the acquisition of TDC is now complete and adjustments to depreciation and amortisation have been recognised in Q2 2019.

The adoption of the new lease accounting standard, IFRS 16, has had significant effects on the financial statements for 2019. Comparative figures for previous periods have not been restated. For further information see note 1 to the consolidated financial statements.

This financial report includes consolidated financial statements for DKTH. The operating activities of the DKTH Group relate to activities in TDC Group.

The reporting period covers 1 January to 31 December 2019. As TDC was acquired by DKT as of 4 May 2018, the figures for the DKTH Group do not include the operations of TDC for the full comparative period. Consequently, it is not possible to conduct a meaningful analysis of the consolidated results for the DKTH Group, and the analysis set out below is focusing on the activities in DKT, DKTF and DKTH for 2019.

For further information about TDC's activities and the development, please see the Annual Report for TDC for 2019.

DKTH group's EBITDA

DKTH group revenue, cost of sales, external expenses, personnel expenses and other income, i.e. EBITDA (Operating profit before depreciation, amortisation and special items), largely corresponds to TDC Group's similar items for 2019. EBITDA for DKTH group amounted to DKK 6,540m. Hereof DKK 6,552m stems from TDC. The remaining negative EBITDA of DKK 12m are primarily related to consultant fees in DKTH.

TDC Group's EBITDA 2019 vs. 2018 (full year comparison)

Revenue

In 2019, TDC Group's reported revenue decreased by 1.8% or DKK 312m to DKK 17,044m, compared with 2018. Organic 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 gross profit decreased by 3.3% driven by the continued decline in landline voice and TV, as a result of

[1] For further information about the purchase price allocation see note 5.3 to the Consolidated Financial Statements.
[2] Including other income.

Key figures (DKKm)		**2019**	**2018**	**2017**
Income statements	DKKm			
Revenue		17,044	11,581	-
Gross profit		12,099	8,266	-
EBITDA		6,512	4,342	-
Net financial expenses		(3,041)	(3,349)	-
Profit/(loss) for the period from continuing operations excluding special items		(3,088)	(2,934)	-
Profit/(loss) for the period		(3,244)	(2,951)	-
Capital expenditure		(4,801)	(2,443)	-
Mobile licenses		1,349	0	-
Total assets		70,319	65,872	-
Total equity		(1,753)	893	-
Cash flow				
Total cash flow from operating activities		4,456	2,737	-
Total cash flow from investing activities		(5,130)	(39,154)	-
Total cash flow from financing activities		(29)	21,250	-
Total cash flow from continuing operations		(703)	(15,167)	-
Total cash flow from discontinued operations		(3)	17,581	-
Total cash flow		(706)	2,414	-
Key financial ratios				
Gross margin	%	71.0	71.4	-
EBITDA margin	%	38.2	37.5	-
Net interest-bearing debt excl. impact from IFRS 16	DKKm	(50,402)	(46,902)	-
Net interest-bearing debt (NIBD)	DKKm	(55,579)	(46,902)	-
Net interest-bearing debt excl. impact from IFRS 16/LTM EBITDA[1]	x	5.4	4.6	

[1] Calculated excluding shareholder loans and excluding the impact from IFRS 16. Calculated with the impact from IFRS 16, the NIBD/EBITDA ratio amounted to 5.8 at 31 December 2019. The 2018 figure is based on TDC's LTM EBITDA of DKK 6,691m.

increased TV-content costs relating to SVoD services, higher content supplier costs 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[2]

In 2019, reported operating expenses decreased by 3.3%, or DKK 191m, to DKK 5,575m. Organic operating expenses decreased by 2.8%. The improved organic 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 of TDC, DKK 358m. Organic EBITDA 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.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses are all related to the TDC Group and amounted to DKK 6,830m. Hereof DKK 1,665m was depreciation and amortisation of assets recognised in connection with the purchase price allocation performed in connection with the acquisition of TDC. This included primarily amortisation of customer relationships, brands and software.

The customer relationships of TDC and the TDC brand and the other brands used by TDC's business lines were recognised as separate assets as part of the preliminary purchase price allocation performed in connection with the acquisition of TDC. The customer relationships are amortised over the estimated useful lives of such relationships. Brands with finite useful lives are amortised over the useful livers of such brands. The useful life of the TDC brand are deemed indefinite and consequently, DKTH does not amortise the values of this brand.

In TDC Group the full year depreciation, amortisation and impairment losses increased from DKK 4,088m in 2018 to DKK 5,164m. The increase was due primarily to the reduced useful lives of existing mobile equipment as a result of the ongoing replacement with Ericsson equipment.

Special items

The total special items, representing a net expense of DKK 194m before tax, comprised primarily expenses related to redundancies and other restructuring costs in the TDC Group.

Special items in 2018 comprised primarily costs in connection with DKT's acquisition of the shares in TDC and expenses in TDC related to the takeover by DKT. Special items in discontinued operations in 2018 included a gain of DKK 405m from the divestment TDC's Norwegian business.

Financial income and expenses

Financial income and expenses represented an expense of DKK 3,041m. Hereof DKK 1,649m related to DKT, DKTF and DKTH. These financial expenses related primarily to interest expenses on senior notes and shareholder loans. All other financial income and expenses related to the TDC Group.

The expense decreased by DKK 309m compared with 2018. Although 2019 included interest expenses on long-term loans for the full year and additional interest expenses (DKK 233m) due to the IFRS 16 implementation as of 1 January 2019, these impacts were more than offset by fair value losses in 2018 from SFA and EMTN redemptions (DKK 472m).

Income taxes

DKTH Group income taxes relate primarily to the profit before income taxes in TDC as well as the impact from purchase price allocation adjustments. Due to the Danish rules on limitation on the tax deductibility of interest expenses, the interest deductibility is already constrained on TDC Group level. Accordingly, the additional financial expenses in DKTF and DKTH are not tax deductible.

Loss for the year

The loss for the year of DKK 3,244m comprised a loss for TDC of DKK 927m and a loss in DKT, DKTF and DKTH of DKK 2,317m.

The loss for the year from continuing operations excluding special items of DKK 3,088m comprised a loss for TDC of DKK 771m and a loss in DKT, DKTF and DKTH of DKK 2,317m primarily corresponding to the net financial expenses.

Net interest-bearing debt

In 2019, net interest-bearing debt excluding the impact from IFRS 16 increased by DKK 3,500m. The increase was impacted by the negative cash flows from operating and investing activities (DKK 2,143m) and the non-cash part of the acquisition of mobile licenses (DKK 1,339m).

Net interest-bearing debt increased by DKK 8,677m due to the changed accounting policy for leases (IFRS 16) (DKK 5,177m).

Guidance 2019 follow-up

2019 EBITDA guidance was slightly lower than 2018 (full year comparison), In 2019, TDC Group's reported EBITDA decreased by 2.5% or DKK 167m. Reported EBITDA was throughout 2019 impacted positively by effects from new lease accounting principles (IFRS 16), DKK 398m, which were partly offset by costs related to the separation of TDC, DKK 358m. Organic EBITDA decreased by 3.7%, triggered by the continued decline in landline voice and TV that was partly offset by an increase in mobility services and cost savings.

2019 Capital expenditure guidance was DKK 4.1-4.5bn. In 2019 Capital expenditure was DKK 4.8bn due to mainly from further investments related to the 5G mobile network swap from Huawei to Ericsson and the build out of fibre.

DKTH leverage guidance was 5.2x while realised leverage was 5.4x excluding the impact from IFRS 16 at year-end 2019. The higher leverage was due primarily to the lower EBITDA.

Guidance 2020

2020 guidance assumes a flat EBITDA, strategic investments in 5G and fibre of DKK ~2.6bn, total capital expenditure spend of DKK 5.5-5.9bn and net debt EoY to EBITDA of ~5.9x excl. IFRS 16[1].

[1] Including effects of IFRS 16, 2020 leverage expected at ~6.3x. The guided leverage excludes new spectrum obligations.

Risk assessment

Risk assessment

DKTH group faces both internal and external risks. Also, DKTH 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, 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 3.1 on lease assets, 3.7 on provisions, note 3.7 on pension obligations, note 4.3 on financial risk disclosures and note 6.5 on contingencies. Finally, see also the Risk Factor section in DKT Finance ApS' Senior Notes Offering Memomarum, [https://tdcgroup.com/en/investor-relations/debt.](https://tdcgroup.com/en/investor-relations/debt)

By their very nature, forward-looking statements involve certain risks and uncertainties. Risks not currently known to DKTH group, or that DKTH group currently deems to be immaterial, may also adversely affect DKTH 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 and new strong players increase market share which accelerates the SVoD trend leading towards customers deselecting flow TV and migrating to cheaper price plans, with reduced ARPU and 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 to consumers.

