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Generalforsamling: 29. april 2021
Dirigent ved generalforsamlingen: Marie Malmstedt-Miller

tdc net

Annual report 2020

We connect Denmark.
For everyone.

Contents

Shortcut to reading the Annual report
Click on the tabs in the menu to navigate quickly to the table of contents for the report and accounts respectively.

In brief

TDC NET at a glance

TDC NET is shaping the next generation of nationwide digital infrastructure. We contribute to the digitisation of Denmark by delivering the best mobile network and the fastest fixed connections to ensure that all of Denmark is better connected than ever.

Mobile market share
42%

5G mobile coverage
95%

Broadband market share
55%

High-speed broadband population coverage
46%

Revenue (DKKbn)
6.8

EBITDA (DKKbn)
4.4

Capital expenditure (DKKbn)
4.0

Employees at TDC NET
2,556

Denmark's best mobile network for the 6th year in a row
(April 2021)

128 service providers delivering services to their end customers on TDC NET infrastructure

Letter from the CEO

Connecting Denmark in an unprecedented year

The importance of reliable, secure and fast networks became more evident than ever during 2020. As digital infrastructure became the backbone for Danish society to function at large, TDC NET made connecting individuals, businesses, schools and institutions its top priority.

At the same time, we made significant progress towards our goal of becoming an independent, market-leading digital infrastructure provider following the separation of TDC Group in 2019.

At TDC NET, we are guided by our purpose. We connect Denmark. For everyone. We deliver on this purpose and shape Denmark's digital infrastructure by rolling out reliable, lightning-fast networks.

In 2020, our purpose became even more important than ever. As society locked down for the first time during the spring, people across the country relied on digital infrastructure to remain connected – and as businesses, schools and institutions had to close physically, our networks enabled them to stay open virtually.

With a close to 50% increase in data traffic since spring 2020, our networks have passed their greatest stress test ever over the past year. Despite these unprecedented circumstances, we delivered reliable and stable connections throughout the period, ensured ample capacity to meet growth even during the high in demand and reached a 25-year high network stability. This bodes well for the future.

On this note, I want to thank all TDC NET's employees, our partners and service providers for their joint efforts and determination during 2020 to find new solutions to keep our digital infrastructure running smoothly, while also progressing with our rollout plans and transformation. Our people working in the field also deserve a special thank you for their efforts and flexibility during the COVID-19 pandemic. Their hard work allowed us to continue serving customers and providing a great customer experience, also during challenging times.

Financial performance

Despite COVID-19 challenges, TDC NET achieved a solid financial performance during 2020.

In 2020, EBITDA increased by 0.4% YoY to DKK 4,434m as operational savings (7.4% YoY) more than outweighed declining revenue (-3.1% YoY) stemming partly from a loss on legacy landline voice and TV products. We were especially pleased to see relatively stable revenue development in our landline broadband as growth in high-speed fibre and coax products counterbalanced losses on low-speed copper products.

We increased the investment level by almost 25% YoY and invested DKK 4bn in digital infrastructure in Denmark – primarily related to fibre rollout and our investments in the mobile network.

Strong strategy execution

In 2020, we made significant progress on our strategy execution and passed major milestones.

Best mobile network: We upgraded our entire mobile radio access network together with Ericsson and swapped to state-of-the-art equipment at all our 3,800 mobile sites.

5G rollout: We launched nationwide 5G coverage, making Denmark the first country in the Nordic region to do so, as well as one of the first countries in the EU with nationwide 5G coverage.

Mobile agreement: We signed a long-term mobile agreement with Nuuday, securing lasting commercialisation of our mobile network by Denmark's leading service provider. The agreement also leaves room for us to extend and strengthen our relationship with other service providers.

Accelerated fibre rollout: We continued to invest in our inhouse fibre build set-up while also improving our external partner set-up. In total, we delivered fibre to an additional 123,000 new households and businesses in Denmark – making us by far the biggest fibre deployer in Denmark in 2020. Our total fibre footprint in Denmark is now close to 400,000 addresses, and we are well underway with our long-term ambition to deliver fibre to 1 million households and businesses in Denmark by the mid-2020s.

High-speed broadband: We continued to commercialise our market-leading coax and fibre high-speed infrastructure platforms, increasing the number of customers on high-speed connections by 8% compared with the year before.

A sustainable business

As a provider of critical digital infrastructure, we are committed to unfolding a sustainable Digital Denmark through countrywide connectivity, and by promoting digital citizenship for all. As COVID-19 continued to take its toll, we explored ways to support society's response to the pandemic and initiated a partnership with the Danish Red Cross on the digital platform SnakSammen.dk, where people experiencing loneliness or isolation connect with volunteers online. During 2020, more than 2,600 online meetings were arranged via the platform, with positive feedback from both users and volunteers.

> **"During 2020, our mission was more important than ever. Through COVID-19, it became evident that connectivity plays a pivotal part in critical infrastructure, supporting people in an unprecedented way throughout their daily lives.**

Connectivity does not come without environmental costs. Our networks require energy to operate, and manufacturing the equipment we use requires large-scale production and rare earth minerals. Our impact is our responsibility, and we keep raising the bar for our environmental agenda with our climate target of becoming 100% CO_2 neutral by 2028.

At our offices, we have explored the opportunities our infrastructure provides for future ways of working through the concept Pioneering Digital Collaboration, which gives employees at TDC NET the option of working anywhere, anytime, if their jobs allow for it. Results have so far shown a better work-life balance and higher productivity. We will continue to explore how to develop and implement sustainable changes in our digital workplace, also in non-COVID-19 situations.

2021 – well under way with continued profitable growth

Looking ahead in 2021, we are expecting another year with small-digit EBITDA growth accompanied by continued savings and revenue stabilisation. After finalising the mobile equipment swap in 2020, we expect our investment level to revert to the 2019 level once again.

We are in the midst of successfully delivering on our set of strategic focus areas for 2021: bringing 5G to life, rolling out fibre to 100+ thousand households and businesses, and taking additional steps to separate from TDC Group – all with our purpose in mind: We connect Denmark. For everyone.

Andreas Pfisterer
CEO

Management team

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Andreas Pfisterer
Chief Executive Officer

Born	1971
Appointed	2019

Education
MSc in Computer Science, European Business School, Wiesbaden, London, San Diego. MSc in Economics and Business administration, the University of Hagen.

Management duties
Chairman of the Board of Dansk Kabel TV A/S.

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Ulrik Laudrup Bølling
Chief Financial Officer

Born	1976
Appointed	2019

Education
MSc in Economics, the University of Copenhagen. BSc in Economics, the University of Copenhagen.

Management duties
Member of the Boards of Directors of Dansk Kabel TV and Fiberkysten.

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Hanne Blume
Chief Human Resource Officer

Born	1968
Appointed	2019

Education
MSc in Business Administration and Commercial Law, Aarhus University.

Management duties
Member of the Board of Directors and Remuneration Committee of DSB, member of the Boards of Directors of Nel ASA, Enigma, Danmarks Cykle Union, and Chair of the Board of Directors of Insero.

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Jakob Dirksen
Chief Strategy and Transformation Officer

Born	1986
Appointed	2019

Education
MSc in Industrial Mathematics and BSc in Mathematical Modelling and Technology, the Technical University of Denmark.

Management duties
Member of the Boards of Directors of Fiberkysten and Comply Cloud.

Management team

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Robert Dogonowski
Chief Commercial Officer

Born 1972

Appointed 2019

Education
PhD in Economics, Aarhus University. MSc in Economics, the London School of Economics. MSc in Economics, Aarhus University. BSc in Economics, the University of Copenhagen

Management duties
Member of the Board of Directors of Dansk Kabel TV A/S.

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Christian Duer
Chief of Fibre Factory and Onsite

Born 1968

Appointed 2019

Education
MSc in Civil Engineering, the Technical University of Denmark. BSc in Organisation and Management – Economics, Copenhagen Business School. Captain Reserve Officer, Danish Armed Forces.

Management duties
Member of the Board of Directors of Dansk Kabel TV A/S.

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Michael Fränkle
Chief Technology Officer

Born 1970

Appointed 2019

Education
MSc in Electrical Engineering, the Technical University of Darmstadt.

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Inge Hansen
Chief Regulatory Officer

Born 1973

Appointed 2019

Education
MSc in Economics, the London School of Economics. BSc in Economics, the University of Copenhagen.

Key performance indicators

	2020	2019
Income statement (DKKm)		
Revenue	6,828	7,050
Gross profit	6,447	6,588
EBITDA	**4,434**	**4,415**
Operating profit (EBIT)	**1,409**	**1,043**
Profit before income taxes	804	462
Profit for the year	**604**	**364**
Income statement, excluding special items		
Operating profit (EBIT)	**1,448**	**1,119**
Profit before income taxes	843	538
Profit for the year	634	425
Balance sheet (DKKm)		
Total assets	28,583	27,826
Net interest-bearing debt (NIBD)	14,636	15,667
Total equity	8,756	8,152
Capital expenditure (DKKm)	(3,971)	(3,206)
Statement of cash flow (DKKm)		
Operating activities	4,315	3,582
Investing activities	(3,282)	(3,478)
Financing activities	(1,030)	(103)
Total cash flow	**3**	**1**

TDC NET A/S was established on 7 December 2018. On 11 June 2019, the parent company TDC A/S demerged parts of its rights and obligations to TDC NET A/S. The financial statements reflect the demerger of TDC A/SA/S, which had accounting effect from 1 January 2019. Prior to the demerger, TDC NET A/S had no activities, and the comparative figures for 2018 are not restated.

	2020	2019
Key financial ratios (%)		
Gross margin	94.4	93.4
EBITDA margin	64.9	62.6
Return on capital employed (ROCE)	5.1	4.0
Capital expense/revenue ratio	58.2	45.5
Retail RGUs ('000)		
Total broadband RGUs	1,331	1,406
RGU copper	632	759
RGU coax	610	586
RGU fibre	89	62
Operational		
Homes passed fibre ('000) [1]	391	269
Homes passed coax ('000)	1,329	1,342
100 Mbps population coverage (%)	70	70
1000 Mbps population coverage (%)	46	43
4G mobile population coverage (%)	100	100
5G mobile coverage (%)	95	-
ESG		
FTEs (end-of-year) (#)	2,556	2,524
Employee engagement score (index)	74	75
Injuries – fatalities (#)	0	0
Injuries – with lost time (#)	31	25
Injuries – without lost time (#)	48	40
Total energy consumed (MWh)	221,747	220,511
Total waste generated (metric tons)	1,583	n/a [2]
Data transported (TB output/year) [3]	19,110,816	17,234,424

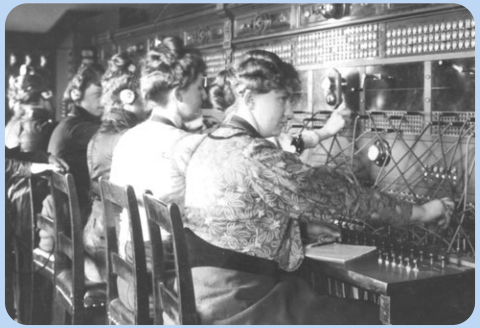
[1] The number of fibre homes passed includes all completed connections under way.
[2] Due to changes in our company structure, historical figures for waste are not available. For more information on how we calculate our ESG-related data, please see our 'TDC NET ESG Accounting Principles', which are available on our website.
[3] The traffic reported is the average output traffic measured at the periphery of the network over a year, including multi-cast traffic data.

Our past, present and future

Our heritage

For more than a century, we have helped bring Denmark closer together. From 1882, when the visionary C.F. Tietgen established Kjøbenhavns Telefon-Selskab and made his first calls, to the present day, when we work around the clock to ensure that the entire country is connected.

Today, TDC NET is an independent company that owns, operates and builds digital infra-structure in Denmark.



1879

The first telephone

Bell Telephone Co. is launched in Denmark – three years after the telephone was invented in 1876.

1880

The first Danish telco

The visionary C.F. Tietgen establishes Kjøben-havns Telefon-Selskab, which later becomes KTAS. During the 1890s, almost 60 telcos become established in Denmark. In 1899, the state gains a monopoly of telephony.

1900-1987

Many telecom companies become few

Many small local telcos merge. By 1987, Denmark has just four regional telcos.

1990

One state-owned telco

The regional telcos merge into one state-owned company: Tele Denmark. During the 1990s, mobile telephony and cable TV be-come part of everyday life in Denmark.

2000

Tele Denmark becomes TDC Group

The state monopoly over telephony ends in 1996. In 2000, Tele Denmark changes its name to TDC Group.

2005

TDC launches 3G

Combining both voice and data, 3G is a game changer that starts the global smartphone business, enabling internet browsing, music streaming and e-mailing on the go.

2010

TDC launches 4G

The demand for data increases year by year. 4G brings significantly faster speeds and more capacity than 3G, paving the way for more data-driven services during the decade.

2016

DOCSIS 3.1 upgrade

The DOCSIS 3.1 upgrade of the coax network is one of the largest projects in recent infrastructure history and only surpassed by fibre.

2018

TDC NET fibre rollout

TDC NET starts a massive rollout of reliable and lightning-fast fibre connections across Denmark with a long-term ambition to deliver the option of fibre to 1 million households and businesses.

2019

TDC NET becomes an independent company under TDC Group

TDC Group legally separates the two business units: the digital infrastructure provider TDC NET, and the service provider Nuuday.

2020

TDC NET launches 5G

TDC NET completes the 5G rollout, making Denmark the first country in the Nordic region with national 5G coverage and one of the countries in the EU with the best national 5G coverage.

Our business model

Operating and building unparalleled infrastructure

The core of our business and what we do is our unparalleled infrastructure.

- We operate a nationwide copper network covering ~2.8m addresses in Denmark.
- We have Denmark's largest high-speed platform, connecting 1.3m addresses with coax and 400k addresses with fibre, where we can offer broadband speeds of up to 1 Gbps.
- We have Denmark's best mobile network, offering 1 Gbps in the four biggest cities in Denmark and significantly increased speeds in the rest of the country, with 5G coverage totalling 95%.

Our strong footprint in future-proof technologies positions TDC NET well to capture customers migrating towards high-speed solutions both for fixed and mobile services.

Providing infrastructure for service providers on an open-access basis

Being and operating as an independent company, TDC NET engages closely with service providers.

We are the largest and most experienced wholesale provider of infrastructure solutions for communications and data transmission in Denmark.

Our customers are service providers offering telecommunications services in Denmark. For historical reasons, our biggest customer is Nuuday – the market-leading service provider in Denmark of TV, broadband and mobility services. In total, 128 Danish service providers currently base their end-customer experience on our infrastructure.

Due to our Significant Market Power[1] and market position in Denmark, our offerings are affected by regulation from the Danish Business Authority and the Danish Energy Agency.

[1] The Danish authorities are currently reviewing the regulatory broadband set-up, which is expected to be finalised before the end of Q3.

Our purpose, mission and values

Our purpose

We connect Denmark. For everyone.

Our mission

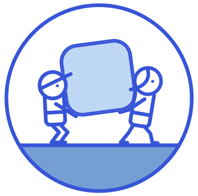
TDC NET shapes the next generation of nationwide, digital infrastructure in Denmark.

