

DKT Finance ApS

Teglholmsgade 1

2450 København SV

CVR-nr.: 39187043

Generalforsamling: 29. marts 2019

Dirigent ved generalforsamlingen: Laura Frovin Frederiksen

Annual Report 2018

Financial statements

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Management statement

Today, the Board of Directors and the Executive Committee considered and approved the Annual Report of DKT Finance ApS for 2018.

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 financial statements give a true and fair view of DKT Finance's financial condition and operations as at 31 December 2018.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 21 February 2019

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 Finance ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2018, and of the results of the Company's operations and cash flows for the financial year 1 January to 31 December 2018 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 Financial Statements of DKT Finance ApS for the financial year 1 January - 31 December 2018, which comprise income statement and statement of comprehensive income, balance sheet, statement of cash flows, statement of changes in equity and notes including a summary of significant accounting policies ("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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these 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 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 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Hellerup, 21 February 2019

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Lars Baungaard

State Authorised Public Accountant
mne23331

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

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

Tue Stensgård Sørensen

State Authorised Public Accountant
mne32200

Management's review

Key events

DKT Finance ApS (DKTF) was established 22 December 2017 with the purpose of running an investing business through its 100% owned subsidiary, DK Telekommunikation ApS (DKT). The Company's parent company DKT Holdings ApS (DKTH) is owned by a consortium comprising:

- DKTUK Limited (50%), managed by Macquarie Infrastructure and Real Assets Europe Limited
- ATP Infrastructure III K/S (16.7%), managed by ATP Infrastructure III GP ApS, an entity owned by Arbejdsmarkedets Tillægspension (ATP)
- PFA Ophelia InvestCo I 2018 K/S (16.7%), managed by PFA Pension Forsikringsaktieselskab
- PKA Ophelia Holding K/S (16.7%), managed by Pensionskassernes Administration¹.

The acquisition

On 4 May 2018, DKT acquired 90.9% of the outstanding share capital of TDC A/S. The share capital was acquired pursuant to a tender offer for all TDC Shares at a price of DKK 50.25 per TDC Share. The TDC shares were delisted from trading and official listing on Nasdaq Copenhagen A/S with effect from June 5, 2018. Thereafter, a squeeze-out of the remaining 9.1% minority shareholders was initiated and completed in accordance with the Danish Companies Act on 8 June 2018, resulting in DKT owning 100% of the outstanding shares in TDC A/S.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the ultimate parent company DKT Holdings ApS.

The Group Annual Report of DKT Holdings ApS may be obtained at the following address:

DKT Holdings ApS
c/o TDC A/S
Teglholmsgade 1
2450 København SV

¹ On behalf of Pensionskassen for Sygeplejersker og Lægesekretærer, Pensionskassen for Socialrådgivere, Socialpædagoger og Kontorpersonale and Pensionskassen for Sundhedsfaglige.

DKT Finance financial statements

Income statement

		DKKm	
	Note	2018	2017
External expenses		0	0
Operating profit (EBIT)		0	0
Profit/(loss) from subsidiaries	3	(3,083)	0
Financial income	4	2,169	0
Financial expenses	5	(2,091)	0
Profit/(loss) before income taxes		(3,005)	0
Income taxes	2	0	0
Profit/(loss) for the year		(3,005)	0

Statement of comprehensive income

		DKKm	
	Note	2018	2017
Profit/(loss) for the year		(3,005)	0
Items that may subsequently be reclassified to the income statement:			
Share of other comprehensive income in subsidiaries		(215)	0
Other comprehensive income/(loss)		(215)	0
Total comprehensive income/(loss)		(3,220)	0

Balance sheet

Assets

DKKkm

	Note	2018	2017
Non-current assets			
Investments in subsidiaries	3	782	0
Receivables from group enterprises		26,790	0
Deferred tax assets		42	0
Total non-current assets		27,614	0
Current assets			
Receivables from group enterprises		1,018	0
Derivative financial instruments		90	
Prepaid expenses		2	
Cash		30	0
Total current assets		1,140	0
Total assets		28,754	0