The competitive landscape is accelerating with renewed intense price competition within mobile. In fixed line 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. On TV, the RGU net loss was worse than expected in part due to the discontinuation of the Discovery contract, however financial performance 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
- Taking a position in the SVoD market
- Focus on premium mobile products including the best mobile network in Denmark to retain and attract customers
- Secure right positioning towards device manufacturers and other operators
- Differentiation on B2B market, including Cloud position

Network and infrastructure

Description
There are various factors that can influence the outcome of our ambitious fibre rollout strategy. Uncertainty regarding the speed of which other competitor's rollout fibre, uncertainty regarding the future level of unit costs associated of fibre rollout and uncertainty regarding publicity if vendors fail to meet re-establishing 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 not enough spectrum is acquired from future spectrum auctions it 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 action to competitor behaviour
- Close dialogue with Danish Energy Authority

External impacts: Political, Macroeconomics and Cyber attacks

Description
TDC Group's business may be impacted on from new or updated regulation or legislation which in turn may lead to reduced sector profit and reduce 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 not being able to match the speed and functionality of newer IT software held by competitors and continuously increasing threats of cyber-attacks impacting TDC's business.

Impact in 2019
Not materialised. Negative publicity due to single cases of operational and external issues has made short-term detractions from TDC Group's public image, but the overall reputation and brand perception was overall 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 and have effect on the customer experience and brand reputation, which may increase the risk of customer churn and 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 thereby ensuring TDC have qualified personnel to generate and execute plans in 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. Focus on attracting and developing digital talent has been kept throughout 2019, and a Group IT department have been established to handle the IT-related processes in 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 when compared with competitors and inferior products.

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

Consolidated financial statements

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Notes to consolidated financial statements

Consolidated income statement

(DKKm)	Note	2019	2018
Revenue	2.1,2.2	17,044	11,581
Cost of sales	2.3	(4,945)	(3,315)
Gross profit		12,099	8,266
External expenses	2.4	(2,382)	(1,766)
Personnel expenses	2.5	(3,384)	(2,232)
Other income	2.2	179	74
Operating profit before depreciation, amortisation and special items (EBITDA)		6,512	4,342
Depreciation, amortisation and impairment losses	2.6	(6,830)	(3,929)
Special items	2.7	(194)	(777)
Operating profit (EBIT)		(512)	(364)
Financial income and expenses	4.5	(3,041)	(3,350)
Profit/(loss) before income taxes		(3,553)	(3,714)
Income taxes	2.8	309	103
Profit/(loss) for the year from continuing operations		(3,244)	(3,611)
Profit from discontinued operations	2.9	0	660
Profit/(loss) for the year		**(3,244)**	**(2,951)**
Attributable to:			
Shareholders of DKT Holdings ApS		(3,245)	(3,007)
Non-controlling interests		1	56
Profit/(loss) for the year		(3,244)	(2,951)

Consolidated statement of comprehensive income

(DKKm)	Note	2019	2018
Profit/(loss) for the year		(3,244)	(2,951)
Items that may subsequently be reclassified to the income statement:			
Exchange-rate adjustments of foreign enterprises	4.5	0	21
Value adjustments of hedging instruments	4.5	4	(16)
Items that cannot subsequently be reclassified to the income statement:			
Remeasurement of defined benefit plans	3.7	763	59
Income tax relating to remeasurement of defined benefit plans	2.8	(168)	(13)
Other comprehensive income/(loss)		599	51
Total comprehensive income/(loss)		**(2,645)**	**(2,900)**
Attributable to:			
Shareholders of DKT Holdings ApS		(2,646)	(2,966)
Non-controlling interests		1	66
Total comprehensive income/(loss)		(2,645)	(2,900)
Total comprehensive income attributable to shareholders of DKT Holdings ApS arising from:			
Continuing operations		(2,646)	(3,626)
Discontinued operations		0	660
Total		(2,646)	(2,966)

Consolidated balance sheet

Assets (DKKm)	Note	2019	2018
Non-current assets			
Intangible assets	3.1	37,493	38,541
Property, plant and equipment	3.2	15,368	14,597
Lease assets	3.3	4,472	-
Joint ventures, associates and other investments		73	91
Pension assets	3.7	7,463	6,854
Receivables	3.4	191	194
Prepaid expenses	3.6	33	43
Total non-current assets		**65,093**	**60,320**
Current assets			
Inventories		232	187
Trade receivables	3.4	1,854	1,680
Other receivables		204	80
Contract assets	3.5	395	359
Income tax receivable	2.8	0	38
Derivative financial instruments	4.6	231	399
Prepaid expenses	3.6	624	428
Cash		1,686	2,381
Total current assets		**5,226**	**5,552**
Total assets		**70,319**	**65,872**

Equity and liabilities (DKKm)	Note	2019	2018
Equity			
Share capital	4.1	0	0
Other reserves		9	5
Retained earnings		(1,764)	886
Equity attributable to shareholders of DKT Holdings ApS		**(1,755)**	**891**
Non-controlling interests		2	2
Total equity		**(1,753)**	**893**
Non-current liabilities			
Deferred tax liabilities	2.8	4,187	4,663
Provisions	3.7	331	972
Loans	4.2,4.6	51,503	49,060
Lease liabilities	3.3	4,751	60
Other payables		138	0
Total non-current liabilities		**60,910**	**54,755**
Current liabilities			
Loans	4.2,4.6	91	105
Lease liabilities	3.3	491	12
Short-term bank loans		681	0
Trade payables		4,317	3,828
Other payables		2,867	2,817
Contract liabilities	3.5	2,455	2,583
Amounts owed to joint ventures and associates		3	0
Income tax payable	2.8	34	0
Derivative financial instruments	4.6	143	763
Provisions	3.7	80	116
Total current liabilities		**11,162**	**10,224**
Total liabilities[1]		**72,072**	**64,979**
Total equity and liabilities		**70,319**	**65,872**

[1] **Total liabilities excl. impact from IFRS 16**		**66,895**	**64,979**

Consolidated statement of cash flows

(DKKm)	Note	2019	2018
Operating profit before depreciation, amortisation and special items (EBITDA)		6,512	4,342
Adjustment for non-cash items	5.1	191	90
Pension contributions	3.7	133	(4)
Payments related to provisions	3.6	(45)	(22)
Special items	2.7	(128)	(994)
Change in working capital	5.2	(138)	1,188
Interest received	4.5	625	163
Interest paid	4.5	(2,331)	(1,740)
Income tax paid	2.8	(363)	(286)
Operating activities in continuing operations		4,456	2,737
Operating activities in discontinued operations		(3)	464
Total cash flow from operating activities		**4,453**	**3,201**
Investments			
Investment in enterprises	5.3	(140)	(36,609)
Investment in property, plant and equipment	3.2	(3,400)	(1,476)
Investment in intangible assets	3.1	(1,621)	(1,072)
Investment in other non-current assets		(1)	(59)
Divestment of enterprises		2	0
Sale of other non-current assets		30	62
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)	(39,154)
Investing activities in discontinued operations	5.4	0	17,117
Total cash flow from investing activities		**(5,130)**	**(22,037)**

(DKKm)	Note	2019	2018
Financing			
Proceeds from long-term loans		0	69,596
Proceeds from bridge-loan		0	20,859
Repayment of long-term loans		(320)	(42,887)
Repayment of bridge-loan		0	(21,051)
Cost relating to short-term credit facilities		0	(87)
Settlement of derivatives related to long-term loans		(75)	285
Lease repayments		(314)	(23)
Change in short-term loans		681	(222)
Dividends paid to non-controlling interests		(1)	(66)
Redemption of non-controlling interests		0	(9,267)
Capital contribution		0	4,113
Financing activities in continuing operations		(29)	21,250
Financing activities in discontinued operations		0	0
Total cash flow from financing activities		**(29)**	**21,250**
Total cash flow		**(706)**	**2,414**
Cash and cash equivalents at 1 January		2,381	0
Effect of exchange-rate changes on cash and cash equivalents		11	(33)
Cash and cash equivalents at 31 December		**1,686**	**2,381**

Consolidated statement of changes in equity

(DKKm)	Share capital	Reserve for currency translation adjustments	Reserve for cash flow hedges	Retained earnings	Total	Non-controlling interests	Total
	Attributable to shareholders of DKT Holdings ApS[1]						
Equity at 1 January 2018	0	0	0	0	0	0	0
Profit for the year	-	-	-	(3,007)	(3,007)	56	(2,951)
Exchange-rate adjustments of foreign enterprises, cf. note 4.5	-	12	-	-	12	9	21
Value adjustments of hedging instruments, cf. note 4.5	-	-	(17)	-	(17)	1	(16)
Remeasurement of defined benefit plans	-	-	-	59	59	-	59
Income tax relating to remeasurement of defined benefit plans	-	-	-	(13)	(13)	-	(13)
Total comprehensive income	-	12	(17)	(2,961)	(2,966)	66	(2,900)
Capital contribution	0	-	-	4,113	4,113	-	4,113
Share-based remuneration	-	-	-	181	181	18	199
Settlement of Performance share programme	-	-	-	(430)	(430)	(42)	(472)
Income tax relating to share-based remuneration	-	-	-	(11)	(11)	9	(2)
Addition to non-controlling interests	-	-	-	-	-	9,276	9,276
Decrease to non-controlling interests	-	-	-	-	-	(9,255)	(9,255)
Loss on acquisition of non-controlling interests	-	9	1	(6)	4	(13)	(9)
Distributed dividends	-	-	-	0	0	(57)	(57)
Total transactions with shareholders	-	9	1	3,847	3,857	(64)	3,793
Equity at 31 December 2018	**0**	**21**	**(16)**	**886**	**891**	**2**	**893**
Profit for the year	-	-	-	(3,245)	(3,245)	1	(3,244)
Exchange-rate adjustments of foreign enterprises, cf. note 4.5	-	-	-	-	-	-	0
Value adjustments of hedging instruments, cf. note 4.5	-	-	4	-	4	-	4
Remeasurement of defined benefit plans	-	-	-	763	763	-	763
Income tax relating to remeasurement of defined benefit plans	-	-	-	(168)	(168)	-	(168)
Total comprehensive income	-	-	4	(2,650)	(2,646)	1	(2,645)
Distributed dividends	-	-	-	-	-	(1)	(1)
Total transactions with shareholders	-	-	-	-	-	(1)	(1)
Equity at 31 December 2019	**0**	**21**	**(12)**	**(1,764)**	**(1,755)**	**2**	**(1,753)**

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

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, sources of estimation uncertainty are described in the notes to which they relate.