By pursuing our mission to shape the next generation of nation-wide, digital infrastructure in Denmark, we take on a responsibility to ensure the continued development and building of lightning-fast mobile and fixed connections that support Denmark's continued progress - because societies with strong infrastructure do better – both socially and economically.

CARE
We care

OPEN
We are open

TRUST
We can be trusted



DRIVE
We take the initiative

IMPACT
We deliver results

Our values reflect both our heritage and our ambition for the future. Our values form our culture, shape our identity, and define our relations with clients, partners, and society.

Our people

TDC NET is a diverse workplace

In total, we are almost 2,600 employees representing 24 nationalities and more than 100 types of skills and disciplines ranging from service technicians and customer experts to network engineers.

With an average of 18 years of service, we have accumulated extensive experience and we complement current skills by working hard to attract and retain new talents. We achieve this via our ambitious graduate programme and via initiatives such as our Young Talents Workshop, which explores how to collaborate across the organisation.

Forming the workplace of the future

We strongly believe in the benefits of diverse experiences and backgrounds, and continuously strive to shape an inclusive culture for all profiles independent of education, age, gender and heritage, further paving the way for different opinions and approaches.

To shape the digital workplace of the future, with the clear ambition to support a better work-life balance and a higher performance, we have introduced the concept of Pioneering Digital Collaboration to form a hybrid workplace where we are digital by default and where our people can work anywhere, anytime.

Operating by our core values

Being diverse and ambitious, we share common values. Our values, which are rooted in our history and purpose, are based on input from our organisation and help us foster an inclusive culture. They serve as a compass for our decisions and actions, and add context for our achievements.

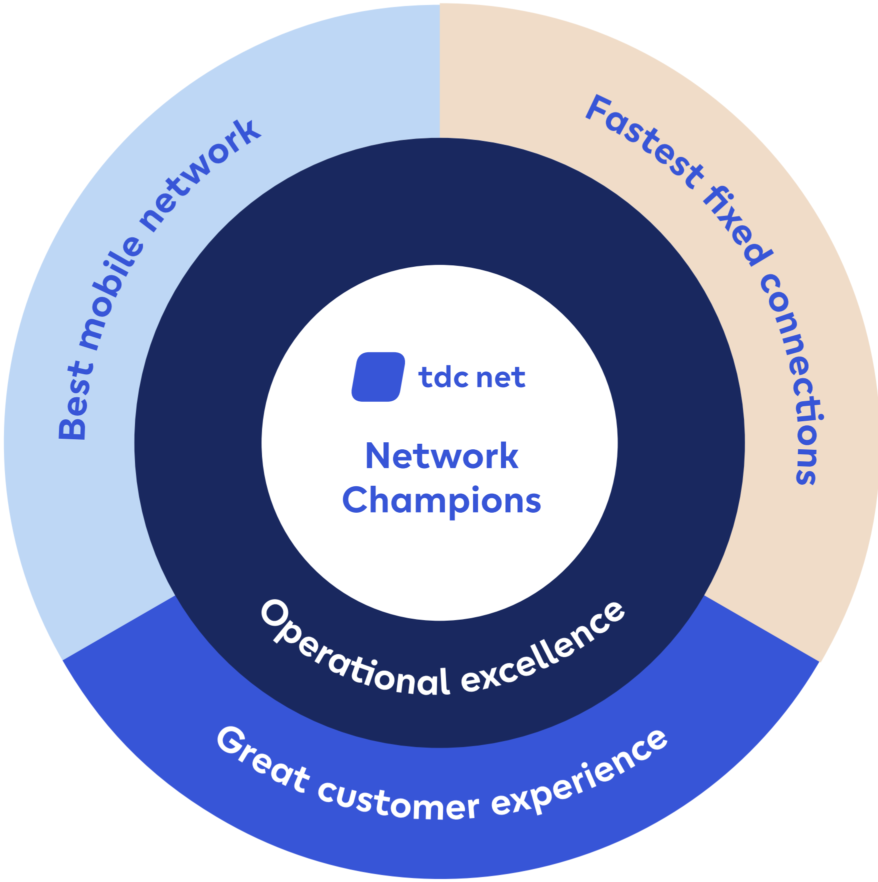
Our strategy and priorities

1

Best mobile network
remain the undisputed leader in 4G and 5G mobile network quality and coverage across Denmark

2

Fastest fixed connections
Remain the largest provider of high-speed internet in Denmark



3

Great customer experience
Be the preferred telecommunications infrastructure partner by providing easy and secure access to our world-class network services

4

Operational excellence
Be the leader in operational efficiency with a constant focus on simplifying processes and interfaces

Best mobile network

TDC NET is the undisputed leader in mobile network quality in Denmark. This position has been recognised six years running by independent tests showing a material edge in both quality and coverage.

Naturally, the market and demands continue to develop. In the past five years, mobile data consumption in Denmark has increased by over 43% year on year. This high growth in data requires ongoing capacity upgrades to ensure our services and products remain relevant. We expect this trend to continue, e.g. with consumers streaming more and via new use cases enabled by 5G.

To stay ahead, TDC NET upgraded its mobile network in 2020 together with Ericsson. The upgrade included swapping to state-of-the-art RAN equipment at all 3,800 of our mobile sites and setting up a Scandinavian innovation hub. As a result, we were the first in Denmark to launch nationwide 5G mobile coverage, while simultaneously raising 4G speeds by up to 50%.

We trust this will strengthen our position as a market leader in mobile quality and coverage for many years to come.

Our strategic focus

TDC NET will continue striving to offer customers top mobile experiences in Denmark with its unique market position. Our mobile strategy has three elements:

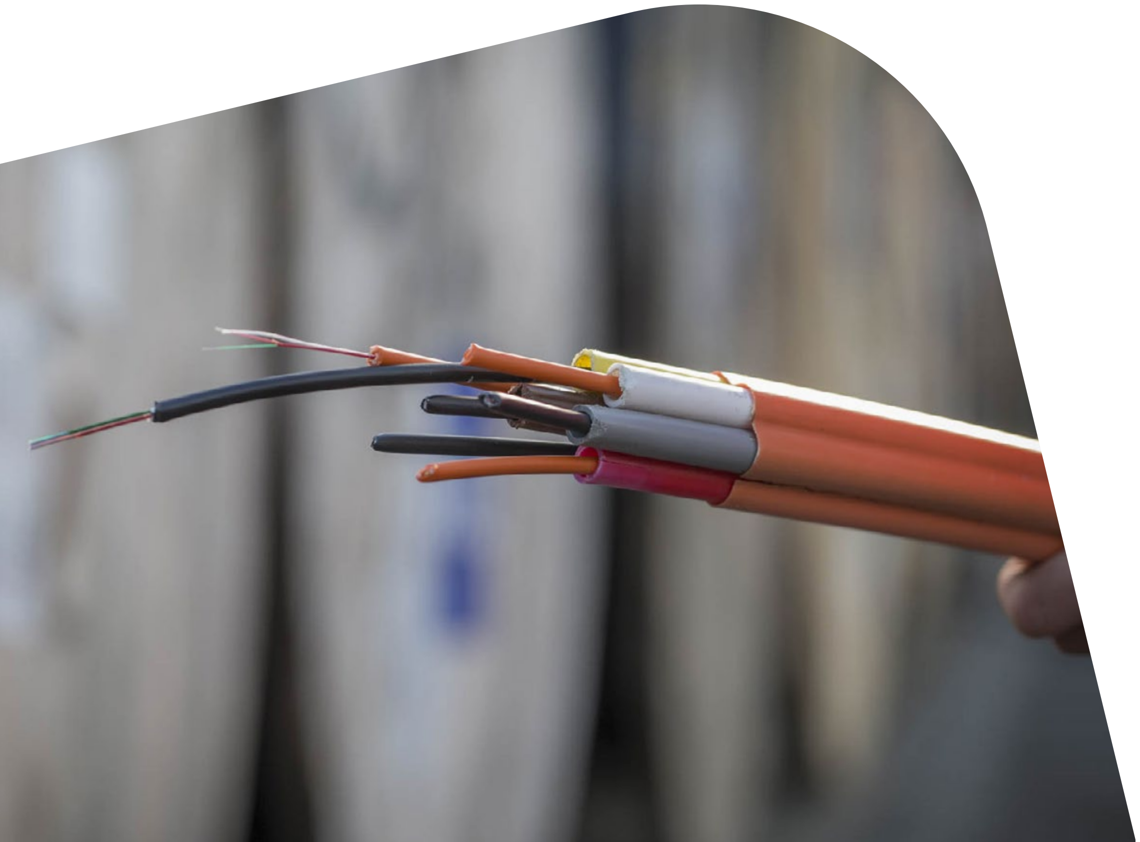
- **Build for the future.** Our mobile network upgrades focus firmly on the future. Soon we will offer up to 1 Gbps in the largest cities in Denmark, while phasing out 3G by the end of 2022 will help us to utilise our spectrum even better. We always design our infrastructure and investments with futureproofing in mind.
- **Holistic approach.** After upgrading our radio access network, we are committed to fully virtualising our core network before the mid-2020s. Our end-to-end focus is empowered by our partnership with Ericsson.
- **Bringing 5G to life.** We have brought together industry-leading talents at our Innovation Hub to address the challenge of rethinking how mobility services will be used in the future. For example, by working with Grundfos, we are utilising 5G technology to replace wired connections on production floors.

Fastest fixed connections

TDC NET leads both the low-speed and high-speed broadband markets in Denmark. We operate as an open-access infrastructure provider with wholesale solutions from simple to most value-adding products designed with end customers in mind.

The Danish broadband market has been growing by ~1% a year since 2015, with a significant shift towards high-speed services fuelled by increasing data requirements and enabled by multiple market players building out fibre.

Since 2018, TDC NET has focused on building a fibre engine to secure Denmark's future infrastructure. In total, we have taken fibre past more than 400k addresses.



Our fibre rollout engine is the largest in the country, which will preserve our position as a major player in the market long term.

The Danish authorities are currently reviewing the regulatory set-up to match the complex competitor landscape in the high-speed market.

TDC NET is expected to be appointed significant market player (SMP) in four areas of Denmark; with the former "Radius" concession area in the Copenhagen region comprising most of the addresses. For these areas, TDC NET is negotiating a set of commitments with the Danish Business Authority that better reflect current market conditions and provide higher flexibility. In the remaining 17 areas, TDC NET is expected to be deregulated in terms of high-speed services. Regarding low speeds, TDC NET will remain SMP on a national scale.

Our strategic focus

TDC NET will strive to offer end customers on our networks the fastest fixed connections. Our fixed connections strategy has three elements:

- **Expand fibre footprint.** TDC NET will continue to add more than 100k new addresses per year to its fibre footprint in the future - reaching our long-term ambition to deliver fibre in the vicinity of 1 million addresses in total. TDC NET is using advanced analytics to identify the most efficient way to meet market demand.

- **Utilise high-speed footprint.** TDC NET focuses on providing attractive solutions via its high-speed platforms. Our coax platform is already fully upgraded to DOCSIS 3.1, enabling giga speeds for more than a million addresses to date.

- **Support and migrate low speeds.** TDC NET serves a large number of customers with limited alternatives to copper. We are committed to serving them for as long as commercially viable while, at the same time, migrating to our faster and reliable infrastructure alternatives.

Great customer experience

Telecommunications infrastructure will become even more important in the years to come and represents fundamental value for society. However, superior infrastructure alone is no guarantee of success.

As an open-access wholesale provider, we deliver both efficient cooperation with service providers and the best experience to end customers.

Our strategic focus
We want all stakeholders to associate the TDC NET brand with a great experience. Our customer strategy has four elements:

- **Open access.** TDC NET is committed to working with all interested service providers, enabling them to effortlessly connect their end customers to TDC NET's infrastructure and platforms. As a result, TDC NET's customer base has diversified, which is expected to continue in the coming years.

- **Equal access.** We are on a journey to become truly self-standing and our ambition is to offer products and services based on Equity of Input principles. This ambition requires upgrading multiple IT systems. Meanwhile, TDC NET remains committed to delivering equal access through Equality of Output across all service providers.

- **Most-trusted solutions.** TDC NET solutions are the most secure and reliable available. We appreciate that our infrastructure is pivotal for everyday life and life-critical events. Consequently, we invest in constantly improving reliability and security.

- **Simple offering.** Our product-portfolio strategy is designed to be simple, standardised, and accessible to all, while meeting customer demands. We strive to be easy to engage with.

Operational excellence

TDC NET aspires to remain to be ahead of the industry in terms of efficiency, automation and simplification.

Novel solutions for driving efficiency are part of our DNA, and historically, we have pioneered managed mobility services and been recognised for procurement excellence, accompanied by a long-standing track record of streamlining our service delivery.

The goal for our operational efficiency focus is to free up resources and capital, which can be reinvested in futureproof technologies.

Our strategic focus

TDC NET strives for operational excellence by exerting all possible leverage in a structured manner. Our operational excellence strategy has five elements:

- **Data-driven optimisation.** TDC NET generates a vast amount of data across its networks and offerings. While we are committed to keeping it 100% safe and always protecting customer privacy, this provides us with a strong foundation for improving our business. For example, we reduce the time our field force spends on the road based on data via 1) resolving more issues remotely, 2) better routing, and 3) preventive maintenance using algorithms.
- **Automation.** Improvements in advanced capabilities also enable us to automate tasks and increase process quality. This spans from simple task automation to an ambition to deliver advanced end-to-end process redesign enabled by machine learning.
- **Legacy decommissioning.** Withdrawing products and platforms drives long-term cost cutting across TDC NET. We migrate legacy products and services to future-proof infrastructures and deliver the best customer experience while gradually phasing out legacy platforms, such as 3G, and upgrading old data centres with a simpler, more agile and more energy-efficient setup.
- **Carrier grade.** We actively work to reduce our technical heritage and improve solutions. Examples include replacing old transport fibre lines and modernising backhaul routers.
- **Fibre rollout efficiency programme.** We are committed to reducing fibre deployment costs and re-investing the savings in connecting even more addresses in Denmark. Over the past year, our “Should Cost” programme has successfully reduced the cost of fibre deployment by more than 20% and we expect to deliver an additional 20% reduction in 2021-22. Key programme objectives include optimising materials, changing construction methods, insourcing processes and automating the design process.

Our results

Revenue and gross profit

Revenue at TDC NET declined slightly in 2020 due to decreasing revenues on legacy products. This was partly offset by growing revenues on mobile and high-speed broadband, as well as the improved overall gross profit margin.

Revenue
In 2020, TDC NET's revenue decreased by 3.1% or DKK 222m to DKK 6,828m compared with 2019. The decrease was attributable mainly to legacy technologies such as landline, TV and copper broadband, as well as lower revenues for third-party installations due to an increased focus on fibre rollout. This was partly offset by growth in mobility services from increased capacity and the full-year impact of the national roaming agreement with Hi3G, as well as growth in high-speed broadband.

Internet and network
In 2020, internet and network revenue decreased by 0.7%, or DKK 20m, to DKK 2,647m. This decrease, driven by a 127k decline in the DSL customer base, was partly offset by net adds on high-speed broadband. Fibre and coax grew by 27k and 24k, respectively. The growth in high-speed broadband resulted in a DKK 5 increase in ARPU, due to a better customer mix. TDC NET's broadband market share in 2020 was 55%, down by 3%, in line with the continued decline in the DSL customer base.

