

DK Telekommunikation ApS

Teglholmsgade 1

2450 København SV

CVR-nr.: 39187221

Generalforsamling: 29. april 2021

Dirigent ved generalforsamlingen: Laura Frovin Frederiksen

Annual Report 2020

Financial statements

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Management statement

Today, the Board of Directors and the Executive Committee considered and approved the Annual Report of DK Telekommunikation ApS for 2020.

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 DK Telekommunikation's financial position at 31 December 2020 and the results of the Company's operations and cash-flow for 2020.

In our opinion, the management's review includes a true and fair account of the developments in the operations and financial circumstances of DK Telekommunikation 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, 29 April 2021

Executive Committee

Nathan Andrew Luckey

Board of Directors

Martin Bradley
Chairman

Ulrik Pallisø Bornø
Vice Chairman

Jørgen Høholt
Vice Chairman

Arthur Rakowski

Peter Tind Larsen
Vice Chairman

Nathan Andrew Luckey

Independent Auditor's Report

To the shareholders of DK Telekommunikation ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2020, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2020 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 DK Telekommunikation ApS for the financial year 1 January - 31 December 2020, 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.
- 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.

Hellerup, 29 April 2021
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Lars Baugaard
State Authorised Public Accountant
mne23331

Michael Groth Hansen
State Authorised Public Accountant
mne33228

Management's review

About DK Telekommunikation

DK Telekommunikation ApS (DKT) was established 22 December 2017 with the purpose of running an investing business. The Company's ultimate 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.

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 offers integrated solutions to business customers.

ESG

Reference is made to the ESG section in the Group Annual Report of DKT Holdings ApS.

DKT has set a target to have one representative of the underrepresented gender on the Board of Directors by 2023. Currently, status is that all 6 members of the Board of Directors are men.

Financial review

Profit for the year decreased from DKK 1,258m in 2019 to a loss of DKK 1,339m in 2020, due primarily to a reversal of write-down for impairment on subsidiaries of DKK 2,346m in 2019.

2021 Guidance

Management expect a loss for the year in 2021 as the financial expenses is expected to exceed dividends from subsidiaries.

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
Teglhølmegade 1
2450 København SV

Key figures (DKKm)

	2020	2019	2018
Dividends from subsidiaries	875	995	11,316
Operating profit (EBIT)	870	988	11,002
Financial expenses	(2,359)	(2,244)	(2,357)
Profit/(loss) for the year	(1,339)	1,258	6,303
Total assets	40,745	40,791	38,267
Total equity	10,302	11,641	10,383

DK Telekommunikation financial statements

Income statement

		DKKm	
	Note	2020	2019
Dividend from subsidiaries		875	995
External expenses		(5)	(7)
Operating profit (EBIT)		870	988
Reversal of write-down for impairment on subsidiaries	3	0	2,346
Financial income and expenses	4	(2,359)	(2,244)
Profit/(loss) before income taxes		(1,489)	1,090
Income taxes	2	150	168
Profit/(loss) for the year		(1,339)	1,258

Statement of comprehensive income

	DKKm	
	2020	2019
Profit/(loss) for the year	(1,339)	1,258
Other comprehensive income	0	0
Total comprehensive income/(loss)	(1,339)	1,258

Balance sheet

Assets		DKKm	
	Note	2020	2019
Non-current assets			
Investments in subsidiaries	3	40,502	40,502
Total non-current assets		40,502	40,502
Current assets			
Receivables from group enterprises		1	0
Income tax receivable		218	122
Derivative financial instruments		0	114
Cash		24	53
Total current assets		243	289
Total assets		40,745	40,791

Equity and liabilities		DKKm	
	Note	2020	2019
Equity			
Share capital	5	0	0
Retained earnings		10,302	11,641
Total equity		10,302	11,641
Non-current liabilities			
Shareholder Loans	6, 7	29,140	28,030
Total non-current liabilities		29,140	28,030
Current liabilities			
Trade and other payables		20	43
Payables to group enterprises		1,156	1,077
Derivative financial instruments		127	0
Total current liabilities		1,303	1,120
Total liabilities		30,443	29,150
Total equity and liabilities		40,745	40,791

Statement of cash flow

DKK m

	Note	2020	2019
External expenses		(5)	(7)
Change in working capital		(30)	(32)
Interest received		246	257
Interest paid		(973)	(988)
Tax received		55	50
Cash flow from operating activities		(707)	(720)
Dividends received from subsidiaries		875	995
Cash flow from investing activities		875	995
Repayments on long-term loans		(197)	(328)
Cash flow from financing activities		(197)	(328)
Total cash flow		(29)	(53)
Cash and cash equivalents at 1 January		53	105
Effect of exchange-rate changes on cash and cash equivalents		0	1
Cash and cash equivalents at 31 December		24	53

Statement of changes in equity

DKK m

	Share capital	Retained earnings	Total
Equity at 31 December 2018	0	10,383	10,383
Profit for the year	-	1,258	1,258
Total comprehensive income	-	1,258	1,258
Equity at 31 December 2019	0	11,641	11,641
Loss for the year	-	(1,339)	(1,339)
Total comprehensive income/(loss)	-	(1,339)	(1,339)
Equity at 31 December 2020	0	10,302	10,302

Notes

Note 1 Accounting policies

The Annual Report for 2020 for DK Telekommunikation 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

The accounting policies are unchanged compared with the policies applied in the Annual Report for 2019.