In this section

1.1 | Accounting policies

DKTH 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

DKTH 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, DKTH 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

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**

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

DKTH 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.

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**

Impact on consolidated financial statements (DKKm)	2019		
	Previous accounting policy	**Changed accounting policy**	**New accounting policy**
External expenses	(2,703)	321	(2,382)
Personnel expenses	(3,379)	(5)	(3,384)
Other income (re. sublease of vacant tenancies)	97	82	179
Operating profit before depreciation, amortisation and special items (EBITDA)	**6,114**	**398**	**6,512**
Depreciation, amortisation and impairment losses	(6,481)	(349)	(6,830)
Financial income and expenses	(2,807)	(234)	(3,041)
Income taxes	269	40	309
Profit for the period	**(3,101)**	**(143)**	**(3,244)**
Total assets	**65,894**	**4,425**	**70,319**
Provisions (incl. short-term part)	1,043	(632)	411
Lease liabilities (incl. short-term part)	65	5,177	5,242
Deferred tax liabilities	4,227	(40)	4,187
Other liabilities	62,169	63	62,232
Total liabilities	**67,504**	**4,568**	**72,072**
Total cash flow from operating activities	**4,760**	**307**	**4,453**
Total cash flow from financing activities	**278**	**(307)**	**(29)**

1.1 | Accounting policies (continued)

Consolidation policies

The consolidated financial statements include the financial statements of the Parent Company and subsidiaries in which DKT Holdings ApS has direct or indirect control. Joint ventures in which the Group has joint control and associates in 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 DKT Holdings ApS 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 DKTH 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 event or transactions	Judgement
3.1	Intangible assets	Assumptions for useful lives	Estimate
		Assumptions used for Impairment testing	Estimate
3.3	Lease assets	Assessment 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 DKTH Group's results for the year including segmental information, special items and taxation. A detailed review of revenue, EBITDA and profit for the year is provided in the section 'Financial review' in the Management's review.

In this section

2.1 | Segment reporting

Worth noting

DKTH 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.

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. Adjustments associated with 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 conducted on market terms.

Changes in segment reporting

Following the reorganisation of the business into two new companies with separate identities and strategies, DKTH'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 2019	Nuuday 2018	TDC NET 2019	TDC NET 2018	Group Functions 2019	Group Functions 2018
External revenue	15,299	10,292	1,741	1,280	4	9
Revenue across segments	326	245	5,309	3,372	0	23
Total revenue	**15,625**	**10,537**	**7,050**	**4,652**	**4**	**32**
Cost of sales	(9,730)	(6,485)	(462)	(357)	0	(1)
Gross profit	**5,895**	**4,052**	**6,588**	**4,295**	**4**	**31**
Operating expenses	(4,050)	(2,593)	(2,581)	(1,637)	(950)	(895)
Other income and expenses	119	47	240	190	1,418	865
EBITDA	**1,964**	**1,506**	**4,247**	**2,848**	**472**	**1**

	Eliminations 2019	Eliminations 2018	Total 2019	Total 2018
External revenue	-	-	17,044	11,581
Revenue across segments	(5,635)	(3,640)	-	-
Total revenue	**(5,635)**	**(3,640)**	**17,044**	**11,581**
Cost of sales	5,247	3,528	(4,945)	(3,315)
Gross profit	**(388)**	**(112)**	**12,099**	**8,266**
Operating expenses	1,815	1,127	(5,766)	(3,998)
Other income and expenses	(1,598)	(1,028)	179	74
EBITDA	**(171)**	**(13)**	**6,512**	**4,342**

[1] Nuuday comprises the business units Consumer, Business and Other. Gross profit amounted to DKK 5,935m (2018: DKK 4,008m) for Consumer, DKK 2,521m (2018: DKK 1,698m) for Business and DKK (2,561)m (2018: DKK (1,654)m) for Other.

Reconciliation of EBITDA to profit before income taxes (DKKm)	2019	2018
Total EBITDA from reportable segments	6,512	4,342
Unallocated:		
Depreciation, amortisation and impairment losses	(6,830)	(3,929)
Special items	(194)	(777)
Financial income and expenses	(3,041)	(3,350)
Consolidated profit/(loss) before income taxes	**(3,553)**	**(3,714)**

2.2 | Revenue

	Nuuday							
	Consumer		Business		Other		Nuuday total	
Activities (DKKm)	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Landline	496	387	571	441	0	0	1,067	828
Mobility	3,142	2,036	1,144	758	253	167	4,539	2,961
Internet & network	2,621	1,639	1,180	828	0	0	3,801	2,467
TV	3,892	2,612	28	20	4	0	3,924	2,632
Other	813	662	1,139	733	16	9	1,968	1,404
External revenue, total	**10,964**	**7,336**	**4,062**	**2,780**	**273**	**176**	**15,299**	**10,292**

	TDC NET		Group functions		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Landline	130	106	0	0	1,197	934
Mobility	331	205	0	0	4,870	3,166
Internet & network	884	653	0	0	4,685	3,120
TV	39	33	0	0	3,963	2,665
Other	357	283	4	9	2,329	1,696
External revenue, total	**1,741**	**1,280**	**4**	**9**	**17,044**	**11,581**

2.2 | Revenue (continued)

(DKKm)	2019	2018
Sales of goods recognised at a point in time	1,323	868
Sales of services recognised over time	15,721	10,713
Total	**17,044**	**11,581**

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)

Accounting policies

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 3.4.

Revenues are recognised gross when DKTH Group acts as the principal in a transaction. For content-based services and the resale of services from content providers where DKTH 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 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)	(345)
Landline voice	(110)	(101)
Internet & network	(369)	(273)
TV	(2,233)	(1,370)
Other services	(1,663)	(1,226)
Total	**(4,945)**	**(3,315)**

§ 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)	(133)
Subscriber acquisition and retention expenses	(276)	(162)
Property expenses	(341)	(417)
IT expenses	(350)	(279)
Temps and personnel-related expenses	(242)	(133)
Other expenses	(926)	(642)
Total	**(2,382)**	**(1,766)**

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)	(2,458)
Pensions:		
• defined benefit plans	(101)	(82)
• defined contribution plans	(304)	(191)
Share-based remuneration	0	(3)
Social security	(84)	(56)
Total	**(4,457)**	**(2,790)**
Of which capitalised as non-current assets	1,073	558
Total personnel expenses recognised in the income statement[1]	**(3,384)**	**(2,232)**

[1] The figures cover only continuing operations. Calculated including discontinued operations, personnel expenses totalled DKK 3,356m (2018: DKK 2,412m).

Number of full-time employee equivalents (DKKm)	2019	2018
1 January	7,126	0
Additions relating to the acquisition of enterprises	0	7,099
Redundancy programmes	(58)	(110)
Acquisitions and divestments	38	50
Hirings and resignations	392	87
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, DKTH Group[2,3]	**7,327**	**4,686**

[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 73 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: 4,935).

Comments

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

Remuneration for the key management of TDC and the Board of Directors of TDC[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 of TDC amounted to DKK 108.4m (2018: DKK 166.0m).

2.5 | Personnel expenses (continued)

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.

Share-based remuneration

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	(3,320)	(2,317)
Depreciation of property, plant and equipment, cf. note 3.2	(2,994)	(1,562)
Depreciation of lease assets, cf. note 3.3	(382)	0
Impairment losses, cf. notes 3.1 and 3.2	(162)	(50)
Of which capitalised as tangible or intangible assets	28	0
Total	**(6,830)**	**(3,929)**

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 and the depreciation, amortisation and impairment losses in 2018 only comprise 8 months.

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)	(169)
Other restructuring costs, etc.	(104)	(88)
Loss on sale of enterprises	(5)	(34)
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)	(291)
Special items before income taxes	**(194)**	**(777)**
Income taxes related to special items	36	100
Special items related to joint ventures and associates	2	0
Special items related to discontinued operations	0	393
Total special items	**(156)**	**(284)**

Cash flow from special items (excl. discontinued operations)

(DKKm)	2019	2018
Redundancy programmes and vacant tenancies	(70)	(129)
Settlement of Performance share programme	0	(444)
Other	(58)	(421)
Total	**(128)**	**(994)**

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.