Mobility services
Mobility services revenue increased by 1.7%, or DKK 45m, to DKK 2,625m in 2020, fuelled by price increases on our mobile network to cover capacity expansions required for future traffic, and the full-year impact of the national roaming agreement with Hi3G. The network market share in 2020 remained stable at 42%.

Landline voice
TDC NET's landline voice revenue decreased by 10.0%, or DKK 62m, to DKK 561m in 2020. This decline was driven by the continued customer loss in 2020 following the trend in recent years. This decline was partly offset by an ARPU increase of DKK 3 due to increased traffic and add-on services.

Other services
In 2020, revenue in other services decreased by 15.7%, or DKK 185m, to DKK 996m. This decline was driven by lower revenue from TV due to the decreasing customer base and phaseout of TDC NET as an external TV service provider. In addition, the installation revenues in Dansk Kabel TV decreased due to lower external demand for coax installations and upgrades, which enabled Dansk Kabel TV to perform more activities to the fibre roll out.

Gross profit
TDC NET's gross profit decreased by 2.1% or DKK 141m to DKK 6,447m in 2020. This is related to the previously mentioned revenue declines on legacy services and was partly offset by the improved gross profit margin, which rose from 93.4% in 2019 to 94.4% in 2020, driven by landline and other services. The margin improvements were positively affected by lower revenues from low-margin areas, such as interconnect in landline and installations in other services.

	2020	2019
Revenue, DKKm	6,828	(7,050)
Internet & Network, DKKm	2,647	(2,667)
Mobility services, DKKm	2,625	(2,580)
Landline, DKKm	561	(623)
Other services, DKKm	996	(1,181)
Gross profit, DKKm	6,447	(6,588)
Gross profit margin, Percentage	94.4%	(93.4%)

Operating and capital expenses

2020 was characterised by significant optimisation of our operations and increased investments in digital infrastructure.

Operating expenses
In 2020, TDC NET's operating expenses decreased by 7.4% or DKK 160m to DKK 2,013m. Contributory factors included savings on external expenses related to the separation of TDC, which were high in 2019, as well as lower personnel expenses. The decrease in personnel expenses was fuelled by modernising our network, as our employees spent more time on fibre and mobile development. This resulted in fewer network faults, and subsequently achieved a 8% reduction in the number of hours our technicians devoted to correcting faults in 2020 compared with 2019.

Personnel expenses
Personnel expenses decreased by 2.3%, or DKK 23m, driven by improving network operations efficiency, increased investments in our fibre rollout and upgrading our mobile network to 5G. The efficiency improvement was achieved by modernising our network, which resulted in higher technician productivity and lower fault rates. This was partly offset by higher costs from sick leave and workers sent home due to COVID-19.

External expenses
External expenses decreased by 9%, or DKK 129m to DKK 1,305m, resulting from cost optimisations across TDC NET following high costs related to the separation of TDC in 2019. These cost improvements were prompted primarily by reduced spending on consultants, marketing, personnel-related costs and support from TDC Group as TDC NET became more independent. The COVID-19 situation led to reduced personnel-related costs, lower travel costs and higher sanitation costs.

Other income
Other income increased by 3.2%, or DKK 8m, driven by increases in cable damage settlements.

Capital expenses
Capital expenditure for 2020 totalled DKK 3,971m, up by 23.9% or DKK 765m compared with the same period the previous year. This resulted from increased investments in digital infrastructure as we added 123k homes passed to our fibre footprint, upgraded and launched our 5G mobile network and swapped to Ericsson equipment.

Network
Network capital expenses increased by 28.5%, or DKK 744m, driven by a significant ramp-up in the fibre rollout and 5G swap project. In 2020, TDC NET reached approximately 123k homes passed compared with 52k in 2019. The 5G swap started in full swing in 2020, as we swapped equipment at about 3,600 mobile sites in addition to the 200 completed in 2019.

IT
IT capital expenses decreased by 3.9%, or DKK 18m, triggered by cost savings on IT operations from better prices on hardware and software, as well as lower activity on IT development and technology separation.

Customer installations
Capital expenses for customer installations increased by 30%, or DKK 39m, prompted by higher activity in coax broadband installations and CPE.

	DKKm	2019
Operating expenses	2,013	(2,173)
External expenses	1,305	(1,434)
Personnel expenses	956	(979)
Other income	248	(240)
Capital expenses	3,971	(3,206)
Network	3,359	(2,615)
IT	443	(461)
Customer installations	169	(130)

EBITDA, cash flow and profit

EBITDA increased slightly due to lower operating expenses combined with an improved gross profit margin, which offset the decrease in revenues. For 2021, a slightly higher EBITDA is assumed.

EBITDA

In 2020, EBITDA increased by DKK 19m to DKK 4,434m, attributable to lower operating expenses combined with the improved gross profit margin, which offset the decrease in revenues.

Cash flow

Cash flow from operating activities in 2020 rose by DKK 733m to DKK 4,315m. The increase was driven primarily by net working capital (DKK 1,118m) due to different timing of payments and the COVID-19 temporary liquidity support package (postponing payment of VAT and employee taxes) from the Danish State (approx. DKK 100m). The increased cash flow was partly offset by higher income tax paid (DKK 394m) as no payments in 2019 related to the activities contributed via the demerger of TDC A/S.

The DKK 196m decrease in cash outflow from investing activities, to DKK 3,282m, was caused primarily by lower payments related to mobile licences.

The net cash flows from operating and investing activities (DKK 1,033m) were used to reduce amounts owed to group companies (DKK 763m) and lease repayments (DKK 267m).

Profit for the year

Excluding special items, profit for the year increased by DKK 209m to DKK 634m. The increase was triggered mainly by lower depreciation due to the increased useful lives of various kinds of network equipment and a decreased depreciation base resulting from various fully depreciated assets.

Profit for the year (including special items) increased by DKK 240m to DKK 604m due to lower restructuring costs.

2021 guidance

For 2021, a small-digit EBITDA growth is expected, accompanied by continued savings and revenue stabilization.

EBITDA DKKm
4,434
2019 (4,415)

EBITDA Margin
64.9%
2019 (62.6%)

Operating activities inflow DKKm
4,315
2019 (3,582)

Investing activities outflow DKKm
3,282
2019 (3,478)

Profit for the year DKKm
634
2019 (425)

ESG at TDC NET

ESG at TDC NET

Our approach

As a provider of critical infrastructure, we take responsibility for running our business in a sustainable manner. Our sustainability strategy is based on three-pillars, which are guided by our material issues (based on an extensive materiality assessment), our ESG (Environmental, Social and Governance) commitments and strategic business priorities. Our approach is closely aligned with our business ambitions and core competencies.

Our sustainability strategy

Environmental impact
We will be 100% CO_2 neutral in 2028. We minimise our environmental impact

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

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

This demonstrates our ambition to make an impact and actively operate and develop TDC NET in a way that promotes sustainability and contributes positively to society. To ensure transparency, our ESG data collection process is externally assured by a third-party assessor.

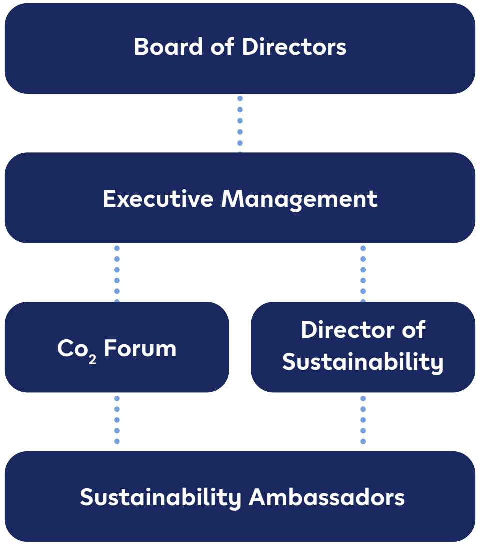
Governance

Our sustainability strategy is embedded in our business strategy and is approved by our Board of Directors. On an operational level, our Executive Management is responsible for ensuring our targets are achieved. The strategy and activities are cascaded down through the whole organisation.

To manage our climate commitments, we are part of the “CO_2 Forum”, a cross-company working group established and led by TDC Group. The forum is a collaborative venture in which key management-level personnel from both TDC NET and our sister company Nuuday participate.

Our governance is supplemented by topic-specific checks and balances, which are externally audited. Our environmental activities are tied to our ISO 14001 certified environmental management system, and our health and safety (H&S) approach is tied to our ISO 45001 certified H&S system.

An extensive array of issue-specific policies also covers critical ESG risk areas such as: network and IT security, data protection,



Governance model

privacy and data ethics, anticorruption, and our employee code of conduct. These have established lines of responsibility culminating with the TDC Group A/S Board of Directors or the Audit Committee of the Board of Directors, which support strong governance within ESG issue areas at TDC NET.

UN Sustainable Development Goals

At TDC NET, we appreciate the potential of connectivity in generating solutions to many of the world’s development challenges. We have chosen to align our own operations with the spirit and objectives of 3 of the sustainable development goals (SDGs) in particular.

SDG 4 Target

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

SDG 4 Performance

- By the end of 2020, 99,205 Danish school children have tested their digital skills with WiFive; we are now 52% of the way towards our 2025 target

SDG 9 Target

One million homes to be passed by fibre and nationwide 5G coverage

SDG 9 Performance

- In 2020, TDC NET passed 123,000 homes in Denmark with fibre broadband. We are now 39% of the way to achieving our goal
- National coverage with 5G was achieved by December 2020

SDG 13 Target

TDC NET has set a target to be 100% CO_2 neutral in 2028

SDG 13 Performance

- Agreed roadmap to CO_2 neutrality; including bringing forward target deadlines; from 2030 to 2028 and from 2025 to 2023
- Completed first Scope 3 emissions inventory; a critical step in setting our SBTi targets.

Climate & environment

Our approach

At TDC NET, we see connectivity as an enabler of sustainable economic growth. However, connectivity is not without environmental costs. Networks require electricity to operate and manufacturing the equipment we use requires large-scale production and rare earth minerals. This impact is our responsibility. We maintain a systematic framework of impact assessment, gap analyses, initiative planning, and active management, all guided by our materiality matrix and based on the ISO 14001 Environmental Management System.

Our targets

Our target is to be 100% CO_2 neutral by 2028 for our direct emissions (Scopes 1 and 2) and to reduce our CO2 emissions by 50% by 2023, from a 2020 baseline. We have also committed to setting Science Based Targets for Scopes 1, 2 and 3 in 2021.

2020 performance

The CO_2 Forum has developed a roadmap of initiatives that will deliver on our CO_2 targets. Initiatives include four extra capex initiatives, which we expect to reduce CO_2e emissions by 191 tons in 2021 and inviting a tender for a renewable energy PPA (power purchase agreement) for our electricity consumption. We expect the agreement to be finalised in 2021. We have chosen to pursue a PPA instead of buying certificates from existing renewable energy capacity because we want to take co-responsibility for promoting the green transition in Denmark.

Energy & emissions performance

In 2020, we recorded a 0.6% increase in our energy use compared with the previous year, and correspondingly a 0.5% increase in our operational emissions (Scopes 1 and 2). Both were driven by a 0.7% increase in our electricity consumption. Despite implementing several mobile and landline network energy-saving initiatives, their full effect will not be realised until 2021 and 2022. We were therefore unable to counter the increased electricity consumption demanded by the rapid development of our network, as many 5G sites and fibre connections were built in 2020.

Our fuel for transport decreased by 1% compared with 2019, due to initiatives such as rolling out electric scooters, cargo bikes for our Fibre Factory and the COVID-19 situation. We launched a “Pioneering Digital Collaboration”, which gives employees more freedom to work anywhere, anytime. According to our modelling, this could result in a decrease of over 1,400 tons of CO_2e.

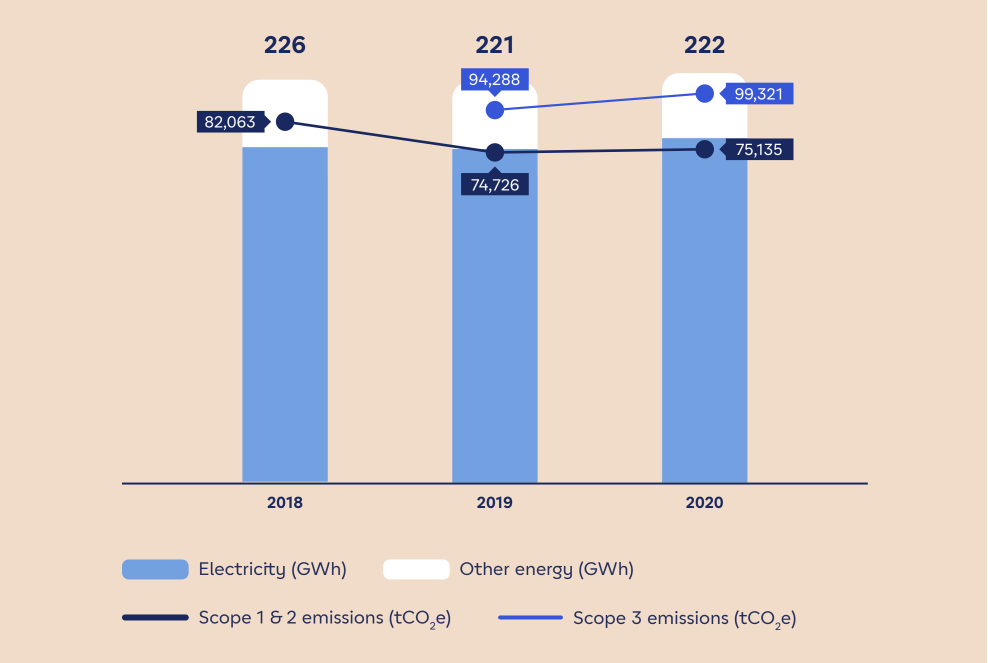
Scope 3 inventory

In 2020, we completed our first inventory of our scope 3 emissions. The scale of our value-chain emissions is approximately 1.3 times greater than our direct operations, and the biggest emitters are: purchased goods and services, and capital goods. This provides us with the baseline for setting our SBTi Scope 3 target and identifying the levers available.

Resource management

In 2020, we recycled 65% of our waste while almost 33% went to energy recovery (incineration). Of the remainder, 1.3% was composted and just 1.4% went to landfills. From a network perspective, our 5G rollout has required upgrading 3,800 existing radio sites. More than 700 tons of existing installation material has been used for spare parts, recycled, or scrapped. On top of this, we have identified approximately 85,000 devices that are now available to be sold for reuse by operators in other countries, harvested for spare parts, or recycled.

Energy consumption & CO_2e emissions development over the last 3 years



We report our emissions in line with the World Business Council for Sustainable Development GHG Protocol methodology, which classes emissions in 3 groups: Scopes 1, 2 and 3. Our Scope 1 emissions consist of the fuel in our vehicles, the oil in our backup generators and other energy sources we use in our operations. Our Scope 2 emissions are the emissions from the electricity we purchase to power our operations and the heat from district heating. Our Scope 3 emissions relate to the emissions generated in our upstream and downstream value chain that result from our operations.

Bringing people together

Our approach

We are committed to realising “Digital Denmark” through countrywide connectivity. When investing in our network, we are investing in Denmark’s digital future.