Equity and liabilities

DKKkm

	Note	2018	2017
Equity			
Share capital	6	0	0
Retained earnings		893	0
Total equity		893	0
Non-current liabilities			
Loans	7, 8	10,346	0
Payables to group enterprises		16,450	
Total non-current liabilities		26,796	0
Current liabilities			
Trade and other payables		30	0
Income tax payables		42	0
Payables to group enterprises		990	0
Derivative financial instruments		3	0
Total current liabilities		1,065	0
Total liabilities		27,861	0
Total equity and liabilities		28,754	0

Statement of cash flow

DKK m

	Note	2018	2017
Operating profit (EBIT)		0	0
Interest received		1,047	0
Interest paid		(1,056)	0
Cash flow from operating activities		(9)	0
Investment in subsidiaries		(4,111)	
Loan to subsidiary		(47,568)	0
Repayment of loans to subsidiaries		21,054	0
Dividends received from subsidiaries		31	0
Cash flow from investing activities		(30,594)	0
Proceeds from long-term loans		47,574	0
Repayments on long-term loans		(21,054)	0
Capital contribution		4,113	0
Cash flow from financing activities		30,633	0
Total cash flow		30	0
Cash and cash equivalents at 1 January		0	0
Cash and cash equivalents at 31 December		30	0

Statement of changes in equity

DKK m

	Share capital	Retained earnings	Total
Equity at 31 December 2017	0	0	0
Profit for the year	-	(3,005)	(3,005)
Share of other comprehensive income in subsidiaries	-	(215)	(215)
Total comprehensive income	-	(3,220)	(3,220)
Capital contribution	0	4,113	4,113
Total transactions with owners	0	4,113	4,113
Equity at 31 December 2018	0	893	893

Notes

Note 1 Accounting policies

The Annual Report for 2018 for DKT Finance ApS has been prepared in accordance with the recognition and measurement criteria of the International Financial Reporting Standards' (IFRS), and the disclosure and presentation requirements established by the Board of Directors.

The Annual Report for 2017 was prepared in accordance with the Danish Financial Statements Act. The change to IFRS has not had any effect on the financial statements.

The comparative figures in the income statement contains the financial year 22 December – 31 December 2017.

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 adjustments are recognised as financial income and expenses in the income statement.

Investments in subsidiaries

Prior to 1 January 2018, the company had no investments in subsidiaries. The equity method is used for measuring the investments in subsidiaries. Under the equity method, the investment in a subsidiary is recognised on initial recognition at cost, and the carrying amount is increased or decreased to recognise the company's share of the profit or loss of the investment after the date of acquisition. Dividends received from investments in subsidiaries reduce the carrying amount

of the investment. The company's share of other comprehensive income arising from the investment is recognised in other comprehensive income of the company.

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.

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.

Note 2 Income taxes

The effective tax rate for 2018 deviates significantly from the Danish corporate income tax rate of 22% due to the non-tax deductible loss from subsidiaries of DKK 3,083m and the Danish limitation on the tax deductibility of interest expenses.

The company participates in joint taxation with the parent company DKT Holdings ApS and all its Danish subsidiaries. DKT Holdings ApS is the management company in the joint taxation. The jointly taxed companies are jointly and severally liable for the total income taxes, taxes paid on account and outstanding residual tax (with additional payments and interest) relating to the joint taxation.