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.

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 DKTH 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 acquisition of TDC A/S in May 2018 and the resulting purchase price allocation.

Comments

Reconciliation of income taxes
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).

	2019			2018		
Reconciliation of income taxes (DKKm)	**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		(38)	4,663		0	0
Transferred to discontinued operations					0	(20)
Additions relating to acquisition of enterprises			100		73	4,954
Income taxes for the year	253	388	(641)	82	201	(283)
Adjustment of tax for previous years	56	47	(103)	21	(26)	5
Tax relating to remeasurement effects from defined benefit plans			168			13
Tax relating to coupon payments on hybrid capital						(8)
Tax relating to share-based remuneration						2
Income tax paid		(363)			(286)	
Total	**309**	**34**	**4,187**	**103**	**(38)**	**4,663**
Shown in the balance sheet as:						
Tax payable/deferred tax liabilities		34	4,187			4,663
Tax receivable/deferred tax assets					(38)	
Total		**34**	**4,187**		**(38)**	**4,663**
Income taxes are specified as follows:						
Income excluding special items	273			3		
Special items	36			100		
Total	**309**			**103**		

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	411	411	400
Other	0	32	32	26
Current	**0**	**443**	**443**	**426**
Intangible assets	0	2,497	2,497	2,988
Property, plant and equipment	(215)	0	(215)	(100)
Lease assets and liabilities	(170)	0	(170)	0
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)	(152)
Non-current	**(395)**	**4,139**	**3,744**	**4,237**
Deferred tax at 31 December	**(395)**	**4,582**	**4,187**	**4,663**

With effect from 4 May 2018, DKT Holdings ApS participates in joint taxation with all its Danish group companies. DKT Holdings ApS is the 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 (DKKm)	2019 DKKm	2019 %	2018 DKKm	2018 %
Danish corporate income tax rate	(738)	(22.0)	(646)	(22.0)
Limitation on the tax deductibility of interest expenses	523	15.7	659	22.4
Other non-taxable income and non-tax deductible expenses	0	0.0	2	0.1
Tax value of non-capitalised tax losses and utilised tax losses, net	(2)	(0.1)	3	0.1
Adjustment of tax for previous years	(56)	(1.7)	(21)	(0.7)
Effective tax excluding special items	(273)	**(8.1)**	**(3)**	**(0.1)**
Other special items	(36)	(0.6)	(100)	(2.7)
Effective tax including special items	**(309)**	**(8.7)**	**(103)**	**(2.8)**

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 DKT Holdings 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**	1,310
Total operating costs	0	(803)
Income taxes	0	(64)
Results from discontinued operations excluding gain from divestment	0	267
Gain from divestment of discontinued operations (special items)	0	405
Other special items relating to discontinued operations	0	(12)
Profit for the year from discontinued operations	**0**	**660**

Discontinued operations in 2018 comprise 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	22,439	11,210	2,631	4,446	40,726	0	0	0	0	0
Additions relating to the acquisition of enterprises	(241)	(637)	4	586	(288)	22,439	11,209	2,631	3,664	39,943
Additions	0	0	0	2,706	2,706	0	1	0	945	946
Assets disposed of or fully amortised	0	0	(96)	(16)	(112)	0	0	0	(163)	(163)
Accumulated cost at 31 December	**22,198**	**10,573**	**2,539**	**7,722**	**43,032**	**22,439**	**11,210**	**2,631**	**4,446**	**40,726**
Accumulated amortisation and write-downs for impairment at 1 January	0	(1,391)	(119)	(675)	(2,185)	0	0	0	0	0
Amortisation	0	(1,800)	(183)	(1,337)	(3,320)	0	(1,391)	(119)	(807)	(2,317)
Write-downs for impairment	0	0	(81)	(65)	(146)	0	0	0	(31)	(31)
Assets disposed of or fully amortised	0	0	96	16	112	0	0	0	163	163
Accumulated amortisation and write-downs for impairment at 31 December	**0**	**(3,191)**	**(287)**	**(2,061)**	**(5,539)**	**0**	**(1,391)**	**(119)**	**(675)**	**(2,185)**
Carrying amount at 31 December	**22,198**	**7,382**	**2,252**	**5,661**	**37,493**	**22,439**	**9,819**	**2,512**	**3,771**	**38,541**

3.1 | Intangible assets (continued)

Worth noting

DKTH Group's intangible assets relate largely to goodwill, customer relations and brands stemming from the acquisition of TDC A/S in May 2018 and the resulting purchase price allocation.

Comments

Adjustments to the initial accounting of the acquisition of TDC have affected the intangibles assets. See note 5.3 Investment in enterprises.

Write-downs for impairment of intangible assets, etc. totalled DKK 146m (2018: DKK 31m) of which DKK 19m relate to right-of-use assets, DKK 43m from termination of various software projects and DKK 81m related to write-down of two minor brands, all in Nuuday. The remaining DKK3m related to write-downs stemming from termination of various software projects in TDC NET.

Assets with indefinite useful lives other than goodwill amounted to DKK 833m (2018: DKK 833m) and related to the TDC brand in Denmark.

The carrying amount of software amounted to DKK 2,705m (2018: DKK 1,945m). The addition of internally developed software totalled DKK 482m (2018: DKK 277m).

The carrying amount of individually material Danish mobile licences included in other rights, software etc., amounted to DKK 2,711m (2018: DKK 1,510m) and is shown in the next table. Of this DKK 1,349m relates to licences not in use yet.

Critical accounting estimates and 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 DKTH 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 addition, Management estimates 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.

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	875
900	2 x 9 + 2 x 10	Technology neutral	2020+2034	9
1800	2 x 20	Technology neutral	2032	344
2100	2 x 15 + 1 x 5	Technology neutral	2021	45
2300	1 x 60	Technology neutral	2041	657
2600	2 x 20	Technology neutral	2030	98

Cash flow (DKKm)

	2019	2018
Additions, cf. table above	(2,706)	(946)
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)**	**(1,072)**

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.

Impairment testing of goodwill and intangible assets with indefinite useful lives

Goodwill and intangible assets with indefinite useful lives relate primarily to DKTH's acquisition of TDC A/S. The carrying amount of goodwill relating to TDC amounted to DKK 21,913m and the carrying value of intangible assets with indefinite useful lives amounted to DKK 833m. 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 DKTH 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.

3.1 | Intangible assets (continued)

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, DKTH 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.

Goodwill and intangible assets with indefinite useful lives relate 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)	4,883	17,315
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 ARPUs partly offset by increased roaming costs on mobile voice, and the ambition to continue to have superior networks
- Decline in the broadband gross profit as customers switch to new technology (eg. fibre). Mixed overall gross profit effect due to increased churn from migrating customers to new technology, however, offset by higher ARPU-level on 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 each year in the planning period EBITDA may be as much as DKK 1,240m lower before a write-down would have to be recognised.

Assumptions 2018

In 2018 the initial allocation on cash-generating units or group of units of goodwill related to TDC A/S was not completed 31. December. Accordingly, the goodwill was exclusively been tested for impairment on an aggregated level. The recoverable value was based on a fair value corresponding to the acquisition price less costs to sell, since TDC A/S was acquired in a recent market transaction, and the business has been performing in line with expectations.

3.1 | Intangible assets (continued)

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 (15% to 28%) 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	3-10 years
Mobile licences	2-20 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 infrastructure	2019 Equipment	2019 Assets under construction	2019 Total	2018 Land and buildings	2018 Network infrastructure	2018 Equipment	2018 Assets under construction	2018 Total
Accumulated cost at 1 January	441	14,750	508	379	16,078	0	0	0	0	0
Effect of changes in presentation at 1 January	(48)	(85)	0	0	(133)	0	0	0	0	0
Transfers (to)/from other items	(26)	413	115	(502)	0	1	392	33	(426)	0
Transfers from leased assets	0	80	0	0	80	0	0	0	0	0
Additions relating to the acquisition of enterprises	(68)	662	(70)	0	524	432	13,410	428	412	14,682
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	9	965	131	393	1,498
Assets disposed of	0	(45)	(10)	0	(55)	(1)	(17)	(84)	0	(102)
Accumulated cost at 31 December	**330**	**18,066**	**768**	**664**	**19,828**	**441**	**14,750**	**508**	**379**	**16,078**
Accumulated depreciation and write-downs for impairment at 1 January	(6)	(1,429)	(41)	(5)	(1,481)	0	0	0	0	0
Effect of changes in presentation at 1 January	2	61	0	0	63	0	0	0	0	0
Transfers from leased assets	0	(61)	0	0	(61)	0	0	0	0	0
Depreciation	(1)	(2,817)	(176)	0	(2,994)	(6)	(1,434)	(122)	0	(1,562)
Write-downs for impairment	0	(14)	0	(2)	(16)	0	(12)	(2)	(5)	(19)
Disposal relating to the divestment of enterprises	0	1	4	0	5	0	0	0	0	0
Assets disposed of	0	16	8	0	24	0	17	83	0	100
Accumulated depreciation and write-downs for impairment at 31 December	**(5)**	**(4,243)**	**(205)**	**(7)**	**(4,460)**	**(6)**	**(1,429)**	**(41)**	**(5)**	**(1,481)**
Carrying amount at 31 December	**325**	**13,823**	**563**	**657**	**15,368**	**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 19m) 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)	(1,498)
Non-cash additions regarding decommissioning obligations	14	(4)
Additions not yet paid	(97)	26
Of which related to discontinued operations	28	-
Cash flow from investment in property, plant and equipment	**(3,400)**	**(1,476)**

§ 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, 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)	Land and buildings	Network infra-structure	Vehicles and equip-ment	Total
				2019
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)
Accumulated cost 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 5 years	1,503
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 finance cost)	(244)
Total	**(640)**

Critical accounting judgements

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.