We join forces in partnership with dedicated and knowledgeable representatives of civil society to ensure that everyone can benefit from the new, rapidly evolving opportunities digitalisation brings.

Partnership with Danish Red Cross: Connecting people during COVID-19

During 2020, COVID-19 took its toll on most people. Home quarantine and social distancing became part of our everyday lives, leading to increased isolation and loneliness.

At TDC NET, we therefore teamed up with the Danish Red Cross to support SnakSammen, a digital initiative that brings people together, as our digital infrastructure holds the power to connect people, especially at a time when we must all keep our distance.

On the digital platform, SnakSammen.dk, people experiencing loneliness, or a sense of isolation can connect with volunteers from the Danish Red Cross. They can book as many online sessions as they like – to feel connected, have a laugh or merely see a friendly face.

During 2020, more than 2,642 online meetings were arranged via the platform, with positive feedback from both users and volunteers.

The partnership with the Danish Red Cross is continuing into 2021 to support those experiencing a sense of being disconnected during the pandemic.

Girls and women in technology

TDC NET is committed to encouraging girls and women to pursue IT, software and engineering careers. We collaborate with educational institutions on a number of initiatives:

- Hosting Girls’ Day in Science in collaboration with Naturvidenskabernes Hus
- Hosting Tech Career Days in collaboration with the IT University
- Extending our partnership with Women in Tech Denmark
- Collaborating with the non-profit ReDI School on offering IT courses to women with migrant and refugee backgrounds

Advancing digital citizenship among young people

Our approach
At TDC NET, we have a clear purpose to connect Denmark. For everyone. We support the next generation in benefitting from being connected and wish to enable children in Denmark to understand technology, be digital citizens and gain useful knowledge and skills.

We help them to explore, create and use the opportunities that our network and infrastructure offer individuals as well as society – in a safe and responsible way.

School pupils' digital skills strengthened through WiFive
The WiFive initiative was established in 2016. Since then, we have developed free learning materials and a "Digital Drivers' License" offered to all pupils from second to sixth grades in collaboration with the school pupils' organisation "Danske Skoleelever" and pupils from all over Denmark.

We engage in this important initiative since online interaction based on our digital infrastructure is an integrated and crucial part of many young people's lives and social interaction. Therefore, digital knowledge, understanding and skills are important.

So far, almost 100,000 pupils have benefitted from the WiFive learning materials, and WiFive is being used in more than one third of all schools in Denmark.

The WiFive learning materials focus on:
- How our digital infrastructure is constructed and works
- How to behave and interact virtually in a safe and responsible way
- The benefits and positive possibilities of a digital future

In 2020, we launched an updated version of the WiFive materials suitable for second- and third-grade pupils on multiple platforms to supplement the learning materials for fourth to sixth graders, which were launched in 2017.

Furthermore, the WiFive initiative has expanded with courses targeted schoolteachers to support them in teaching digital citizenship.

2020 results
- Launch of learning materials for second and third graders
- Digital courses for teachers
- Learning materials made available on more digital platforms: WiFive.dk, Clio, MeeBook, MinUddannelse and BørnUnge-liv
- Launch of WiFive for seventh graders in Greenland
- Number of pupils reached: 99,205
- Percentage of total number of pupils in grades 2-6 in Denmark: 29.9%
- Number of teachers reached: 1,922
- Number of schools reached: 768
- Percentage of all schools in Denmark: 34.6%

Operating responsibly

Our approach
We are aware of our responsibility to Danish society to operate in a conscientious and transparent manner. It is critical that our partners, employees and customers trust us and feel secure.

We comply with the relevant laws and regulations. We aspire to higher standards and seek to continuously improve our policies and practices through external benchmarking assessments, certification, and other external validation. Supporting these principles, we have policies and procedures that our employees are required to be aware of or take training in. These include our whistleblower policy, our anti-corruption and gift policy, our sustainability policy, our data ethics policy, our data privacy policy, our Partner Code of Conduct, our GRI reporting index and our ESG accounting principles.

Sustainable Procurement
In our supply chain, we focus on environmental impact, human and labour rights, and health and safety.

In 2020, we worked to reduce risks in our operations and value chain through systematically addressing the safety performance of key civil works suppliers by establishing safety reporting systems.

In 2021, we will strengthen our sustainable procurement programme through industry initiatives, screening, and engagement with our suppliers. Various initiatives are planned, including setting targets, and establishing internal sustainable procurement reporting.

External assessment and certifications
Currently, we have two ISO certifications across our business, covering environmental management (ISO 14001) and occupational health and safety (ISO 45001). Our IT security policies are aligned with ISO 27001.

We publish information related to our ESG activities to increase transparency. Our ESG reporting is prepared in accordance with GRI Reporting Standards: Core Option and is assured by external, third-party assessors. As a part of TDC Group, we are assessed by both GRESB and EcoVadis. In 2020, we received a GRESB Infrastructure score of 65, up 4 points from 2019, and our EcoVadis score for 2020 assessment was also 65, up 3 points from 2019, putting us in the top 10% of respondents. In 2021, we will report to CDP and in line with TCFD requirements.

Our stakeholders
We actively engage with our stakeholders to identify material issues through different channels, including direct engagement through bilateral dialogue, participation in industry groups, collaboration with authorities, and external reporting for benchmarking and transparency. The stakeholders we engage with include: authorities and regulators, customers, employees, investors, management, media, owners, partners and interest organisations, suppliers and business partners.

Memberships
TDC NET is a proud member of specially selected organisations and commitments. We collaborate with the Telecoms Industry Association (TI), the Danish Chamber of Commerce (Dansk Erhverv), and the Danish IT Industry Association (ITB).

Internationally, we are represented at Board level on the Global e-Sustainability Initiative (GeSI). We also participate in the association of mobile network operators worldwide GSMA, the European Telecommunications Network Operators' Association (ETNO), and the Joint Audit Committee (JAC), an association of telecom operators working to further ESG implementation in the global ICT supply chain.

TDC NET is a signatory to the United Nations Global Compact through TDC Group. As a result, the 10 principles of the Global Compact underpin our commitment to human rights, labour conditions, respect for the environment, health and safety, data protection and security, and ethical business practices. Through TDC Group, we have signed the UN Business Ambition for 1.5°C Pledge.

Health & safety

Our approach
Ensuring good labour practices in terms of wellbeing and physical safety has high priority and is key to securing that employees can fulfil their potential.

Structure and governance
Our health & safety (H&S) organisation is structured in line with the Danish Working Environment Act and TDC NET is H&S certified (ISO 45001) based on an H&S management system that defines strategy, risks and procedures.

The H&S collaboration is managed by our Joint H&S Committee, which consists of four employee representatives from the H&S organisation, three representatives from the trade unions, a representative from TDC Group management and the Head of H&S. Furthermore, H&S is anchored in 53 H&S groups.

Risks
In 2020, the major H&S risks for our employees working both onsite and in offices involve primarily the spread of COVID-19, although technicians also face risks associated with fibre rollout and other projects (falling, traffic etc.).

In line with the recommendations from the Danish Government, TDC NET has designed a COVID-19 risk-level model to guide mitigating actions. The risks of working in the Fibre Factory project is mitigated by an active H&S organisation at TDC NET Onsite and an H&S concept at Fibre Factory itself.

2020 performance
A new H&S strategy was approved by TDC Group's Board of Directors in 2020 that focuses on developing a preventive H&S culture to mitigate and reduce negative effects of the physical and psychological work environment.

We have converted our OHSAS 18001 certification to ISO 45001 certification, the world's international standard for H&S. We have implemented H&S data collection with our top 30 subcontractors, focusing on the rollout of fibre and 5G. Employees have also received H&S training. Our TDC Bradley model, developed to measure the maturity of our H&S culture, was used to conduct a baseline survey that recorded a Bradley score of 72/100 for TDC NET. This result reveals that TDC NET's H&S culture is mature and based on high-level awareness and personal responsibility. To further strengthen the culture, we will develop and implement action plans throughout the organisation.

2020 Data

Fatalities	0
With Lost time	31
Without lost time	48
Total	**79**
Days of absence	351
Injury incidence (Lost time Injuries per 10.000 employees)	116
Rate of fatalities (per 1,000,000 hours)	0
Rate of High consequence work related injuries (per 1,000,000 hours)	7
Rate of work-related injuries (per 1,000,000 hours)	18
Rate of near miss accidents (per 1,000,000 hours)	15

Targets
Our H&S strategy has a target to reduce negative H&S consequences, such as injuries, wellbeing and attrition, by 50% by 2025.

Security and digital trust

Our security approach
Security remains our top priority, and we base our work on four principles:
1. Protect our company, 2. Protect our customers, 3. Protect our employees, 4. Protect citizens. We take responsibility for IT, information, and physical security by applying a wide-ranging security policy based on best practice in compliance with ISO 27001.

2020 security performance
In support of TDC NET's regulatory and societal obligations as a key provider of critical national infrastructure – as well as contractual obligations towards customers – we have built a solid foundation for integrating security risk management in our operational processes. Specifically, activities associated with identifying, assessing and managing security risks can affect the confidentiality, integrity and availability of our assets and data, and have therefore been integrated in the established life-cycle management processes for our technical components and applications. Regarding our employees, we are continuously engaged in security awareness activities. In 2020, we launched a voluntary learning platform that 77% of our employees have joined.

GDPR: We keep your data close at heart
We take our responsibility for protecting customers' and employees' personal data very seriously. We aim to ensure that GDPR requirements and provisions are met. Through both organisational and technical measures, we ensure that we process personal data safely, securely, and in compliance with all relevant legislation.

While the responsibility to achieve and maintain GDPR compliance spans the whole of TDC NET, an appointed Group Data Protection Officer (DPO) specifically drives the agenda from a central point in TDC Group, and a DPO Office has been established to support the DPO. Data Privacy Managers (DPMs) in each business line are responsible for day-to-day processes and GDPR compliance. The DPO liaises with the supervisory authorities and reports both to the Board of Directors via the Audit Committee, and to the Executive Management Team.

All employees must complete e-learning training on GDPR and personal data compliance and pass a test every 18 months; this is also a mandatory component of the onboarding process for all new employees. For employees who handle personal data every day, other supplementary educational and awareness initiatives are implemented. In 2020, 99% of all TDC NET employees completed the GDPR e-learning course.

Data ethics: Public statement of intent
In 2020, we published our data ethics policy, outlining our data ethical principles. Throughout the year, we conducted a series of interviews with managers and employees in parts of the organisation that work specifically with and handle personal data and have work tasks that involve aspects of data ethics.

It is our assessment that across the organisation, personal data is handled responsibly and in accordance with our data ethics policy. However, we want to continuously strengthen the awareness of GDPR compliance and data ethics going forward. And our series of interviews throughout the organisation led us to conclude that high awareness of GDPR compliance is also conducive to a good data ethics culture in the organisation.

Diversity and inclusion

Our D&I approach

Our approach to diversity and inclusion (D&I) reflects two core TDC NET values: “We care” and “We are open”. We serve citizens from all areas of society; of every age, gender, ethnic background, religion, ability, and sexual orientation – and we want our employees to reflect the diversity within society. TDC NET is a workplace with equal opportunities for anyone with the right skillset and mindset. We are proud that among our 2,676 employees we have 24 different nationalities, a wide age profile from 16 to 71 years of age, and numerous different backgrounds.

2020 D&I performance

We have managed to increase the share of women in leadership from 15% in 2018 to 18% today. We aim to be industry front-runners on gender equality in leadership and have set an ambitious goal to achieve 50/50 gender balance in management. While the development is positive, we understand that we still have an important journey ahead. In 2020, we introduced a new D&I programme that trains leaders in recognising unconscious biases and practising inclusive leadership. We have also implemented the Develop Diverse AI language software, which helps us create inclusive and gender-neutral job ads to attract a wider and more diverse pool of candidates.

An open and caring culture for all

We continue to promote a diverse work-place where everyone feels they can contribute and truly be themselves. We work to strengthen the wellbeing of minorities, including people with mental or physical disabilities, refugees, and people identifying as LGBT+. During Pride Week, we hosted educational talks for our employees, and we are a long-term partner in the Ministry of Equality’s industry focus group to support the inclusion and wellbeing of LGBT+ individuals. The ability to organise one’s work life according to individual needs remains a corner-stone for us, so that TDC NET can be a place with opportunities for all regardless of a reduced work capacity or busy family life.

Gender diversity in management

TDC NET’s Board of Directors currently has three male members elected by the general meeting, with a goal to have both genders represented by at least 33,33 % by the end of 2021. TDC NET’s subsidiary, Dansk Kabel TV A/S currently has four male board members elected by the general meeting, with a goal to have both genders represented by at least 25% by the end of 2021. These two targets have not been achieved yet, because the shareholders have decided not to change any of the Board members.

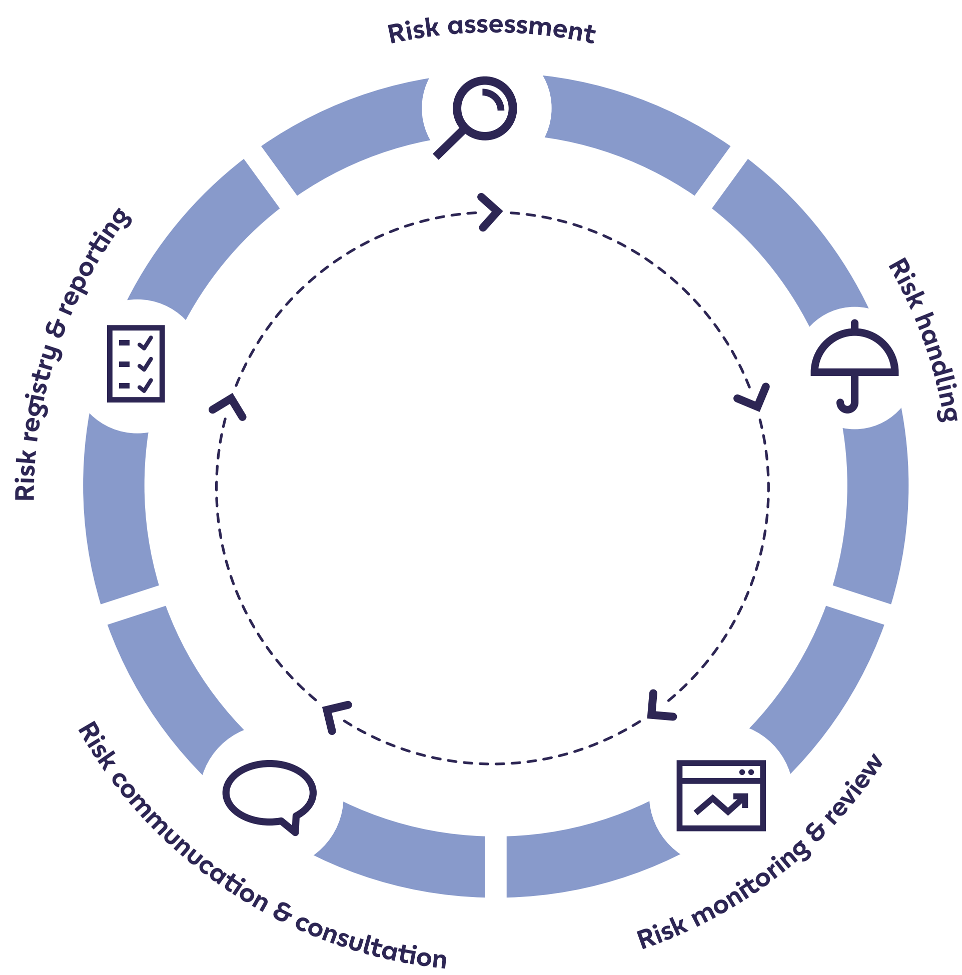
Risk management

Risk management approach

TDC NET faces both internal and external risks on which we focus in the short, medium and long term. The following pages describe short- and medium-term risks. TDC NET has identified risks that could influence long-term growth where TDC NET could jeopardise its market-leading position and high network utilisation. However, strategic initiatives focus on mitigating these risks. Risk management is an integrated, structured, and dynamic aspect of TDC NET's business operations and planning and is based on a hybrid of internationally recognised standards such as ISO, COSO, and NIST.