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.

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 deviates significantly from the Danish corporate income tax rate of 22% due to non-taxable income of dividend from subsidiaries 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.

Reconciliation of effective tax rate (%)

	2020	2019
Danish corporate income tax rate	22.0	22.0
Dividend from subsidiaries	13.0	(20.1)
Reversal of write-downs for impairment on subsidiaries	0.0	(47.3)
Adjustment of tax for previous years	0.3	(4.2)
Limitation on the tax deductibility of interest expenses	(25.2)	34.2
Effective tax rate	10.1	(15.4)

Note 3 Investments in subsidiaries

	DKKkm	
	2020	2019
Accumulated cost at 1 January	40,502	40,502
Accumulated cost at 31 December	40,502	40,502
Accumulated write-downs at 1 January	0	(2,346)
Reversal of write-downs for impairment during the year	0	2,346
Accumulated write-downs at 31 December	0	0
Carrying amount at 31 December	40,502	40,502

Overview of subsidiaries at 31 December 2020

Company name	Domicile	Currency	Ownership share (%)
Subsidiaries:			
TDC A/S	Copenhagen, Denmark	DKK	100

Note 4 Financial income and expenses

	DKKm	
	2020	2019
Interest expenses to group enterprises	(2,473)	(2,376)
Other interest expenses	(5)	(1)
Interest income	1	0
Net interest	(2,477)	(2,377)
Currency translation adjustments	285	(67)
Fair value adjustments	(167)	200
Total	(2,359)	(2,244)

Note 5 Equity

The company's share capital is DKK 195,000 divided into shares of DKK 1 each or multiples thereof (unchanged during 2020 and 2019). All issued shares have been fully paid up.

Note 6 Shareholder Loans and derivatives

Shareholder loans	2023	2023	2029	2029	Total
Maturity	Jun 2023	Jun 2023	Dec 2029	Dec 2029	
Fixed/floating rate	Fixed	Fixed	Fixed	Fixed	
Coupon	9,375%	7.00%	8.81%	8.15%	
Currency	USD	EUR	DKK	DKK	
Type	Shareholder Loans	Shareholder Loans	Shareholder Loans	Shareholder Loans	
Nominal value (DKKm)	2,494	7,812	17,246	1,693	29,245
Nominal value (Currency)	410	1,050	17,246	1,693	-
- Of which nominal value swapped to EUR (Currency)	410				
- Nominal value of debt incl. currency hedging in DKKm	2,674	7,812	17,246	1,693	29,425

The terms of the Company's payable to group enterprise reflects parent companies underlying loans. Interest rates are fixed.

The USD currency exposure arising from the USD Shareholder loan is eliminated by a Cross Currency Swap (USD 410m to EUR 359m) in DK Telekommunikation ApS. Due to the fixed EUR/DKK exchange-rate policy of the Danish government (in place since 1982), the EUR Shareholder Loans does not constitute a significant risk.

Note 7 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 dividend payments from TDC Group.

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

	DKKkM						
	< 1 year	1-3 years	3-5 years	> 5 years	Total	Fair value	Carrying amount
Financial liabilities measured at fair value through profit or loss:							
Derivatives							
Inflow	234	2,611	0	0	2,845		
Outflow	(170)	(2,759)	0	0	(2,929)		
Total derivatives liabilities	64	(148)	0	0	(84)	(127)	(127)
Financial liabilities measured at amortised cost							
Shareholder Loans	0	(10,306)	0	(18,939)	(29,245)	(29,612)	(29,140)
Shareholder Loans, interest ²	(2,438)	(4,486)	(3,315)	(6,629)	(16,868)	(1,156)	(1,156)
Trade and other payables	(12)	0	0	0	(12)	(12)	(12)
Total financial liabilities measured at amortised cost	(2,450)	(14,792)	(3,315)	(25,568)	(46,125)	(30,780)	(30,308)
Total 2020	(2,386)	(14,940)	(3,315)	(25,568)	(46,209)	(30,907)	(30,435)
Total 2019	(2,274)	(4,519)	(14,454)	(25,275)	(46,523)	(29,796)	(29,006)

¹ All cash flows are undiscounted.

² Fair value and carrying amount value consist of accrued interest on Shareholder Loans at 31 December 2020.

Note 8 Related parties

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

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 9 Pledges

Shares in subsidiaries with a carrying amount of DKK 40,502m and cash with a carrying amount of DKK 24m are pledged as security for the subsidiary's long-term loans.

Note 10 Events after the balance sheet date

There have been no events that materially affect the assessment of this Annual Report 2020 after the balance sheet date and up to today.