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)
Total	**1,854**	**1,680**
Allowances for doubtful debts at 1 January	(242)	0
Additions relating to acquisition of subsidiaries	-	(235)
Additions	(70)	(63)
Realised losses	45	36
Reversed allowances	39	20
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. DKTH 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.

DKTH 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 1,982m).

Of the assets recognised from costs to obtain a contract, (SAC) DKK 174m (2018 DKK110m) will be recognised as costs after more than one year.

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

(DKKm)	2019 Decommissioning obligations	2019 Restructuring obligations	2019 Other provisions	2019 Total	2018
Provisions at 1 January	231	754	103	1,088	0
Effect of changes in accounting policies at 1 January	3	(665)	(20)	(682)	-
Additions relating to the acquisition of enterprises	-	-	-	-	1,087
Provisions made	7	96	18	121	168
Change in present value	10	0	0	10	0
Provisions used (payments)	(4)	(107)	(5)	(116)	(161)
Reversal of unused provisions	0	(1)	(9)	(10)	(6)
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)	(22)
Cash flow related to special items	(71)	(139)
Total	**(116)**	**(161)**

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 and vacant tenancies. 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).

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	78

[1] Excluding corporate management.

3.6 | Provisions (continued)

Comments

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 out-placement 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 above.

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, DKTH 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, DKTH Group needs to address this through increased levels of contribution. The Group has defined a 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.

DKTH 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. DKTH 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 DKTH 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 have been 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 can be categorised as 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)	(73)
Administrative expenses	(11)	(10)	(9)
Personnel expenses (included in EBITDA)	(96)	(101)	(82)
Interest on pension assets	57	105	72
Pension (costs)/income	**(39)**	**4**	**(10)**
Domestic redundancy programmes recognised in special items		(4)	(20)
Members part of distribution of "excess capital"		(24)	0
Total pension (costs)/income recognised in the income statement	**-**	**(24)**	**(30)**

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)	0
Additions relating to the acquisition of enterprises	(91)	(23,800)
Service cost	(10)	(73)
Administrative expenses	(351)	(9)
Interest cost on the defined benefit obligation	(4)	(246)
Termination benefits	(4)	(20)
Remeasurement effect:		
Demographic experience	342	(167)
Financial assumptions	(1,799)	459
Benefit paid	1,086	720
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	0
Additions relating to the acquisition of enterprises	456	30,616
Interest income on plan assets	2,220	318
Actual return on plan assets greater/(less) than discount rate (remeasurement effect)	(156)	(233)
TDC's contribution	6	9
Benefit paid	(1,086)	(720)
Fair value of plan assets at 31 December	**31,430**	**29,990**
Change in pension assets		
Pension assets at 1 January	6,854	0
Additions relating to the acquisition of enterprises	0	6,816
Pension (costs)/income	763	(30)
Remeasurement effects	(160)	59
TDC's contribution (see also table below)	6	9
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 DKTH 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%).

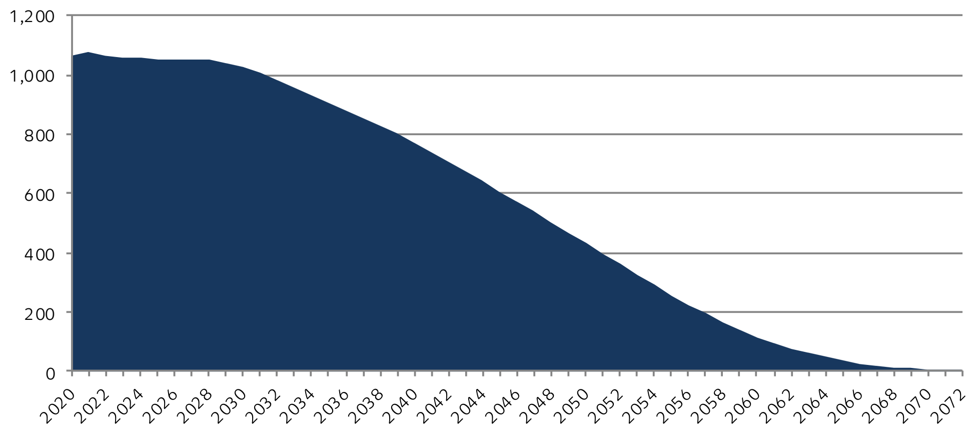
In 2018, the remeasurement effects of DKK 131m covered mainly a gain related to the benefit obligation (DKK 513m) resulting from the decreasing inflation rate (from 1.73% to 1.51%), which was partly offset by a decreasing discount rate (from 1.56% to 1.55%) and a loss related to the plan assets (DKK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

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

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, DKTH 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 DKTH'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.

In this section

4.1 | Equity

Comments

The company's share capital is DKK 195,000 divided into shares of DKK 1 each or multiples thereof. All issued shares have been fully paid up.

During 2018, the share capital was increased by DKK 145,000 resulting in a total capital contribution of DKK 4,113m.

During 2019, total equity decreased by DKK 2,7bn due to negative total comprehensive income.

During 2018, total equity increased by DKK 0.9bn due mainly to the capital contribution mentioned above partly offset by the negative total comprehensive income (DKK 2.9bn).

The Parent Company statement of changes in equity specifies which reserves are available for distribution. The distributable reserves amounted to DKK 4,166m at 31 December 2019 (2018: DKK 4,113m). At the Annual General Meeting, the Board of Directors will not propose any dividend.

There were no dividend payments during the financial year 2019 and 2018.

Accounting policies

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.

4.2 | Loans and derivatives

Worth noting

DKTH Group is financed through the European bond market (EMTN), the market for syndicated senior secured bank loans (Senior Facility Agreement or SFA), the High Yield bond market (Senior Notes) and Shareholder loans (SHL).

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

The Group's outstanding EMTN and Senior Notes have been issued in EUR, GBP and USD with fixed interest rates. Both the GBP and USD notes have been swapped to fixed EUR interest rates. Part of the fixed-rate debt has been swapped to floating-rate debt. In Q1 2019 the EMTN bonds had a step up of 1.25% in coupon interest due to a rating downgrade of TDC 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**
Shareholder loans[1]	17,599	16,453
SFA loan[1]	14,158	14,140
Senior Notes[1]	10,450	10,346
EMTN[1]	7,973	7,915
Bank loans[1]	681	0
Spectrum license liabilities[2]	1,414	311
Total	**52,275**	**49,165**
Recognised as follows in the balance sheet:		
Non-current liabilities	51,503	49,059
Current liabilities	772	106
Total	**52,275**	**49,165**

[1] For maturity profiles of expected cash outflows and fair value of debt, see note 4.6.
[2] Spectrum license 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), Senior Facility Agreement (SFA) loan, Senior Notes and Shareholder loans (DKKm)	**2022**	**2023**	**2023**	**2023**	**2024**	**2025**	**2029**	**2029**	**Total**
Maturity	Mar 2022	Feb 2023	Jun 2023	Jun 2023	Jun 2024	Jun 2025	Apr 2029	Apr 2029	
Fixed/floating rate	Fixed	Fixed	Fixed	Fixed	Floating	Floating	Fixed	Fixed	
Coupon	5%	6.875%	9,375%	7%	Margin + floored Euribor[1]	Margin + floored Euribor[1]	8.81%	8.15%	
Currency	EUR	GBP	USD	EUR	EUR/DKK	EUR	DKK	DKK	
Type	EMTN Bond	EMTN Bond	Senior Notes	Senior Notes	RCF[2]	Bank loan	SHL loan	SHL loan	
Nominal value (DKKm)	3,735	3,750	2,730	7,842	681	14,195	16,036	1,563	50,532
Nominal value (Currency)	500	425	410	1,050	681	1,900	16,036	1,563	
• Of which nominal value swapped to EUR or DKK (currency)[3]	200	425	410	-	-	-	-	-	
Nominal value of debt incl. currency hedging in DKKm	3,733	3,739	2,684	7,842	681	14,195	16,036	1,563	50,473
• Of which nominal value swapped to or with floating interest rate (EURm)	100	-	-	-	91	700	-	-	891
• Of which nominal value swapped to or with fixed interest rate (EURm)[4]	400	500	359	1,050	-	1,200	2,146	209	5,864

[1] The RCF and SFA Loan have Euribor floors at zero and a margin of 2.5% and 2.75% per 31-12-2019, respectively.
[2] Of the EUR 600m the Revolving Credit Facility (RCF) EUR 500m matures in June 2024 and the Super Revolving Credit Facility (SRCF) EUR 50m matures in July 2021 and EUR 50m matures in December 2022 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 DKTH decided to stop using the hedge accounting rules in accordance to IAS 39. As a result of this, 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

DKTH 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 DKTH Group's capital structure and financing, the Group faces interest-rate and exchange-rate risks. DKTH'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.