Risk assessments are conducted monthly whereby business lines and corporate functions identify and update all significant risks within the TDC NET risk universe. Risks are then consolidated and assessed on their type, potential impact and probability, and the information is reported to the Risk Committee on a monthly basis, to the Corporate Management Team on a quarterly basis, to the Audit Committee biannually, and to the Board of Directors once a year. Responsibility for significant risks is assigned to a member of the TDC NET management team, with the risk monitored and evaluated *on a monthly basis compared with defined risk-appetite levels. Mitigating initiatives are also established, tracked, and evaluated.

By their very nature, forward-looking statements involve certain risks and uncertainties. Risks not currently known, or emerging risks that TDC NET currently deems to be immaterial, may also adversely affect our business and financial conditions. The most essential risks and uncertainties that could impact TDC NET's operations are stated but may not be limited to those listed below.



Risk	Potential impact	Mitigation initiatives
Commercial factors The telecommunications industry is undergoing a major transformation and hence the risk landscape remains subject to fierce competition coming from market developments and price pressure where digitalisation, changes in customer behaviour, and new technologies are among the major drivers leading to a transition to new business models and structural changes. Technology developments can potentially lead to increased churn if fast and swift adaption to new technologies is not ensured. The ongoing modernisation of the network introduces new risks and new opportunities that are being closely monitored. With the 5G rollout, TDC NET is presented with a great opportunity as the sole industry actor in the country to have achieved that milestone in 2020. However, uncertainties concerning spectrum availability might represent a risk for the business. Lastly, fraudulent activities from malicious or legitimate third parties, e.g. SIM swapping, could have a plethora of different consequences.	Delays in technological modernisation could result in a diminished reputation among Danish society and B2B customers and could consequently result in financial loss and higher churn. Moreover, uncertainties around spectrum auctions represent an uncertainty for TDC NET that could materialise in the risk of losing its position as the leading network provider in the country. Intensified competition and net loss of customers could lead to reduced ARPU and pressure on margins and profits. Lastly, fraudulent activities might prompt reputational damage within Danish society and TDC NET'S B2B customers, causing direct or indirect financial loss.	• Monitoring commercial developments, market and customer behaviour, changes to service offerings, product portfolios, and market performances in general • Focus on market positioning and ensuring the best mobile network in Denmark to retain and attract customers • Secure right positioning towards device manufacturers and other operators • Ensuring appropriate controls to mitigate fraudulent activities
Political, legal and financial factors TDC NET's positioning as the leading network provider determines its susceptibility to several, political, economic or legal/regulatory factors. TDC NET may be impacted by regulatory changes or new regulation or legislation that, in turn, may lead to e.g. increased compliance requirements or reduced sector profit, reducing the incentive to invest. Other factors relating to network integrity, data security, and customer privacy are also to be considered highly relevant in this context, as TDC NET has a responsibility to protect data from misuse, loss, unauthorised disclosure and damage. However, the digitalisation age is leading to new and faster ways of working and connecting that are resulting in more complex and data-driven business models continuously challenging the ability to retain control over how data is collected and used. Other macro factors could relate to financial risks such as higher interest levels leading to higher financing costs when refinancing, or fraudulent events leading to financial loss. Macro factors could also be related to public sentiment regarding TDC NET or our suppliers potentially weakening our ability to engage with political and regulatory stakeholders. Finally, additional macro factors could also relate to external events or circumstances that could compromise or improve TDC's standing or credibility, which could potentially impact on consumers and/or revenue streams.	Changes in regulation or government policies could affect our business activities, as could decisions by regulatory authorities or courts, which in extreme cases, could include granting, amending or revoking of telecom licences and spectrum permits. A new law on supplier security in critical telecommunications infrastructure might lead to swapping network equipment earlier than planned, leading to increased short-term cost levels and lack of transparency when planning. Individual cases of operational and external issues could also constitute short-term detractions from TDC NET's public image by affecting the overall reputation and brand image. Lastly, risks related to network integrity, data security, and customer privacy could also lead to unfavourable perceptions of TDC's ability to handle these matters, which in turn could impact our business. Not meeting national and EU legislation could result in significant financial penalties.	• Monitoring of political and legal developments in the markets where TDC operates • Proactive and continuous close dialogue with politicians, and regulatory and market stakeholders, such as the DBA • Storytelling and clear communication about TDC NET's strategy and initiatives through campaigns, marketing, and social media focusing on our contributions to Danish society • Implementation of the EU General Data Protection Regulation (GDPR) and training on security and privacy awareness for all employees

Risk	Potential impact	Mitigation initiatives
Network quality and security factors High-quality and secure services and networks are fundamental aspects of TDC and our product portfolios, as they are crucial for our customers and Danish society. As such, they are pivotal for our continued commercial success. At global level, various threats and events could potentially undermine the effectiveness of operations or development of IT and/or technology. In addition, threats and events that could potentially improve or compromise the processing, confidentiality, integrity, availability, stability, capacity, performance, continuity or resilience of information technology are becoming more frequent and sophisticated. Multiple threats could potentially trigger the materialisation of operational, IT, and cyber risks, typically stemming from human errors (e.g. information leakage), malicious activity (e.g. malware), natural phenomena (e.g. floods), or system failures (e.g. hardware failures). However, other parameters, such as the complex IT landscape and legacy technology being unable to match the speed and functionality of newer IT software and hardware held by competitors, also affect TDC NET's business. These various factors could all influence the outcome of our ambitious strategies, including the rollout of fibre broadband and 5G technology. Uncertainty regarding the speed with which other competitors are rolling out fibre and 5G, uncertainty regarding the future level of unit costs associated with fibre rollout, and uncertainty regarding publicity if vendors fail to meet reestablishment requirements, are just a few such factors. In addition, uncertainties regarding new technology, legacy technology and technical debt, security by design and by default, as well as the robustness of vendors, outsourcing and vendor setup, scalability, suite vs. breed, inadequate design, or process and service life-cycle management may all impact network quality, security and operations, or also hamper innovation and development.	Any loss of confidentiality, integrity, or availability of information, data, technology assets or damage to our infrastructure or services could impact our operations, customers, society, and/or reputation. More specifically, cyber-attacks could potentially expose critical data and affect business operations and activities that may impact on our customer experience, perceived quality, and brand reputation, which could increase customer churn and overall profitability. As such, any event resulting in being unable to meet our customers' quality and security requirements or expectations could potentially impact on customer retention or otherwise affect our opportunities to ensure growth and remain ahead of our competitors. Therefore, if security and contingency measures fail to prevent or overcome a major incident, TDC NET might incur e.g. regulatory sanctions, contract penalties, significant financial losses, damage to its reputation, with resulting loss of customers, general attraction value and market share. Furthermore, resistance to 5G could potentially result in vandalism, destroyed or damaged equipment or even threats towards employees, which could lead to financial losses, increased costs, downtime or even employee disengagement or staff injuries. However, initiatives and strategic programmes on e.g. technical debt and infrastructure rollout to maintain overall network quality and determine our leading competitive position proceeded according to expectations and plans – some, like the 5G rollout, were even successfully achieved ahead of schedule, leading to TDC NET being the first telecom provider in Scandinavia to offer 5G and cover 90% of the population of Denmark within one year. Such initiatives are certainly providing new opportunities for our customers and Danish society, while strengthening the capacity of our award-winning network on the brink of a new digitalisation age.	• Continuous investment in network infrastructure, security, and optimisation of processes and structures • Group-wide crisis management organisation • Successful rollout of technology and infrastructure programmes, including fibre and 5G • Monitoring of customer satisfaction and expectation fulfilment • Close dialogue with Danish authorities and our customers • Vendor quality control • Focus on network resilience through risk management and incident management

Risk	Potential impact	Mitigation initiatives
Transition and transformation factors The ongoing transition of TDC Group into two stand-alone companies could turn out to be more wide-ranging when splitting IT systems and establishing new processes and may also demand more resources and investments than previously 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, engaging, and retaining qualified employees, especially within IT. Taking part in the digital transformation is essential to engage customers, increase productivity, and ensure high-quality products in the future landscape. Hence, events or circumstances that could potentially improve, compromise or undermine the effectiveness of TDC NET's execution of the transformation, including objectives, initiatives, processes, capacity, capabilities, and deliverables, are closely monitored. Similarly, the ongoing transformation and modernisation of the mobile network could produce a set of different risks and opportunities that are being closely monitored, controlled, and mitigated by ensuring that the right resources are allocated, and the right knowledge base is maintained and enhanced to safeguard a secure and successful business transformation.	The level of costs could become higher than assumed for splitting TDC Group into Nuuday and TDC NET. However, so far, the costs related to the separation have been kept within the guided bounds. Investment-envelope issues, meaning lacking the required investments to deliver initiatives, as well as top-line impact, i.e. negative impact on revenue from key cost initiatives, and challenges regarding building capabilities and ensuring synergies to avoid missing capabilities after the split, could also have a major impact on TDC NET's ability to execute on transition and transformation initiatives. Furthermore, the fact that many employees are being allocated to execute the transition could also move our focus away from optimising the core business, leading to a lower degree of efficiency. This requires that initiatives are taken to avoid the risk of voluntary churn of key personnel, which in turn could impact capacity, quality, and/or time constraints, ultimately leading to lack of execution power to deliver on our strategic initiatives. For 2020, the focus on attracting and developing digital talent has therefore been maintained throughout. Finally, failure or delay of the digital transformation could also lead to lower productivity and efficiency in comparison with competitors.	• Clear focus and engagement from top management and an IT foundation that enables the IT of the future • Focus on ensuring right and efficient levels of investment within the guided bounds • Focus on investing in and attracting the right IT talents & Network Champions • Initiatives to strengthen cooperation and collaboration with educational institutions

ESG Risk	Management approach	Governance
Human rights TDC NET's risks relating to human rights concern our direct employees, our customers, and the employees of partners and companies in supply chain; including risk of forced labour, discrimination or harassment and the misuse or loss of personal data, and data breaches.	We strongly support the inalienable rights of all people to live free of discrimination or degrading treatment and to have their right to freedom of association, collective bargaining and (data) privacy. We have in place an array of policies and procedures that support our efforts in this area. These are underpinned by activities including training, awareness raising, auditing, reporting and external certification. • Partner Code of Conduct for employees and suppliers, including respect for human rights. • Vendor Management audits and monitoring of strategic suppliers • Group Personnel Policy: 88% of TDC NET employees are covered by collective agreements • Occupational Health and Safety policy and certification to ISO 45001 standard. • Group Security Policies aligned to ISO 27001 standards and 99% of employees completed an e-learning on GDPR and data privacy.	There are several governance structures that Human Rights governance falls under and each of these committees has a system of monitoring and reporting: • Occupational Health and Safety committee of the Board of Directors, • Audit Committee of the Board of Directors, • Executive Management.
Anti-corruption and bribery TDC NET have suppliers from across the globe. There is always a risk that bribery or corrupt practices could influence business decisions.	We have a zero-tolerance approach to corruption in any form and do not accept that we as a company or the employees offer or accept any kind of bribery. Our activities in this area revolve around policy development, awareness raising and putting in place resources and training for employees. • Whistleblowing policy allows for the anonymous reporting of suspected wrongdoings directly to the TDC Group A/S Audit Committee of the Board of Directors. One report was submitted in 2020. • Gifts and Anti-Corruption Policy commits TDC NET to comply with the United Nations Convention against Corruption, the Merida Convention. This policy is updated annually. • Partner Code of Conduct for suppliers, partner organisations and employees.	Governance for our environment and climate activities is sits with the Audit Committee of the TDC Group A/S Board of Directors and the Executive Management.
Environment and climate There are several potential environment and climate risks as a result of our investments, our operations and our supply chain; including issues from the physical impacts of climate change.	Our commitment to the UN Business Ambition for 1.5°C Pledge and the UN Global Compact principles anchors our work on environmental issues. These activities are captured in our policies, certifications, programmes, including: • Sustainability Policy • ISO 14001 certification for all our locations and 2,600 employees • The CO2 Forum governance body and working group work to deliver our CO2 neutral target through energy efficiency initiatives and investments and detailed emissions reporting • Submitting Scope 1, 2, and 3 targets to the SBTi initiative in 2021 • Circular economy activities in operations and product development, including supplier engagement activities • Climate related assessments and mitigation activities within our network and facilities	Governance for anti-corruption and bribery is sits with the Audit Committee of the TDC Group A/S Board of Directors and the Executive Management.

