

DKT Finance ApS

Teglholmsgade 1

2450 København SV

CVR-nr.: 39187043

Generalforsamling: 30. april 2020

Dirigent ved generalforsamlingen: Marie Malmstedt-Miller

Annual Report 2019

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 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 financial statements give a true and fair view of DKT Finance's financial position at 31 December 2019 and the results of the Company's operations and cash-flow 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 DKT Finance ApS, of the results for the year and of the financial position of the Company as well as a description of the most significant risks and elements of uncertainty facing the 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 Pallisø Bornø
Vice Chairman

Ulrik Dan Weuder
Vice Chairman

Arthur Rakowski

Peter Tind Larsen
Vice Chairman

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 2019, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2019 in accordance with 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 2019, 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 Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of 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, 10 March 2020

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

About DKT Finance

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
- 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.

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.

Key figures (DKK m)

	2019	2018	2017
Operating profit (EBIT)	(2)	31	0
Financial income	2,392	2,169	0
Financial expenses	(2,386)	(2,091)	0
Profit/(loss) for the year	(289)	109	0
Total assets	33,263	32,083	0
Total equity	3,933	4,222	0

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. We also offer integrated solutions to business customers.

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 DKTF'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>.

DKTF 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 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.

Profit for the year decreased from DKK 109m in 2018 to a loss of DKK 289m in 2019. The decrease was due primarily to an income tax expense of DKK 293m related to the Danish limitation on the tax deductibility of interest expenses for the group companies in the joint taxation.

2020 Guidance

Management expect a minor loss for the year in 2020 due to an expected tax expense due to the Danish limitation on the tax deductibility of interest expenses.

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

DKT Finance financial statements

Income statement

DKK m

	Note	2019	2018
Dividends from subsidiaries		0	31
External expenses		(2)	0
Operating profit (EBIT)		(2)	31
Financial income	4	2,392	2,169
Financial expenses	5	(2,386)	(2,091)
Profit before income taxes		4	109
Income taxes	2	(293)	0
Profit/(loss) for the year		(289)	109

Statement of comprehensive income

DKK m

	Note	2019	2018
Profit/(loss) for the year		(289)	109
Other comprehensive income		0	0
Total comprehensive income/(loss)		(289)	109

Balance sheet

Assets

DKKkm

	Note	2019	2018
Non-current assets			
Investments in subsidiaries	3	4,111	4,111
Receivables from group enterprises		28,030	26,790
Deferred tax assets		0	42
Total non-current assets		32,141	30,943
Current assets			
Receivables from group enterprises		1,076	1,018
Derivative financial instruments		0	90
Prepaid expenses		1	2
Cash		45	30
Total current assets		1,122	1,140
Total assets		33,263	32,083

Equity and liabilities

DKKkm

	Note	2019	2018
Equity			
Share capital	6	0	0
Retained earnings		3,933	4,222
Total equity		3,933	4,222
Non-current liabilities			
Loans	7, 8	10,450	10,346
Shareholder loans		17,595	16,450
Total non-current liabilities		28,045	26,796
Current liabilities			
Trade and other payables		30	30
Income tax payables		205	42
Payables to group enterprises		1,050	990
Derivative financial instruments		0	3
Total current liabilities		1,285	1,065
Total liabilities		29,330	27,861
Total equity and liabilities		33,263	32,083

Statement of cash flow

DKK m

	Note	2019	2018
External expenses		(2)	0
Change in working capital		3	0
Interest received		856	1,047
Interest paid		(823)	(1,056)
Tax paid		(88)	0
Cash flow from operating activities		(54)	(9)
Investment in subsidiaries		0	(4,111)
Loan to subsidiary		0	(47,568)
Repayment of loans to subsidiaries		328	21,054
Dividends received from subsidiaries		0	31
Cash flow from investing activities		328	(30,594)
Proceeds from long-term loans		0	47,574
Repayments on long-term loans		(320)	(21,054)
Settlement of derivatives related to long-term loans		61	0
Capital contribution		0	4,113
Cash flow from financing activities		(259)	30,633
Total cash flow		15	30
Cash and cash equivalents at 1 January		30	0
Cash and cash equivalents at 31 December		45	30