Interest-rate risks

DKTH 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.

The TDC Groups interest rate risk is described in the annual report 2019 for TDC Group, see note 4.3. The two Senior Notes and Shareholder loans are both fully fixed and the first reset risk is in 3.5 years as the Senior Notes matures in June 2023.

Exchange-rate risks

DKTH Group is exposed primarily to exchange-rate risks from USD, GBP and EUR. Both the GBP EMTN bond and USD Senior notes have been swapped to EUR.

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

Due to DKTH Group's capital structure, the exposure from financial activities in EUR is significant, as 63% 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), DKTH Group does not consider its positions in EUR to constitute a significant risk. The last 37% of the nominal debt is in DKK. The Group's EUR exposure was DKK 30.7bn at year-end 2019 (2018: 31.9bn).

The monitoring of the exchange-rate risks is described in TDC Groups annual report 2019, (see note 4.3).

Credit risks

DKTH 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).

The credit risk is described in TDC Groups annual report 2019, see note 4.3.

Liquidity risks

DKTH Group has no short-term refinancing risk as the next debt maturity is in March 2022.

The committed Super Senior Revolving Credit Facilities and committed Revolving Credit Facilities under the Senior Facility Agreement (SFA) totalling EUR 600m (or DKK 4,482m), 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, DKTH Group had undrawn committed credit lines totalling DKK 3,790m (2018: DKK 4,480m) provided by a group of banks.

4.4 | Credit ratings and net interest-bearing debt

Worth noting

Credit rating

DKTH Group is rated by three international rating agencies: S&P's, Moody's and Fitch.

The high yield bonds issued by DKT Finance contain change of control provisions customary for this type of financing. Further, the high yield bonds contain customary cross-default provisions (including a payment default provision and a cross-acceleration provision) in relation to certain other indebtedness of DKT Holdings and its subsidiaries.

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 DKTH Group's corporate rating, senior secured debt, unsecured debt and senior notes by one notch.

Fitch upgraded senior secured debt and senior unsecured debt by one notch and downgraded corporate rating by one notch

S&P assigned DKTH Group a negative outlook.

DKTH Group's company ratings at 31 December 2019	Corporate rating	Senior unsecured debt	Senior secured debt	Senior Notes	Outlook
Rating					
S&P	B+	BB-	BB-	B-	Negative
Moody's	B2	B1	B1	Caa1	Stable
Fitch	B+	BB	BB+	B-	Stable

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, leases and accrued interest	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	49,165	-	(255)	0	(15)	2,485	(107)	321	0	51,594
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			(75)				(325)	99	(101)
Total interest-bearing debt	**49,439**	**5,386**	**(255)**	**292**	**(15)**	**2,583**	**(107)**	**(4)**	**99**	**57,418**
Interest-bearing receivables and investments	(156)									(153)
Cash	(2,381)									(1,686)
Net interest-bearing debt	**46,902**									**55,579**
Hereof impact from IFRS 16	-									(5,177)
Net interest-bearing debt excl. impact from IFRS 16	**46,902**									**50,402**

[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.

(DKKm)

2018	At 1 January, 2018	Included in cash flows from: Investing activities	Included in cash flows from: Financing activities	Non-cash changes: Acquisitions	Non-cash changes: New from new leases	Non-cash changes: Currency translation adjustment	Non-cash changes: Fair value adjustments	At 31 December, 2018
Long-term loans incl. short-term part	0	(141)	26,494	22,021	(34)	424	473	49,237
Short-term loans	0	0	(222)	222	0	0	0	0
Interest-bearing payables	0	0	0	2	0	0	0	2
Corrections for derivatives and reversals of fixed fair values on loans due to hedge accounting[1]	0	0	285	111	0	(207)	11	200
Total interest-bearing debt	**0**	**(141)**	**26,557**	**22,356**	**(34)**	**217**	**484**	**49,439**
Interest-bearing receivables and investments	0							(156)
Cash	0							(2,381)
Net interest-bearing debt	**0**							**46,902**

4.5 | Financial income and expenses

(DKKm)	2019	2018
Interest income	36	5
Interest expenses	(3,398)	(2,916)
Net interest	**(3,362)**	**(2,911)**
Currency translation adjustments	(311)	(498)
Fair value adjustments	527	(12)
Interest, currency translation adjustments and fair value adjustments	**(3,146)**	**(3,421)**
Profit/(loss) from joint ventures and associates	0	(1)
Interest on pension assets	105	72
Total	**(3,041)**	**(3,350)**

From 30 June 2018 and onwards DKTH Group no longer applies hedge accounting under IAS 39. As a consequence, currency translation adjustments and interest from derivatives are reported as fair value adjustments in the income statement.

In DKTH´s internal reporting, currency translation adjustments and interest from derivatives are reported as such, see the table below for a specification.

Interest, currency translation adjustments and fair value adjustments (DKKm)	Net interest	Currency translation adjustments	Fair value adjustments	Total
2019				
Shareholder loans	(1,529)	0	0	(1,529)
Senior Notes	(751)	(9)	66	(694)
Senior Facility Agreement (SFA) loans	(405)	(12)	(18)	(435)
Euro Medium Term Notes (EMTNs)	(208)	(21)	58	(171)
Lease liabilities	(244)	0	0	(244)
Bridge facility incl. fees	0	0	0	0
Other	(95)	9	13	(73)
Total	**(3,232)**	**(33)**	**119**	**(3,146)**
2018				
Shareholder loans	(988)	0	0	(988)
Senior Notes	(377)	(16)	(15)	(408)
Senior Facility Agreement (SFA) loans	(457)	149	(499)	(807)
Euro Medium Term Notes (EMTNs)	(152)	0	(10)	(162)
Lease liabilities	(9)	0	0	(12)
Bridge facility incl. fees	(679)	(193)	0	(872)
Other	(116)	(46)	(13)	(172)
Total	**(2,778)**	**(106)**	**(537)**	**(3,421)**

4.5 | Financial income and expenses

Comments

Financial income and expenses represented an expense of DKK 3,041m in 2019. The decrease of DKK 308m compared with 2018 was driven primarily by:

- Interest expenses in 2019 were DKK 454m higher than in 2018 due mainly to full year effect of debt in 2019 at DKT Finance ApS and DKT Holdings ApS, which was partly offset by lower average debt in TDC Group in 2019 compared to 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. Furthermore IFRS 16 implementation as of 1 January 2019 resulting in additional interest expenses of DKK 235m relating to lease liabilities.

Finally, 2018 was impacted by fees and interest expenses relating to Bridge facility of DKK 679m.

- In 2018, a partial redemption of the SFA loan and a full redemption of 2027 EMTNs resulted in a fair value loss of DKK 472m. Furthermore, losses on derivative financial instruments relating to SFA and EMTN loans negatively impacted fair value adjustments in 2018 by DKK 61m.

- In 2018, currency adjustments relating to Bridge financing resulted in a loss of DKK 193m, which was partly offset by a gain of DKK 180m related to the USD 1,418m SFA loan established on 28 June 2018 and prehedged from 11 June 2018.

Net financials recognised in other comprehensive income (DKKm)	**2019**	**2018**
Currency translation adjustment, foreign enterprises	0	171
Reversal of currency translation adjustment related to disposal of foreign enterprises	0	(150)
Exchange-rate adjustments of foreign enterprises	**0**	**21**
Change in fair value adjustments of cash flow hedges	0	(10)
Change in fair value adjustments of cash flow hedges transferred to financial expenses	4	(6)
Value adjustments of hedging instruments	**4**	**(16)**

Cash flow from net interest (DKKm)	**2019**	**2018**
Interest received	625	163
Interest paid	(2,331)	(1,740)
Net interest paid	**(1,706)**	**(1,577)**

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	836	4,981	932	0	6,749		
Outflow	(722)	(4,738)	(873)	0	(6,333)		
Total derivatives assets	**114**	**243**	**59**	**0**	**416**	**231**	**231**
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	**116**	**253**	**28**	**0**	**397**	**88**	**88**
Financial liabilities measured at amortised cost							
Shareholder loan	0	0	0	(17,599)	(17,599)	(17,599)	(17,599)
Senior Facility Agreement (SFA) loan	0	0	0	(14,195)	(14,195)	(14,195)	(14,158)
Senior notes	0	0	(10,572)	0	(10,572)	(11,240)	(10,450)
Euro Medium Term Notes (EMTNs)	0	(3,735)	(3,750)	0	(7,485)	(8,360)	(7,973)
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)	(14,676)	(32,766)	(52,173)	(53,489)	(52,275)
Lease liability	(515)	(910)	(808)	(6,432)	(8,665)	(5,242)	(5,242)
Shareholder loan, SFA, Senior notes and EMTN, interest[3]	(3,237)	(6,509)	(5,074)	(7,906)	(22,726)	(1,472)	(1,472)
Trade and other payables[4]	(2,591)	0	0	0	(2,591)	(2,591)	(2,591)
Total financial liabilities measured at amortised cost	**(7,117)**	**(11,376)**	**(20,558)**	**(47,104)**	**(86,155)**	**(62,794)**	**(61,580)**
Total 2019	**(7,001)**	**(11,123)**	**(20,530)**	**(47,104)**	**(85,758)**	**(62,706)**	**(61,492)**
Total 2018	**(5,624)**	**(6,083)**	**(23,894)**	**(40,030)**	**(75,631)**	**(54,394)**	**(53,561)**

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 Shareholder loans, SFA loan, Senior Notes 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 3.7 Pension assets and pension obligations as well as note 4.5 Financial income and expenses.