Financial statements

Financial statements

Content

Notes to consolidated financial statements

Consolidated income statement

(DKKm)	Note	2020	2019
Revenue	2.1	6,828	7,050
Cost of sales	2.2	(381)	(462)
Gross profit		6,447	6,588
External expenses	2.3	(1,305)	(1,434)
Personnel expenses	2.4	(956)	(979)
Other income	2.1	248	240
Operating profit before depreciation, amortisation and special items (EBITDA)		4,434	4,415
Depreciation, amortisation and impairment losses	2.5	(2,986)	(3,296)
Special items	2.6	(39)	(76)
Operating profit (EBIT)		1,409	1,043
Financial income and expenses	4.4	(605)	(581)
Profit before income taxes		804	462
Income taxes	2.7	(200)	(98)
Profit for the year		**604**	**364**
Attributable to:			
Shareholders of TDC NET A/S		604	364
Profit for the year		**604**	**364**

Consolidated statement of comprehensive income

(DKKm)	Note	2020	2019
Profit for the year		604	364
Other comprehensive income		0	0
Total comprehensive income		**604**	**364**
Attributable to:			
Shareholders of TDC NET A/S		604	364
Total comprehensive income		**604**	**364**

Consolidated balance sheet

Assets (DKKm)	Note	2020	2019	1 January 2019
Non-current assets				
Intangible assets	3.1	11,047	11,101	9,894
Property, plant and equipment	3.2	14,559	13,311	13,042
Lease assets	3.3	1,325	1,601	1,831
Joint ventures and associates		2	2	2
Other receivables		25	25	25
Total non-current assets		**26,958**	**26,040**	**24,794**
Current assets				
Inventories		43	39	37
Trade receivables	3.4	532	512	349
Other receivables		10	3	6
Contract assets	3.5	58	94	75
Amounts owed by group companies		876	1,038	255
Prepaid expenses		102	99	132
Cash		4	1	0
Total current assets		**1,625**	**1,786**	**854**
Total assets		**28,583**	**27,826**	**25,648**

Equity and liabilities (DKKm)	Note	2020	2019	1 January 2019
Equity				
Share capital	4.1	0	0	0
Retained earnings		8,756	8,152	20,500
Total equity		**8,756**	**8,152**	**20,500**
Non-current liabilities				
Deferred tax liabilities	2.7	235	299	471
Provisions	3.6	331	265	268
Lease liabilities	3.3	1,115	1,333	1,537
Loans	4.2,4.5	14,043	14,035	205
Other payables		129	47	0
Total non-current liabilities		**15,853**	**15,979**	**2,481**
Current liabilities				
Loans	4.2,4.5	30	91	91
Lease liabilities	3.3	286	280	274
Trade payables		2,522	1,926	1,695
Other payables		307	296	319
Contract liabilities	3.5	182	244	198
Amounts owed to group companies		518	569	51
Income tax payable	2.7	110	268	26
Provisions	3.6	19	21	13
Total current liabilities		**3,974**	**3,695**	**2,667**
Total liabilities[1]		**19,827**	**19,674**	**5,148**
Total equity and liabilities		**28,583**	**27,826**	**25,648**
[1] Total liabilities excl. impact from IFRS 16		18,426	18,061	3,338

Consolidated statement of cash flows

(DKKm)	Note	2020	2019
Operating activities			
Operating profit before depreciation, amortisation and special items (EBITDA)		4,434	4,415
Adjustment for non-cash items		55	25
Payments related to provisions	3.6	(17)	(13)
Special items	2.6	(87)	(43)
Change in working capital	5.1	761	(383)
Interest received	4.4	6	1
Interest paid	4.4	(415)	(392)
Income tax paid	2.7	(422)	(28)
Total cash flow from operating activities		**4,315**	**3,582**
Investing activities			
Investment in enterprises		(2)	0
Investment in property, plant and equipment	3.2	(2,759)	(2,841)
Investment in intangible assets	3.1	(523)	(637)
Sale of other non-current assets		2	0
Total cash flow from investing activities		**(3,282)**	**(3,478)**

(DKKm)	Note	2020	2019
Financing activities			
Lease payments		(267)	(250)
Change in short-term bank loans		0	(375)
Change in interest-bearing receivables and payables		(763)	522
Total cash flow from financing activities		**(1,030)**	**(103)**
Total cash flow		**3**	**1**
Cash and cash equivalents at 1 January		1	0
Cash and cash equivalents at 31 December		**4**	**1**

Consolidated statement of changes in equity

(DKKm)	Share capital	Retained earnings[1]	Total
Equity at 1 January 2019	**0**	**20,500**	**20,500**
Profit for the year	-	364	364
Total comprehensive income	-	364	364
Distributed dividends	-	(12,712)	(12,712)
Total transactions with shareholders		(12,712)	(12,712)
Equity at 31 December 2019	**0**	**8,152**	**8,152**
Profit for the year	-	604	604
Total comprehensive income	-	604	604
Total transactions with shareholders	0	0	0
Equity at 31 December 2020	**0**	**8,756**	**8,756**

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

Section 1

Basis of preparation

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

1.1 | Accounting policies

TDC NET's consolidated financial statements for 2020 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.

These consolidated financial statements are the first to be prepared in accordance with IFRS. Previously, the financial statements were prepared in accordance with the Danish Financial Statements Act (local GAAP). The standard IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

The consolidated financial statements are based on the historical cost convention, except that the following assets and liabilities are measured at fair value: financial instruments held for sale, and financial instruments held to collect and sell.

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.

Demerger from TDC A/S

On 11 June 2019, TDC NET A/S was incorporated upon completion of the demerger of TDC A/S, whereby the TDC NET activities and certain debt from TDC A/S related to the TDC NET business were contributed to TDC NET A/S. Upon completion of the demerger, TDC A/S became the parent company of TDC NET A/S and the demerged sister company Nuuday A/S.

The demerger in 2019 was accounted for as a capital restructuring, whereby the consolidated financial statements of the TDC NET Group were presented in the name of TDC NET A/S, but was a continuation of the TDC NET business presented in the consolidated financial statements of TDC A/S. Thus, assets and liabilities of TDC A/S and its subsidiaries were accounted for on a historical cost basis, and are not revalued at market value upon completion of the demerger i.e. the TDC NET Group is a continuation of the book value of the assets and liabilities contributed from TDC A/S. The debt assumed by the legal parent (TDC NET A/S) was recorded directly in equity as dividend.

Accordingly, the consolidated financial results reflect the activities for TDC NET A/S including its subsidiaries in the period from 1 January 2019 to 31 December 2020.

First-time adoption of IFRS

In accordance with IFRS 1, the opening balance sheet at 1 January 2019 and comparative figures for 2019 have been prepared in accordance with those IFRS effective at 31 December 2020. In preparing these financial statements, the opening balance sheet was prepared at 1 January 2019 (the date of transition to IFRS), and TDC NET has chosen to use the following exemptions:

- to measure its assets and liabilities at the carrying amounts that have been included in the consolidated financial statements of TDC A/S.

The implementation of IFRS impacted on total comprehensive income for 2019 and total equity as per 1 January and 31 December 2019 as presented below:

Reconciliation of total comprehensive income and total equity (DKKm)	Total equity 31 December 2019	Total comprehensive income 2019	Total equity 1 January 2019
Local GAAP (parent company financial statements)	7,836	48	20,500
Effect of adopting IFRS 16	(37)	(37)	0
Amortisation of goodwill, reversed	252	252	0
Amortisation of brand with indefinite life (net of tax), reversed	101	101	0
IFRS	**8,152**	**364**	**20,500**

Consolidation policies

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

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

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

1.2 | Critical accounting estimates and judgements

The preparation of TDC NET 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 contracts involving sale of complex products and services	Judgement
2.7	Special items	Assessment of special events or transactions	Judgement
3.1	Intangible assets	Assumptions for useful lives	Estimate
		Assumptions used for impairment testing	Estimate

1.3 | New accounting standards

TDC NET Group has adopted the new standards, amendments to standards and interpretations that are effective for the financial year 2020. None of the changes have affected recognition or measurement in the financial statements nor are they expected to have any future impact.

At 29 April 2021, IASB had approved a number of new accounting standards and changes to standards that are not yet effective. TDC NET has evaluated the standards and none of them are expected to be relevant to the Group and are therefore not expected to impact on the financial statements.

Section 2

Profit for the year

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

2.1 | Revenue

Specification of revenue from products (DKKm)	2020	2019
Landline voice	561	623
Mobility services	2,625	2,580
Internet & network	2,647	2,667
TV	356	424
Other services	639	756
Total	**6,828**	**7,050**

Critical accounting judgements

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 subscriptions, leases, etc.

§ 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. Services include traffic and subscription fees, interconnection fees, fees for leased lines, network services, TV distribution as well as connection and installation fees.

TDC NET delivers services from plain access to full-service packages to service providers, which 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.

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

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

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

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 accounting items of a secondary nature compared with the company's principal activities.

[1] 2018 figures in brackets.

2.2 | Cost of sales

(DKKm)	2020	2019
Landline voice	(67)	(85)
Mobility services	0	(4)
Internet & network	(166)	(165)
TV	(12)	(31)
Other services	(136)	(177)
Total	**(381)**	**(462)**

§ 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.

2.3 | External expenses

(DKKm)	2020	2019
Properties and cars	(354)	(355)
IT and equipment re. service contracts	(311)	(304)
Contractors and consultants	(139)	(182)
Temps and personnel-related expenses	(66)	(82)
Other[1]	(435)	(511)
Total	**(1,305)**	**(1,434)**

[1] Including administrative services from TDC A/S.

§ Accounting policies

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

2.4 | Personnel expenses

(DKKm)	2020	2019
Wages and salaries (including short-term and long-term bonuses)	(1,395)	(1,275)
Pensions (defined contribution plans)	(173)	(165)
Social security	(25)	(24)
Total	**(1,593)**	**(1,464)**
Of which capitalised as tangible and intangible assets	637	485
Total personnel expenses recognised in the income statement	**(956)**	**(979)**

Remuneration for the Executive Committee[2] and the Board of Directors (DKKm)	2020	2019
Base salary (incl. benefits)	5.6	5.6
Cash bonus	3.0	3.5
Retention allowance[1]	2.1	12.1
Pensions	0.9	0.9
Long-term incentive programme	1.3	0.6
Management incentive programme	0.5	0.0
Key management in total	13.4	22.7
Fee to the Board of Directors	0.0	0.0
Total	**13.4**	**22.7**

[1] In addition to the retention element, the allowance is linked to reaching a number of strategic targets in the execution of the strategy.
[2] During 2020, the remuneration to the Executive Committee comprised 2.0 members on average (2019: 2.0 members).

Comments

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.

In 2020, the average number of full-time employee equivalents was 2,576 (2019: 2,360).

Incentive programmes
See note 6.1.

2.5 | Depreciation, amortisation and impairment losses

(DKKm)	2020	2019
Amortisation of intangible assets, cf. note 3.1	(487)	(512)
Depreciation of property, plant and equipment, cf. note 3.2	(2,216)	(2,502)
Depreciation of lease assets, cf. note 3.3	(286)	(283)
Impairment losses, cf. notes 3.1 and 3.2	(18)	(18)
Of which capitalised as tangible and intangible assets	21	19
Total	**(2,986)**	**(3,296)**

Comments

The decrease in depreciation from 2019 to 2020 was due primarily to the increased useful lives of various network equipment and a decreased depreciation base resulting from various fully depreciated assets. The decrease was also impacted by the 2019 reduction of useful lives of existing mobile equipment as a result of the replacement with Ericsson equipment.

2.6 | Special items

(DKKm)	2020	2019
Costs related to redundancy programmes	(37)	(11)
Other restructuring costs, etc.	(1)	(57)
Costs related to acquisition of enterprises	(1)	(8)
Special items before income taxes	**(39)**	**(76)**
Income taxes related to special items	9	15
Total special items	**(30)**	**(61)**

Cash flow from special items (DKKm)	2020	2019
Redundancy programmes	(30)	(17)
Other	(57)	(26)
Total	**(87)**	**(43)**

Critical accounting judgements

In the 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 recurring. This is consistent with the way that financial performance is measured by Management and reported to the Board of Directors and facilitates meaningful analysis of the operating results of TDC NET.

§ Accounting policies

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. Special items consist of both recurring and non-recurring items.

Special items are disclosed on the face of the income statement. Items of a similar nature for non-consolidated enterprises are recognised in profit from joint ventures and associates.

2.7 | Income taxes

Reconciliation of income taxes (DKKm)	2020			2019		
	Income taxes expensed	Income tax payable/ (receivable)	Deferred tax liabilities/ (assets)	Income taxes expensed	Income tax payable/ (receivable)	Deferred tax liabilities/ (assets)
At 1 January	-	268	299	-	26	471
Income taxes for the year	(195)	253	(58)	(118)	270	(152)
Adjustment of tax for previous years	(5)	11	(6)	20	0	(20)
Income tax paid	-	(422)	-	-	(28)	-
Total	**(200)**	**110**	**235**	**(98)**	**268**	**299**
Shown in the balance sheet as:						
Tax payable/deferred tax liabilities		110	235		268	299
Tax receivable/deferred tax assets		0	0		0	0
Total		**110**	**235**		**268**	**299**
Income taxes are specified as follows:						
Income excluding special items	(209)			(113)		
Special items	9			15		
Total	**(200)**			**(98)**		

2.7 | Income taxes (continued)

Specification of deferred tax (DKKm)	2020 Deferred tax assets	2020 Deferred tax liabilities	2020 Total[1]	2019
Other	(2)	0	(2)	(3)
Current	**(2)**	**0**	**(2)**	**(3)**
Intangible assets	0	603	603	585
Property, plant and equipment	(287)	0	(287)	(237)
Lease assets and liabilities	(17)	0	(17)	(3)
Other	(62)	0	(62)	(43)
Non-current	**(366)**	**603**	**237**	**302**
Deferred tax at 31 December	**(368)**	**603**	**235**	**299**

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

TDC NET A/S and all its Danish subsidiaries participate in joint taxation with DKT Holdings ApS, which is the ultimate owner of the TDC NET Group and 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 (DKKm)	2020 DKKm	2020 %	2019 DKKm	2019 %
Danish corporate income tax rate	(185)	22.0	(118)	22.0
Limitation on the tax deductibility of interest expenses	(19)	2.4	(15)	2.7
Other non-taxable income and non-tax-deductible expenses	1	(0.2)	0	0.0
Adjustment of tax for previous years	(5)	0.6	20	(3.7)
Effective tax excluding special items	**(208)**	**24.8**	**(113)**	**21.0**
Special items	8	0.1	15	0.2
Effective tax including special items	**(200)**	**24.9**	**(98)**	**21.2**

The increasing effective tax rate (excluding special items) was due primarily to an increased impact of adjustment of tax for previous years.

2.7 | Income taxes (continued)

§ Accounting policies

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

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

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

Deferred tax is adjusted 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.

Section 3

Operating assets and liabilities

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

3.1 | Intangible assets

(DKKm)	2020 Goodwill	2020 Customer relationships	2020 Brands	2020 Other rights, software, etc.	2020 Total	2019 Goodwill	2019 Customer relationships	2019 Brands	2019 Other rights, software, etc.	2019 Total
Accumulated cost at 1 January	6,977	93	1,287	6,903	15,260	6,977	93	1,287	5,229	13,586
Additions	0	0	0	430	430	0	0	0	1,722	1,722
Additions related to acquisition of enterprises	3	0	0	0	3					
Assets disposed of or fully amortised	0	0	0	(110)	(110)	0	0	0	(48)	(48)
Accumulated cost at 31 December	**6,980**	**93**	**1,287**	**7,223**	**15,583**	**6,977**	**93**	**1,287**	**6,903**	**15,260**
Accumulated amortisation and write-downs for impairment at 1 January	0	(89)	0	(4,070)	(4,159)	0	(86)	0	(3,606)	(3,692)
Amortisation	0	(1)	0	(486)	(487)	0	(3)	0	(509)	(512)
Write-downs for impairment	0	0	0	0	0	0	0	0	(3)	(3)
Assets disposed of or fully amortised	0	0	0	110	110	0	0	0	48	48
Accumulated amortisation and write-downs for impairment at 31 December	**0**	**(90)**	**0**	**(4,446)**	**(4,536)**	**0**	**(89)**	**0**	**(4,070)**	**(4,159)**
Carrying amount at 31 December	**6,980**	**3**	**1,287**	**2,777**	**11,047**	**6,977**	**4**	**1,287**	**2,833**	**11,101**

Comments

Assets with indefinite useful lives other than goodwill related to the TDC brand were unchanged at DKK 1,287m compared with 2019.

The carrying amount of software amounted to DKK 715m (2019: DKK 618m). The addition of internally developed software totalled DKK 123m (2019: DKK 62m).

The carrying amount of Danish mobile licences included in other rights, software etc., amounted to DKK 2,061m (2019: DKK 2,215m) and is shown in the next table. Of this DKK 83m relates to licences not yet in use (2019: DKK 1.349m).