Statement of changes in equity

DKK m

	Share capital	Retained earnings	Total
Equity at 31 December 2017	0	0	0
Profit for the year	-	109	109
Total comprehensive income	-	109	109
Capital contribution	0	4,113	4,113
Total transactions with owners	0	4,113	4,113
Equity at 31 December 2018	0	4,222	4,222
Loss for the year	-	(289)	(289)
Total comprehensive income	-	(289)	(289)
Capital contribution	0	0	0
Distributed dividend	0	0	0
Total transactions with owners	0	0	0
Equity at 31 December 2019	0	3,933	3,933

Notes

Note 1 Accounting policies

The Annual Report for 2019 for DKT Finance 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.

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

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 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.

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 ini-

Impact from changes to accounting policies (DKK m)

	Previous accounting policy		Changed accounting policy		New accounting policy	
	2019	2018	2019	2018	2019	2018
Dividends from subsidiaries	0	0	0	31	0	31
Profit/(loss) from subsidiaries	(3,011)	(3,083)	3,011	3,083	0	0
Profit/(loss) for the year	(3,300)	(3,005)	3,011	3,114	(289)	109
Share of other comprehensive income in subsidiaries	599	(215)	(599)	215	0	0
Total comprehensive income/(loss)	(2,701)	(3,220)	2,412	3,329	(289)	109
Investments in subsidiaries	(1,630)	782	5,741	3,329	4,111	4,111
Total assets	27,522	28,754	5,741	3,329	33,263	32,083
Total equity	(1,808)	893	5,741	3,329	3,933	4,222

tial 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 deviates significantly from the Danish corporate income tax rate of 22% due to the Danish limitation on the tax deductibility of interest expenses and the tax rules regarding thin capitalisation. The rules result in taxation of financial income even though financial expenses are not tax deductible.

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

	DKKkm	
	2019	2018
Accumulated cost at 1 January	4,111	0
Additions	0	4,111
Accumulated cost at 31 December	4,111	4,111
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	4,111	4,111

Overview of subsidiaries at 31 December 2019

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

Note 4 Financial income

	DKK m	
	2019	2018
Interest from group enterprises	2,376	2,081
Currency translation adjustments	1	15
Fair value adjustments	15	73
Total	2,392	2,169

Note 5 Financial expenses

	DKK m	
	2019	2018
Interest to group enterprises	(1,529)	(988)
Other interest expenses	(857)	(1,103)
Total	(2,386)	(2,091)

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 4,113 m.

Note 7 Loans

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%	8.81%	8.15%	
Currency	USD	EUR	DKK	DKK	
Type	Senior Notes	Senior Notes	Shareholder Loans	Shareholder Loans	
Nominal value (DKKm)	2,727	7,844	16,032	1,563	28,166
Nominal value (Currency)	410	1,050	16,032	1,563	-

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.

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 29,154m.

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.

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
Financial liabilities measured at amortised cost							
Shareholder Loan	0	0	0	(17,595)	(17,595)	(17,595)	(17,595)
Senior Notes	0	0	(10,571)	0	(10,571)	(11,240)	(10,540)
Total Loans	0	0	(10,571)	(17,595)	(28,166)	(28,835)	(28,045)
Shareholder Loan and Senior Notes, interest ²	(2,345)	(4,690)	(3,885)	(7,700)	(18,620)	(1,048)	(1,048)
Total financial liabilities measured at amortised cost	(2,345)	(4,690)	(14,456)	(25,295)	(46,786)	(29,883)	(29,093)
Total 2019	(2,345)	(4,690)	(14,456)	(25,295)	(46,786)	(29,883)	(29,093)
Total 2018	(2,147)	(4,478)	(14,988)	(25,090)	(46,703)	(28,412)	(27,727)

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 Fair value and carrying amount value consist of accrued interest on Shareholder Loans and Senior Notes at 31 December 2019.

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 the income statement.

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 4,111m, cash with a carrying amount of DKK 45m and receivables from group enterprises with a carrying amount of DKK 29,106m 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 2019 after the balance sheet date and up to today.