In this section

5.1 | Adjustment for non-cash items

(DKKm)	2019	2018
Pension costs regarding defined benefit plans	101	82
Share-based remuneration	0	(4)
(Gain)/loss on disposal of property, plant and equipment, net	(4)	(11)
Other adjustments	94	23
Total	**191**	**90**

5.2 | Change in working capital

(DKKm)	2019	2018
Change in inventories	(45)	72
Change in receivables	(294)	(207)
Change in contract assets	(7)	70
Change in trade payables	515	443
Change in contract liabilities	(128)	472
Change in prepaid expenses	(165)	81
Change in other items, net	(14)	257
Total	**(138)**	**1,188**

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 flows 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 flow 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 cover 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 (DKKm)

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%
Musiktjeneste (activity)	Nuuday	2 May 2019	100%

At the date of acquisition, the cost of the assets and liabilities acquired was 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) and change in unpaid acquisition costs of DKK (4), the cash flow related to investment in enterprises amounted to DKK 125m In addition, DKK 15m was paid in relation to acquisition 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
TDC A/S	-	4 May 2018	100%
CC Factory ApS	Nuuday	17 September 2018	100%
Hiper A/S	Nuuday	30 November 2018	100%

The initial accounting for the acquisition of TDC was provisional as the valuation of property, plant and equipment as well as software (and thereby goodwill) was not completed in 2018. The Initial accounting for the business combination was completed in 2019 resulting in the adjustment shown in the table. Goodwill represents the value of current employees and know-how.

Since the acquisition, TDC Group contributed DKK 11,581m to revenue and DKK (361)m to profit/(loss) for the year 2018.

Calculated as though the acquisition took place at 1 January 2018, TDC Group would have contributed DKK 17,356m to revenue and DKK (1,574)m to profit/(loss) for Costs of DKK 291m related to the acquisition of TDC Group are recognised as special items.

TDC A/S (DKKm)	Fair value at the time of acquisition	Adjustment in 2019	Total Fair value
Intangible assets (excl. goodwill)	17,400	(93)	17,307
Property, plant and equipment	14,644	524	15,168
Pension assets	6,816		6,816
Other non-current assets	324		324
Inventories	255		255
Receivables (gross contractual amounts receivable: DKK 5,817m)	5,582		5,582
Other current assets	1,205		1,205
Subsidiary held-for-sale	12,907		12,907
Cash	532		532
Deferred tax	(4,944)	(95)	(5,039)
Provisions	(1,079)		(1,079)
Long-term loans (incl. current maturities)	(22,013)		(22,013)
Short-term loans	(222)		(222)
Trade and other payables	(4,537)		(4,537)
Income tax payable	(71)		(71)
Contract liabilities and other liabilities	(2,948)		(2,948)
Acquired net assets	**23,851**	**336**	**24,187**
Goodwill (non-tax deductible)	22,249	(336)	21,913
Non-controlling interest (at fair value)	(9,276)		(9,276)
Acquisition costs	**36,824**	**0**	**36,824**
Cash in acquired enterprises	(532)		(532)
Net cash flow on acquisitions	**36,292**	**0**	**36,292**

5.3 | Investment in enterprises (continued)

At the date of acquisition of Hiper A/S and CC Factory ApS, the cost of the assets and liabilities acquired was DKK 115m. Following adjustment of net assets to fair value, goodwill was measured at DKK 190m. Goodwill represents the value of current employees and know-how as well as expected synergies arising from the business combinations.

Critical accounting judgements

The most significant assets acquired in a business combination generally comprise goodwill, customer relationship and property, plants and equipment. As no active market exists for the majority of acquired assets and liabilities, in particular in respect of acquired intangible assets, management makes estimates of the fair value. The method applied on customer relationships is based on the present value of future cash flows calculated based on profitability of the revenue, churn rates or other expected cash flows related to the specific asset. The valuation of brands is based on royalty rates paid in the market for similar brands and the valuation of spectrum licenses is based on prices paid in auctions for spectrum licences in similar markets. Estimates of fair value may be associated with uncertainty.

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, DKTH Group divested Get and TDC Norway. These divestments have been presented as discontinued operation.

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	15,301
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	**17,426**
Non-controlling interest in discontinued operations	3
DKTH's share of net assets	**17,429**
Gain relating to divestment of discontinued operations including tax	405
Cost of hedges relating to the disposal	(56)
Reversal of currency adjustments recognised in equity	(150)
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	(287)
Net cash flow from investing activities in discontinued operations	**17,117**

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 DKTH Group top managers participate in a short-term bonus programme called the Top Managers' Compensation Programme, and approximately 100 DKTH 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 of the programme is accounted for as an acceleration of vesting, and the amount that would otherwise have been recognised as expenses over the remainder of the vesting period has been recognised as special items. 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)

	Performance share units (EFCF-based)		Performance share units (*TSR*-based)	
Share units 2018 (DKKm)	**TDC Executive Committee**	**Other managers[1]**	**TDC Executive Committee**	**Other managers[1]**
Outstanding at 1 January	0	0	0	0
Granted	0	0	0	0
Vested	0	0	0	0
Addition related to the acquisition of enterprises	273,208	2,667,077	363,998	1,472,845
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

DKTH Group operates share-based incentive programmes, under which DKTH Group grants the programmes and receives services from employees. The fair value of employee services received is recognised in the income statement under personnel expenses. The total expense is 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 is the period during which all the specified vesting conditions are to be satisfied. The Performance Share Programme is 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	Ownership	London, United Kingdom
Arbejdsmarkedets Tillægspension (ATP)	Ownership	Hillerød, Denmark
PFA Ophelia InvestCo I 2018 K/S, managed by PFA Asset Management A/S	Ownership	Copenhagen, Denmark
PKA Ophelia Holding K/S, managed by AIP Management P/S	Ownership	Hellerup, 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 the company. Related parties also included the Group's joint ventures and associates shown in note 6.8.

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	(2)
Investment advisory fees	17	11
Interest income of subordinated loan and other income	2	1
Payables	0	(2)
Subordinated loan	149	149
Other receivables	0	3
Joint ventures and associates		
Income	1	1
Expenses	(4)	(4)
Receivables	3	3
Payables	(3)	0

The company's shareholders have provided shareholder loans to the company. See note 4.2 for further information.

The members of for the Board of Directors and the Executive Committee do not receive remuneration. Vice Chairman of the Board of Directors of TDC, Michael Parton, provides consultancy services to DK Telekommunikation ApS. The DKT Holdings ApS Group's key management personnel comprise TDC's Board of Directors and Executive Committee as well as the CEO of Nuuday A/S and the CEO of TDC NET A/S. Total remuneration to key management personnel amounts to DKK 157m (2018: DKK 174m).

6.3 | Fees to auditors

Fees to auditors elected by the Annual General Meeting (DKKm)	2019	2018
Statutory audit, PricewaterhouseCoopers	**8**	**6**
Other assurance engagements	2	3
Tax advisory services	1	1
Other services	4	3
Total non-statutory audit services, PricewaterhouseCoopers	**7**	**7**
Total, PricewaterhouseCoopers	**15**	**13**

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 and advisory services 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 in 2018 include commitments on vacant tenancies for which a provision of DKK 657m has been recognised in the balance sheet cf. note 3.7.

Worth noting

Commitments represent amounts DKTH Group has contractually committed to pay to third parties in the future. This gives an indication of future cash flows.

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.

6.5 | Pledges and contingencies

Pledges

Cash with a carrying amount of DKK 1,686m (2018: DKK 2,381m) is pledged as security for the Senior Facility Agreement.