Note 3 Investments in subsidiaries

	DKKm	
	2018	2017
Accumulated cost at 1 January	0	0
Additions	4,111	0
Accumulated cost at 31 December	4,111	0
Accumulated write-downs at 1 January	0	0
Dividends from subsidiaries	(31)	0
Other adjustments through equity	(215)	0
Share of profit/(loss)	(3,083)	0
Accumulated write-downs at 31 December	(3,329)	0
Carrying amount at 31 December	782	0

Overview of subsidiaries at 31 December 2018

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

Note 4 Financial income

	DKKm	
	2018	2017
Interest from group enterprises	2,081	0
Currency translation adjustments	15	0
Fair value adjustments	73	0
Total	2,169	0

Note 5 Financial expenses

	DKKm	
	2018	2017
Interest to group enterprises	(988)	0
Other interest expenses	(1,103)	0
Total	(2,091)	0

Note 6 Equity

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.

Note 7 Loans and derivatives

Senior Notes and Shareholder Loans

	2023	2023	2029	2029	Total
Maturity	Jun 2023	Jun 2023	Apr 2029	Apr 2029	
Fixed/floating rate	Fixed	Fixed	Fixed	Fixed	
Coupon	9,375%	7.00%	8.81%	8.15%	
Currency	USD	EUR	DKK	DKK	
Type	Senior Notes	Senior Notes	Shareholder Loans	Shareholder Loans	
Nominal value (DKKm)	2,672	7,838	14,995	1,455	26,960
Nominal value (Currency)	410	1,050	14,995	1,455	-

The Company does not have exposure to changes in interest rates and currency exchange rates as terms on loans and receivables from group enterprises matches each other. However, at 31 December 2018 DKT Finance ApS has a FX Swap (USD 410m) on behalf of DK Telekommunikation ApS that eliminates the USD currency exposure in DK Telekommunikation ApS. A decrease in USD currency exchange rate of 10% will decrease the carrying amount of the FX Swap with DKK 267m. The future cashflows will be financed by received interests and settlement on Shareholder Loans provided to DKT Finance ApS.

The Company is exposed to credit risks on receivables from group enterprises and the maximum risk amounts to DKK 27,808m.

Note 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. Interest payments on floating-rate instruments are determined using forward rates. The future cashflows will be financed by received interests and settlement on Shareholder Loans provided to DK Telekommunikation ApS.

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 flows¹

DKK m

Financial assets and liabilities measured at fair value through profit or loss	< 1 year	1-3 years	3-5 years	> 5 years	Total	Fair value	Carrying amount
Assets²:							
Derivatives							
Inflow	5,364	0	0	0			
Outflow	(5,273)	0	0	0			
Total derivatives assets	91	0	0	0	91	90	90
Liabilities:							
Derivatives							
Inflow	2,660	0	0	0			
Outflow	(2,659)	0	0	0			
Total derivatives liabilities	1	0	0	0	1	(2)	(2)
Total derivatives	90	0	0	0	92	88	88
Financial liabilities measured at amortised cost							
Shareholder Loan	0	0	0	(16,450)	(16,450)	(16,450)	(16,450)
Senior Notes	0	0	(10,510)	0	(10,510)	(11,031)	(10,346)
Total Loans	0	0	(10,510)	(16,450)	(26,960)	(27,481)	(26,796)
Shareholder Loan and Senior Notes, interest ³	(2,239)	(4,478)	(4,478)	(8,640)	(19,835)	(1,019)	(1,019)
Total financial liabilities measured at amortised cost	(2,239)	(4,478)	(14,988)	(25,090)	(46,795)	(28,500)	(27,815)
Total 2018	(2,147)	(4,478)	(14,988)	(25,090)	(46,703)	(28,412)	(27,727)
Total 2017	0	0	0	0	0	0	0

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 and Senior Notes at 31 December 2018.

Note 9 Related parties

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.

In addition, the company received dividends from subsidiaries, as shown in note 3.

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.

Note 10 Pledges

Shares in subsidiaries with a carrying amount of DKK 782m, cash with a carrying amount of DKK 30m and receivables from group enterprises with a carrying amount of DKK 26,790m are pledged as security for long-term loans.

Note 11 Events after the balance sheet date

There have been no events that materially affect the assessment of this Annual Report 2018 after the balance sheet date and up to today.