Spectrum licences (DKKm)

Spectrum (MHz)	Bandwidth (MHz)	Type/Technology	Licence expiry	Carrying amount
700	2 x 15 + 1 x 20	Technology neutral	2040	665
800	2 x 20	Technology neutral	2034	355
900	2 x 10	Technology neutral	2034	9
1800	2 x 20	Technology neutral	2032	227
2100	2 x 15 + 1 x 5	Technology neutral	2022	16
2300	1 x 60	Technology neutral	2041	636
2600	2 x 20	Technology neutral	2030	153
Total				**2,061**

3.1 | Intangible assets (continued)

Cash flow (DKKm)	2020	2019
Additions, cf. table above	(430)	(1,722)
Instalments regarding mobile licences	(93)	(254)
Non-cash part of acquisition of mobile licences	0	1,339
Cash flow from investment in intangible assets	**(523)**	**(637)**

§ Critical accounting judgements

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

Impairment testing of intangible assets
Intangible assets comprise a significant portion of TDC NET'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 that is used for allocation of the carrying amount and value in use of the cash-generating units.

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

Impairment testing of goodwill and intangible assets with indefinite useful lives

The carrying amount of goodwill is tested for impairment annually and if events or changes in circumstances indicate impairment. The annual tests were carried out at 1 October 2020 and at 1 October 2019, respectively.

Impairment testing is an integral part of TDC NET'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.

Projections for the terminal period are based on general expectations and risks, taking into account the general growth expectations for the telecoms industry in Denmark. We apply a negative real growth rate (1.0% perpetuity growth factor) reflecting expectations of relatively saturated markets. The long-term business plans are based on current trends. The budget period includes cash flow effects from completed restructurings combined with effects of strategic initiatives aimed at improving or maintaining trend lines.

For the impairment testing of goodwill, TDC NET uses a pre-tax discount rate for the 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.

The assumptions for calculating the value in use for the goodwill are given below.

Key assumptions for calculating the value in use for the significant goodwill amounts (DKKm)	TDC NET
Carrying amount of goodwill at 31 December 2020 (DKKm)	6,980
Carrying amount of goodwill at 31 December 2019 (DKKm)	6,977
Market-based growth rate applied to extrapolated projected future cash flows for the period following 2030	1.0%
Applied pre-tax discount rate at 1 October 2020	6.3%
Applied pre-tax discount rate at 1 October 2019	6.9%

3.1 | Intangible assets (continued)

Assumptions regarding recoverable amounts and projected earnings

Any reasonably possible changes in the key assumptions are not expected to cause the carrying amount of goodwill to exceed the recoverable value. Projections show a steady EBITDA growth and an increasing EBITDA margin in the long-term business plan based on the following assumptions:

- Steady growth in mobility services gross profit
- Increased gross profit from highspeed broadband, stemming from TDC NETs growing fibre footprint and continued high customer base on coax
- Legacy products such as landline, TV and DSL assumed to decrease at higher rates than historically
- Opex savings driven by initiatives generated in an extensive savings programme with reductions of both external and personnel expenses
- Capex decrease from 2019-2020 levels, due to 5G swap being completed and cost optimization of the fibre roll-out, as well as optimization of maintenance capex

§ 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 internal management reporting.

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

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

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

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

The main amortisation periods are as follows:

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

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

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

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

3.2 | Property, plant and equipment

(DKKm)	2020 Land and buildings	2020 Network infra-structure	2020 Equipment	2020 Assets under construction	2020 Total	2019 Land and buildings	2019 Network infra-structure	2019 Equipment	2019 Assets under construction	2019 Total
Accumulated cost at 1 January	494	36,510	1,130	910	39,044	492	34,267	1,018	612	36,389
Transfers (to)/from other items	(2)	935	27	(960)	0	(1)	401	55	(455)	0
Transfers from leased assets	0	0	0	0	0	0	25	0	0	25
Additions relating to the acquisition of enterprises	0	0	2	0	2	0	0	0	0	0
Additions	4	2,450	93	934	3,481	3	1,880	142	753	2,778
Assets disposed of	0	(757)	(195)	0	(952)	0	(63)	(85)	0	(148)
Accumulated cost at 31 December	**496**	**39,138**	**1,057**	**884**	**41,575**	**494**	**36,510**	**1,130**	**910**	**39,044**
Accumulated depreciation and write-downs for impairment at 1 January	(146)	(24,470)	(788)	(329)	(25,733)	(141)	(22,116)	(763)	(327)	(23,347)
Transfers (to)/from other items	0	0	0	0	0	1	0	(1)	0	0
Transfers from leased assets	0	0	0	0	0	0	(17)	0	0	(17)
Depreciation	(6)	(2,085)	(125)	0	(2,216)	(6)	(2,387)	(109)	0	(2,502)
Write-downs for impairment	0	(12)	0	(6)	(18)	0	(13)	0	(2)	(15)
Assets disposed of	0	756	195	0	951	0	63	85	0	148
Accumulated depreciation and write-downs for impairment at 31 December	**(152)**	**(25,811)**	**(718)**	**(335)**	**(27,016)**	**(146)**	**(24,470)**	**(788)**	**(329)**	**(25,733)**
Carrying amount at 31 December	**344**	**13,327**	**339**	**549**	**14,559**	**348**	**12,040**	**342**	**581**	**13,311**

Cash flow (DKKm)	2020	2019
Additions, cf. table above	(3,481)	(2,778)
Non-cash additions regarding decommissioning obligations	60	15
Change in additions not yet paid	641	(97)
Capitalised depreciations cf. note 2.5	21	19
Cash flow from investment in property, plant and equipment	**(2,759)**	**(2,841)**

3.2 | Property, plant and equipment (continued)

§ Accounting policies

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

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

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

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

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.

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 or other expenses.

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)	2020 Land and buildings	2020 Network infrastructure	2020 Vehicles and equipment	2020 Total	2019 Land and buildings	2019 Network infrastructure	2019 Vehicles and equipment	2019 Total
Carrying amount at 1 January	1,456	21	124	1,601	1,669	27	135	1,831
Additions	17	0	44	61	16	0	37	53
Lease reassessments	0	0	(6)	(6)	0	0	0	0
Disposals	(45)	0	0	(45)	0	0	0	0
Depreciation	(223)	(6)	(57)	(286)	(229)	(6)	(48)	(283)
Carrying amount at 31 December	**1,205**	**15**	**105**	**1,325**	**1,456**	**21**	**124**	**1,601**

Lease liabilities (DKKm)	2020	2019
Recognised in the balance sheet at present value:		
External lease liabilities	471	546
Lease liabilities due to group companies	930	1,067
Total	**1,401**	**1,613**
Of which presented as current	(286)	(280)
Total non-current	**1,115**	**1,333**
Maturing between 1 and 3 years	446	529
Maturing between 3 and 5 years	334	344
Maturing between 5 and 10 years	293	421
Maturing between 10 and 20 years	42	39
Maturing between 20 and 27 years	0	0
Total non-current	**1,115**	**1,333**

Comments

The total cash outflow for leases in 2020 amounted to DKK 310m (2019: DKK 298m). The amount is excluding short-term leases and leases of low-value assets.

Amounts recognised in the income statement (DKKm)	2020	2019
Expense relating to short-term leases	(49)	(42)
Expense relating to leases of low-value assets	(1)	(1)
Income from sublease	0	0
Depreciation charge of lease assets, cf. above	(286)	(283)
Interest expense (included in financing costs)	(43)	(48)

Reconciliation of lease liabilities (DKKm)	2020	2019
Carrying amount at 1 January	1,613	1,811
Lease payments	(267)	(250)
New lease contracts	61	54
Other non-cash movements	(6)	(2)
Carrying amount at 31 December	**1,401**	**1,613**

The Group leases various offices, exchanges, mobile sites, retail stores, vehicles and equipment. Rental contracts are typically made for fixed periods of 3 to 7 years but may have extension options.

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.

3.3 | Lease assets and liabilities (continued)

§ Accounting policies

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 instalment 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 | Trade receivables

(DKKm)	2020	2019
Trade receivables	554	532
Allowances for doubtful debts	(22)	(20)
Trade receivables, net	**532**	**512**
Allowances for doubtful debts at 1 January	(20)	(20)
Additions	(13)	(21)
Realised losses	6	7
Reversed allowances	5	14
Allowances for doubtful debts at 31 December	**(22)**	**(20)**

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
2020						
Expected loss rate	0%	0%	14%	36%	48%	4%
Gross carrying amount	494	7	8	4	41	554
Loss allowance	0	0	(1)	(2)	(19)	(22)
2019						
Expected loss rate	0%	0%	1%	13%	72%	4%
Gross carrying amount	463	16	18	10	25	532
Loss allowance	0	0	0	(2)	(18)	(20)

Comments

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

§ Accounting policies

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

TDC NET 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)	2020	2019
Work in progress for the account of third parties	58	94
Total contract assets	**58**	**94**
Deferred subscription income	170	179
Other deferred income	12	65
Total contract liabilities	**182**	**244**

Comments

Revenue recognised in 2020 that was included in deferred subscription income at the beginning of the period amounted to DKK 179m (2019: DKK 169m).

§ Accounting policies

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

3.6 | Provisions

	2020				2019
(DKKm)	Decommissioning obligations	Restructuring obligations	Other provisions	Total	
Provisions at 1 January	238	26	22	286	281
Provisions made	10	43	7	60	31
Change in present value	51	0	0	51	10
Provisions used (payments)	(3)	(41)	(3)	(47)	(30)
Reversal of unused provisions	0	0	0	0	(6)
Provisions at 31 December	**296**	**28**	**26**	**350**	**286**
Of which recognised through special items in the income statement	**0**	**26**	**0**	**26**	**18**
Recognised as follows in the balance sheet:					
Non-current liabilities	296	9	26	331	265
Current liabilities	0	19	0	19	21
Total	**296**	**28**	**26**	**350**	**286**

Specification of how payments regarding provisions are recognised in the statements of cash flow (DKKm)	2020	2019
Payments related to provisions	17	13
Cash flow related to special items	30	17
Total	**47**	**30**

3.6 | Provisions (continued)

Comments

Provisions for decommissioning obligations related to the future dismantling of mobile stations and restoration of property owned by third parties. The uncertainties related 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 related primarily to redundancy programmes. The majority of the provisions for redundancy programmes are expected to result in cash outflows in the next five years. The uncertainties related primarily to the estimated amounts and the timing of the related cash outflows.

Other provisions related mainly to onerous contracts and jubilee benefits for employees as well as legal claims. The majority of these provisions are not expected to result in cash outflows in the next five years. The uncertainties regarding legal claims and onerous contracts related to both timing and estimated amounts. The uncertainties regarding jubilee benefits related to both salary and the number of employees included.

The Group's total redundancy costs included wages during the notice period, severance pay, stand-off pay, payments pursuant to the Danish Salaried Employees Act, , social security contributions and outplacement costs.

§ 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.

Section 4

Capital structure and financing costs

This section explains TDC NET's capital structure and related financing costs, net interest-bearing debt as well as finance-related risks and how these are managed.

4.1 | Equity

Comments

The total authorised number of shares is 400,100 with a par value of DKK 1 per share. The share capital was increased from DKK 400,000 in connection with the demerger of TDC A/S on 11 June 2019. All issued shares are fully paid up.

During 2020, total equity increased by DKK 604m to DKK 8,756m due to the profit for the year.

During 2019, total equity decreased by DKK 12,348m to DKK 8,152m due mainly to distributed dividends (DKK 12,712m) partly offset by the profit for the year (DKK 364m).

The parent company statement of changes in equity specifies which reserves are available for distribution. The distributable reserves amounted to DKK 8,319m at 31 December 2020 (2019: DKK 7,925m). At the Annual General Meeting, the Board of Directors will not propose any dividend for the financial year 2020.

§ 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.

Comments

TDC Net is financed through a shareholder loan and a Revolving Credit Facility from TDC A/S. The shareholder loan comprises TDC A/S' financing from the European bond market (EMTN) and the market for syndicated senior secured bank loans (Senior Facility Agreement or SFA).

The next upcoming maturity is in March 2022. TDC Net's financing is given in DKK, which limits its exchange-rate risks.

4.2 | Loans

Loan from TDC A/S[1]	2022	2023	2025	Total
Maturity	Mar 2022	Feb 2023	Jun 2025	
Fixed/floating rate	Fixed	Fixed	Floating	
Coupon	5%	6.47%	Margin + floored Euribor[2]	
Currency	DKK	DKK	DKK	
Nominal value (DKKm)	2,186	2,221	8,305	12,712

[1] Corresponding intragroup balances have been established between the parent company and TDC NET A/S on conditions similar to the parent company's external loans, however with the exception that the intragroup loans are all in DKK.
[2] The floating 2025 loans have a Euribor floor at zero and a margin of 3.0% as at 31 December 2020.

Reconciliation of loans (DKKm)	2020			2019
	Loans	Spectrum licences	Total	
Carrying amount at 1 January	12,712	1,414	14,126	296
Debt from new spectrum licences	0	0	0	1,339
Instalment on spectrum licences	0	(93)	(93)	(254)
Non-cash loan from TDC A/S	0	0	0	12,712
Other non-cash movements[1]	0	40	40	33
Carrying amount at 31 December	**12,712**	**1,361**	**14,073**	**14,126**

[1] Includes amortisation of borrowing costs and lease reassessments

§ 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.

Other financial liabilities are measured at amortised cost.

4.3 | Financial risks

Comments

TDC Net handles financial risks specific to the provision of mobile network and landline connections, while the general responsibility of identifying, monitoring and managing these risks in TDC Net is handled in TDC Group (see TDC Group Treasury's financial policies for risk management in TDC Report).

Interest-rate risks

TDC Net has interest risk rate as the interest rate on the part of its shareholder loan maturing in 2025 and the Revolving Credit Facility (RCF) is tied to the development in the daily European reference rate, Euribor. There is, however, a Euribor floor of 0% on TDC Net's shareholder loan and RCF.

Exchange-rate risks

TDC Net has limited operational exchange-rate risks and known risks are in broad terms hedged by TDC´s Group Treasury function. These risks relate to payables from equipment suppliers.

Credit risks

TDC Net has limited credit risk as a provider of mobile network and landline connections in Denmark, where most of its revenue stems from large, well-established service providers. TDC Net handles the credit risk emanating from providing services to these customers, while the credit risks in relation to financial contracts are handled by TDC's Group Treasury.

Liquidity risks

TDC Net has no short-term refinancing risk. The next debt maturity is in March 2022 where TDC A/S' 2022 EMTN Loan matures. This loan comprises DKK 2,186m of TDC Net's shareholder loan.

TDC Net's committed Revolving Credit Facility provided by TDC A/S totaled DKK 3,100m at 31 December 2020.

Undrawn credit lines

At year-end 2020, TDC Net had undrawn committed credit lines totaling DKK 3,100m.

Credit rating

TDC Net belongs to TDC Group, which is rated by three international rating agencies: S&P, Moody's and Fitch. TDC Net is not rated separately by any of these three agencies.

4.4 | Financial income and expenses

(DKKm)	2020	2019
Interest income	6	1
Interest expenses	(613)	(579)
Net interest	**(607)**	**(578)**
Specified as follows:		
Loans from TDC A/S	(499)	(475)
Lease liabilities	(43)	(48)
Other	(65)	(55)
Currency translation adjustments	2	(3)
Total	**(605)**	**(581)**

4.5 | 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).