Contingent liabilities

DKTH 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 DKTH 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. DKTH 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 A/S	Copenhagen, Denmark	DKK	100
DK Telekommunikation ApS	Copenhagen, Denmark	DKK	100
DKT Finance ApS	Copenhagen, Denmark	DKK	100
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
External expenses		(4)	(1)
Operating profit (EBIT)		(4)	(1)
Financial income	4	1,529	988
Financial expenses	5	(1,529)	(989)
Profit/(loss) before income taxes		(4)	(2)
Income taxes	2	59	0
Profit/(loss) for the year		**55**	**(2)**

Parent company statement of comprehensive income

(DKKm)	Note	2019	2018
Profit/(loss) for the year		55	(2)
Other comprehensive income		0	0
Total comprehensive income/(loss)		**55**	**(2)**

Parent company balance sheet

Assets (DKKm)	Note	2019	2018
Non-current assets			
Investments in subsidiaries	3	4,113	4,113
Receivables from group enterprises		17,595	16,450
Total non-current assets		**21,708**	**20,563**
Current assets			
Receivables from group enterprises		1,048	988
Income tax receivable		50	0
Cash		9	2
Total current assets		**1,107**	**990**
Total assets		**22,815**	**21,553**

Equity and liabilities (DKKm)	Note	2019	2018
Equity			
Share capital	6		0
Retained earnings		4,166	4,111
Total equity		**4,166**	**4,111**
Non-current liabilities			
Shareholder loans	7, 8	17,599	16,453
Total non-current liabilities		**17,599**	**16,453**
Current liabilities			
Trade and other payables		1	1
Payables to group enterprises		1	0
Other payables		1,048	988
Total current liabilities		**1,050**	**989**
Total liabilities		**18,649**	**17,442**
Total equity and liabilities		**22,815**	**21,553**

Parent company statement of cash flow

(DKKm)	Note	2019	2018
Operating profit(EBIT)		(4)	(1)
Change in working capital		3	1
Interest received		1,529	0
Interest paid		(1,530)	(1)
Tax received		9	0
Cash flow from operating activities		**7**	**(1)**
Investment in subsidiaries		0	(4,113)
Loan to subsidiary		0	(16,450)
Repayment of loans to subsidiaries		320	0
Cash flow from investing activities		**320**	**(20,653)**
Proceeds from long-term loans		0	16,453
Repayments on long-term loans		(320)	0
Capital contribution		0	4,113
Cash flow from financing activities		**(320)**	**20,566**
Total cash flow		**7**	**2**
Cash and cash equivalents at 1 January		2	0
Cash and cash equivalents at 31 December		**9**	**2**

Parent company statement of changes in equity

(DKKm)	Share capital	Retained earnings	Total
Equity at 31 December 2017	**0**	**0**	**0**
Loss for the year	-	(2)	(2)
Total comprehensive income	-	(2)	(2)
Capital contribution	0	4,113	4,113
Total transactions with owners	0	4,113	4,113
Equity at 31 December 2018	**0**	**4,111**	**4,111**
Profit for the year	-	55	55
Total comprehensive income	-	55	55
Capital contribution	0	0	0
Distributed dividend	0	0	0
Total transactions with owners	0	0	0
Equity at 31 December 2019	**0**	**4,166**	**4,166**

Notes to parent company financial statements

1 | Accounting policies

The Annual Report for 2019 for DKT Holdings ApS has 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

Changes to accounting policies

The accounting policies have been changed in relation to investments in subsidiaries. The company has chosen to use the cost method for measuring the investments in subsidiaries. Previously, the equity method was used for measuring investments in subsidiaries.

The comparative figures for 2018 have been restated accordingly.

Impact from changes to accounting policies (DKKm)	Previous accounting policy		Changed accounting policy		New accounting policy	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Profit/(loss) from subsidiaries	(3,299)	(3,005)	3,299	3,005	0	0
Profit/(loss) for the year	**(3,244)**	**(3,007)**	**3,299**	**3,005**	**55**	**(2)**
Share of other comprehensive income in subsidiaries	599	(215)	(599)	215	0	0
Total comprehensive income/(loss)	**(2,645)**	**(3,222)**	**2,700**	**3,220**	**55**	**(2)**
Investments in subsidiaries	(1,806)	893	5,919	3,220	4,113	4,113
Total assets	**16,896**	**18,333**	**5,919**	**3,220**	**22,815**	**21,553**
Total equity	**(1,753)**	**891**	**5,919**	**3,220**	**4,166**	**4,111**

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Foreign currency translation

The functional currency is Danish kroner. The functional currency is the currency applied in the primary economic environment where the company operates. Transactions in currencies other than the functional currency are transactions in foreign currencies. The financial statements are presented in Danish kroner (DKK).

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 adjust ments are recognised as financial income and expenses in the income statement.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, the carrying amount is written down to the recoverable amount.

Dividends received from investments in subsidiaries are recognised as income in the financial year when the dividends are distributed.

External expenses

External expenses comprise administration expenses etc.

Special items

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 includes gains and losses related to divestment of enterprises, as well as transaction costs and adjustments of purchase prices relating to the acquisition of enterprises.

Income taxes

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.

1 | Accounting policies (Continued)

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 the company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured on the basis of the tax rules and tax rates effective under the legislation in Denmark 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.

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.

2 | Income taxes

The effective tax rate deviates significantly from the Danish corporate income tax rate of 22% due to and the Danish limitation on the tax deductibility of interest expenses.

DKT Holdings ApS participates in joint taxation with all its Danish subsidiaries. DKT Holdings ApS is the management company in the joint taxation. The jointly taxed companies in the DKT Holdings Group 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.

3 | Investments in subsidiaries

(DKKm)	2019	2018
Accumulated cost at 1 January	4,113	0
Additions	0	4,113
Accumulated cost at 31 December	**4,113**	**4,113**
Accumulated write-downs at 1 January	0	0
Write-downs for impairment during the year	0	0
Reversal of write-downs for impairment during the year	0	0
Accumulated write-downs at 31 December	**0**	**0**
Carrying amount at 31 December	**4,113**	**4,113**

Overview of subsidiaries at 31 December 2019

Company name	Domicile	Currency	Ownership share (%)
Subsidiaries:			
DKT Finance ApS	Copenhagen, Denmark	DKK	100

4 | Financial income

(DKKm)	2019	2018
Interest from group enterprises	1,529	988
Total	**1,529**	**988**

5 | Financial expenses

(DKKm)	2019	2018
Interest expenses	0	(1)
Interest shareholder loans	(1,529)	(988)
Total	**(1,529)**	**(989)**

6 | Equity

For information on share capital see note 4.1 to the consolidated financial statements.

7 | Shareholder Loans

Shareholder Loans	2029	2029	Total
Maturity	Apr 2029	Apr 2029	
Fixed/floating rate	Fixed	Fixed	
Coupon	8.81%	8.15%	
Currency	DKK	DKK	
Type	Shareholder Loans	Shareholder Loans	
Nominal value (DKKm)	16,036	1,563	17,599

The Company does not have exposure to changes in interest rates as terms on loans and receivables from group enterprises largely matches each other. As the Shareholder Loans are denominated in DKK the Company does not have any currency exchange rate exposure.

The Company is exposed to credit risks on receivables from group enterprises and the maximum risk amounts to DKK 18,653m.

8 | 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. The future cashflows will be financed by received interests and settlement on Shareholder Loans provided to DKT Finance ApS.

Maturity profiles of expected cash flows[1] (DKKm)	< 1 year	1-3 years	3-5 years	> 5 years	Total	Fair value	Carrying amount
Financial liabilities measured at amortised cost							
Shareholder Loan	0	0	0	(17,599)	(17,599)	(17,599)	(17,599)
Shareholder Loan, interest[2]	(1,540)	(3,080)	(3,080)	(7,700)	(15,400)	(1,048)	(1,048)
Total 2019	**(1,540)**	**(3,080)**	**(3,080)**	**(25,299)**	**(32,999)**	**(18,647)**	**(18,647)**
Total 2018	**(1,440)**	**(2,880)**	**(2,880)**	**(25,093)**	**(32,293)**	**(17,441)**	**(17,441)**

[1] All cash flows are undiscounted.
[2] Fair value and carrying amount value consist of accrued interest on Shareholder Loans at 31 December 2019.

9 | Related parties

For information about the related parties of the Group, see note 6.2 to the consolidated financial statements.

Receivables from group enterprises and payables to group enterprises are shown in the balance sheet. Interest from/to group enterprises are shown in notes 4 and 5.

All transactions were made on an arm's length basis.

The members of for the Board of Directors and the Executive Committee do not receive remuneration.

10 | Pledges

Shares in subsidiaries with a carrying amount of DKK 4,113m (2018: DKK 4,113m), cash with a carrying amount of DKK 9m (2018 DKK 2m) and receivables from group enterprises with a carrying amount of DKK 18,643m (2018: DKK 17,438m) are pledged as security for the subsidiary's long-term loans.

11 | 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.

Management statement

Today, the Board of Directors and the Executive Committee considered and approved the Annual Report of DKT Holdings ApS 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

Nathan Andrew Luckey

Board of Directors

Martin Bradley
Chairman

Ulrik Dan Weuder
Vice Chairman

Peter Tind Larsen
Vice Chairman

Ulrik Pallisø Bornø
Vice Chairman

Arthur Rakowski

Nathan Andrew Luckey

Independent auditor's report

To the shareholders of DKT Holdings ApS

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.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of DKT Holdings ApS for the financial year 1 January - 31 December 2019, which comprise income statement and statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ("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 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under 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 Statement 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 in preparing the financial statements 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 conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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 in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- 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.

Hellerup, 10 March 2020
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Lars Baungaard
State Authorised Public Accountant
mne23331

Tue Stensgård Sørensen
State Authorised Public Accountant
mne32200

Disclaimer

Disclaimer

This report may include statements about DKTH 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 DKTH Group's results include: the competitive environment and the industry in which DKTH group operates; contractual obligations in DKTH group's financing arrangements; developments in competition within the domestic and international communications industry; information technology and operational risks including DKTH 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 DKTH group cannot predict. In addition, DKTH 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.