TDC Net generally accepts that vendors sell off to a third party their receivables arising from the sales to TDC Net. TDC Net has established a supply-chain financing programme where vendors can sell off their receivables from TDC Net on attractive terms, but at the bank's sole discretion. TDC Net is not directly or indirectly a party to these agreements. At 31 December, TDC Net was aware of approximately DKK 147m of trade payables that are part of such agreements.

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							
Loan from TDC A/S	0	(4,407)	(8,305)	0	(12,712)	(12,712)	(12,712)
Loan from TDC A/S, interest[2]	(502)	(895)	(498)	0	(1,895)	(325)	(325)
Lease liability	(291)	(470)	(375)	(409)	(1,545)	(1,401)	(1,401)
Amounts owed to group companies	(193)	0	0	0	(193)	(193)	(193)
Trade and other payables[3]	(1,664)	0	0	0	(1,664)	(1,664)	(1,664)
Total 2020	**(2,650)**	**(5,772)**	**(9,178)**	**(409)**	**(18,009)**	**(16,295)**	**(16,295)**
Total 2019	**(2,423)**	**(3,788)**	**(3,244)**	**(9,121)**	**(18,576)**	**(16,094)**	**(16,094)**

[1] All cash flows are undiscounted. The table reflects only the cash flow from financial liabilities.
[2] Fair value and carrying amount value consist of accrued interest on loan from TDC A/S at 31 December 2020.
[3] 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 TDC NET'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, note 3.6 Provisions as well as note 4.5 Financial income and expenses. A review of cash flow is provided in the section TDC NET results in the Management's review.

§ 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 as well as income taxes paid.

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. Cash flow from acquired enterprises are recognised from the time of acquisition, while cash flows from enterprises divested are recognised up to the time of divestment.

Cash flow from financing activities comprises changes in interest-bearing debt, lease instalments 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 information presented in the financial statements.

5.1 | Change in working capital

(DKKm)	2020	2019
Change in receivables	878	(1,074)
Change in contract assets	36	(19)
Change in trade payables	(152)	640
Change in contract liabilities	(62)	46
Change in prepaid expenses	14	32
Change in other items, net	47	(8)
Total	**761**	**(383)**

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.

6.1 | Incentive programmes

In order to support the delivery of short- and long-term financial results, the Group has both short- and long-term incentive programmes for executives and managers.

Short-term incentive programmes (STI)
The short-term bonus programmes are closely linked to our strategy. The performance measures are focused on EBITDA, capex, fibre connection performance and dividend capacity.

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 percentage for members of the Executive Committee is usually 25% - 50%. For other managers, the bonus percentage varies within a range of 10%-33%. The target fulfilment can be maximum 200%.

Long-Term Incentive Programme (LTI)
The LTI programme is cash based and its objectives are linked to the 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, fibre connection performance and dividend capacity. 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 LTI percentage usually varies within a range of 12% - 36%. The target fulfilment can be maximum 200%.

Management Incentive Programme (MIP)
In July 2020, the parent company TDC A/S established a new cash-based incentive programme which includes the Executive Committee and certain key managers of TDC NET. Under the MIP, the participants are required to place a deposit to TDC A/S to qualify for a return. The payback amounts are based on the development in certain financial performance measures of the TDC group as well as certain business and Health & Safety KPIs over the period until 2023. The investment programme covers the time period 2019-2023. The participants have 40% of the deposits at risk of being lost in downside scenarios and the expected range of payouts are at 2x-4x the participants' deposit. The TDC NET participants' total deposits amount to DKK 15m and the expenses for 2020 relating to the programme amounted to DKK 2m.

6.2 | Related parties

Name of related party	Nature of relationship	Domicile
DKT Holdings ApS	Indirect ownership	Copenhagen, Denmark
DKT Finance ApS	Indirect ownership	Copenhagen, Denmark
DK Telekommunikation ApS	Indirect ownership	Copenhagen, Denmark
TDC A/S	Ownership	Copenhagen, Denmark
Nuuday A/S	Subsidiary of TDC A/S	Copenhagen, Denmark
TDC Pensionskasse	Pension fund	Copenhagen, Denmark

Related parties also include TDC NET's joint ventures and associates shown in note 6.7.

Remuneration for the Board of Directors and the Executive Committee is specified in note 2.4.

Loans from the parent company TDC A/S are specified in note 4.2.

Purchase commitments towards group companies are shown in note 6.4.

All transactions with related parties are made on market terms.

TDC NET has the following additional transactions and outstanding balances with related parties:

Related parties (DKKm)	2020	2019
TDC A/S		
Income	53	57
Expenses, lease payments and capital expenditure	(1,377)	(1,345)
Receivables	852	98
Payables	(1,340)	(2,835)
Loans	(12,712)	(12,712)
Joint ventures and associates		
Income	2	1
Expenses	(3)	(4)
Receivables	0	0
Payables	0	0
Other related parties		
Income	5,594	5,712
Expenses and capital expenditure	(71)	(113)
Receivables	24	940
Payables	(111)	0

6.3 | Fees to auditors

Fees to auditors elected by the Annual General Meeting

(DKKm)	2020	2019
Statutory audit, PricewaterhouseCoopers	**2**	**2**
Other assurance engagements	0	0
Tax advisory services	0	0
Other services	0	0
Total non-statutory audit services, PricewaterhouseCoopers	**0**	**0**
Total, PricewaterhouseCoopers	**2**	**2**

6.4 | Other financial commitments

(DKKm)	2020	2019
Lease commitments for short-term and low-value leases		
Short-term leases	29	25
Leases of low-value assets	2	5
Total	**31**	**30**
Capital and purchase commitments		
Commitments related to IT and administrative services from group companies	376	318
Investments in intangible assets	386	553
Investments in property, plant and equipment	538	1,379
Commitments related to outsourcing agreements	237	408

Comments

Except for short-term leases and leases of low-value assets, 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, cf. note 3.3.

6.5 | Pledges and contingencies

Pledges
Receivables from group enterprises with a carrying amount of DKK 876m and cash with a carrying amount of DKK 4m are pledged as security for the parent company TDC A/S's long-term loans.

Contingent liabilities
TDC NET is party to certain pending lawsuits and cases pending with public authorities and complaints boards. Based on a legal assessment of the possible outcome of each of these lawsuits and cases, Management is of the opinion that these will have no significant adverse effect on TDC NET's financial position.

TDC NET A/S is jointly registered for Danish VAT with the parent company TDC A/S and the majority of its Danish subsidiaries and is jointly and severally liable for payment of VAT.

TDC NET A/S is liable for obligations attributable to the activities, assets and liabilities of TDC A/S that existed at the demerger on 11 June 2019. The joint and several liabilities of TDC NET A/S and TDC A/S respectively cannot exceed an amount corresponding to the net value of the assets and liabilities.

6.6 | 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.

6.7 | Overview of group companies at 31 December 2020

Company name[1]	Domicile	Currency	Ownership share (%)
Dansk Kabel TV A/S	Copenhagen, Denmark	DKK	100
Fiberkysten A/S	Gilleleje, Denmark	DKK	60
OCH A/S[2]	Copenhagen, Denmark	DKK	25
DKTV Anlæg ApS	Vemmelev, Denmark	DKK	100

[1] One minor enterprise is not listed separately in the overview.
[2] The enterprise is included under the equity method.

Parent company financial statements

Parent company income statement

(DKKm)	Note	2020	2019
Revenue	2.1	6,519	6,616
Cost of goods sold		(342)	(369)
External expenses		(1,304)	(1,422)
Personnel expenses	2.2	(845)	(812)
Other income		294	263
Operating profit before depreciation, amortisation and special items (EBITDA)		4,322	4,276
Depreciation, amortisation and impairment losses		(2,955)	(3,269)
Special items	2.3	(39)	(78)
Operating profit (EBIT)		1,328	929
Profit from subsidiaries	3.4	62	88
Financial income and expenses	4.3	(603)	(579)
Profit before income taxes		787	438
Income taxes	2.4	(183)	(74)
Profit for the year		**604**	**364**

Parent company statement of comprehensive income

(DKKm)	Note	2020	2019
Profit for the year		604	364
Other comprehensive income		0	0
Total comprehensive income		**604**	**364**

Parent company balance sheet

Assets (DKKm)	Note	2020	2019	1 January 2019
Non-current assets				
Intangible assets	3.1	10,991	11,050	9,847
Property, plant and equipment	3.2	14,708	13,429	13,162
Lease assets	3.3	1,281	1,544	1,768
Investments in subsidiaries	3.4	410	348	259
Investments in associates and joint ventures		2	2	2
Other receivables		26	25	24
Total non-current assets		**27,418**	**26,398**	**25,062**
Current assets				
Inventories		32	25	25
Trade receivables	3.5	428	460	268
Receivables from group enterprises		823	816	33
Other receivables		8	2	7
Prepaid expenses		94	94	118
Cash		0	0	0
Total current assets		**1,385**	**1,397**	**451**
Total assets		**28,803**	**27,795**	**25,513**

Equity and liabilities (DKKm)	Note	2020	2019	1 January 2019
Equity				
Share capital	4.1	0	0	0
Other reserves		437	227	0
Retained earnings		8,319	7,925	20,500
Total equity		**8,756**	**8,152**	**20,500**
Non-current liabilities				
Deferred tax liabilities	2.4	282	341	509
Provisions		330	264	267
Loans	4.2	14,043	14,035	205
Lease liabilities	3.3	1,092	1,297	1,747
Other payables		112	37	0
Total non-current liabilities		**15,859**	**15,974**	**2,728**
Current liabilities				
Loans		30	91	91
Lease liabilities	3.3	265	258	1
Trade payables		2,424	1,848	1,621
Contact liabilities	3.6	157	217	169
Payables to group enterprises		971	741	163
Income tax payable	2.4	81	242	0
Other payables		241	251	226
Provisions		19	21	14
Total current liabilities		**4,188**	**3,669**	**2,285**
Total liabilities		**20,047**	**19,643**	**5,013**
Total equity and liabilities		**28,803**	**27,795**	**25,513**

Parent company statement of cash flows

(DKKm)	Note	2020	2019
Operating activities			
Operating profit before depreciation, amortisation and special items (EBITDA)		4,322	4,276
Adjustment for non-cash items		51	23
Payments related to provisions		(17)	(13)
Special items		(87)	(45)
Change in working capital	5.1	925	(169)
Interest received		6	1
Interest paid		(413)	(390)
Income tax paid		(403)	0
Total cash flow from operating activities		**4,384**	**3,683**
Investing activities			
Investment in property, plant and equipment		(2,793)	(2,841)
Investment in intangible assets		(511)	(624)
Investment in subsidiaries		0	(1)
Sale of other non-current assets		2	0
Total cash flow from investing activities		**(3,302)**	**(3,466)**

(DKKm)	Note	2020	2019
Financing activities			
Lease payments		(245)	(231)
Change in interest-bearing receivables and payables		(837)	14
Total cash flow from financing activities		**(1,082)**	**(217)**
Total cash flow		**0**	**0**
Cash and cash equivalents at 1 January		0	0
Cash and cash equivalents at 31 December		**0**	**0**

Parent company statement of changes in equity

(DKKm)	Share capital	Reserve for capitalised development projects	Retained earnings	Total
Equity at 1 January 2019	0	0	20,500	20,500
Profit for the year	-	227	137	364
Total comprehensive income	-	227	137	364
Distributed dividends	-	-	(12,712)	(12,712)
Total transactions with owners	-	-	(12,712)	(12,712)
Equity at 31 December 2019	**0**	**227**	**7,925**	**8,152**
Profit for the year	-	210	394	604
Total comprehensive income	-	210	394	604
Total transactions with owners	-	-	0	0
Equity at 31 December 2020	**0**	**437**	**8,319**	**8,756**

Notes to parent company financial statements

1.1 | Accounting policies

The Financial statements 2020 of the parent company have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and further disclosure requirements in the Danish Financial Statements Act.

These financial statements are the first to be prepared in accordance with IFRS. Previously, the financial statements were prepared in accordance with the Danish Financial Statements Act (local GAAP). The standard IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

The parent company accounting policies are the same as those applied to the Group, with the additions mentioned below. See note 1.1 to the consolidated financial statements for the Group's accounting policies.

Demerger from TDC A/S

On 11 June 2019, TDC NET A/S was incorporated upon completion of the demerger of TDC A/S, whereby the TDC NET activities and certain debt from TDC A/S related to the TDC NET business were contributed to TDC NET A/S. See note 1.1 to the consolidated financial statements for a more detailed description of the demerger.

First-time adoption of IFRS

In accordance with IFRS 1, the opening balance sheet at 1 January 2019 and comparative figures for 2019 have been prepared in accordance with the IFRS effective at 31 December 2020. In preparing these financial statements, the opening balance sheet was prepared at 1 January 2019, the date of transition to IFRS, and TDC NET has chosen to use the following exemption:

- to measure its assets and liabilities at the carrying amounts that have been included in the consolidated financial statements of TDC A/S.

The implementation of IFRS impacted on total comprehensive income for 2019 and total equity as per 1 January and 31 December 2019 as presented below.

Supplementary accounting policies for the parent company

Investments in subsidiaries, joint ventures and associates

The equity method is used for measuring investments in subsidiaries, joint ventures and associates. Under the equity method, investments in subsidiaries, joint ventures or associates are recognised on initial recognition at cost, and the carrying amount is increased or decreased to recognise the parent company's share of the profit or loss of the investment after the date of acquisition. The parent company's share of profit or loss is recognised in the parent company's profit or loss. Dividends received from investments in subsidiaries, joint ventures and associates reduce the carrying amount of the investment. The parent company's share of other comprehensive income arising from the investment is recognised in other comprehensive income of the parent company.

Reconciliation of total comprehensive income and equity (DKKm)	Total equity 31 December 2019	Total comprehensive income 2019	Total equity 1 January 2019
Local GAAP	7,836	48	20,500
Effect of adopting IFRS 16	(37)	(37)	0
Amortisation of goodwill, reversed	252	252	0
Amortisation of brand with indefinite life (net of tax), reversed	101	101	0
IFRS	**8,152**	**364**	**20,500**

Reserve for capitalised development projects

In accordance with the Danish Financial Statements Act, the parent company has established a non-distributable reserve in equity regarding development projects capitalised in 2016 and later. This reserve will be reversed as the development projects are amortised or impaired.

1.2 | Critical accounting estimates and judgements

For information on critical accounting estimates and judgements, see note 1.2 to the consolidated financial statements.

1.3 | New accounting standards

For information on new accounting standards for the Group, see note 1.3 to the consolidated financial statements.

2.1 | Revenue

(DKKm)	2020	2019
Sales of goods recognised at a point in time	0	0
Sales of services recognised over time	6,519	6,616
Total	**6,519**	**6,616**

Specification of revenue from products (DKKm)	2020	2019
Landline voice	554	615
Mobility services	2,625	2,580
Internet & network	2,493	2,510
TV	356	424
Other services	491	487
Total	**6,519**	**6,616**

2.2 | Personnel expenses

(DKKm)	2020	2019
Wages and salaries (including short-term and long-term bonuses)	(1,150)	(1,047)
Pensions	(153)	(146)
Social security	(19)	(19)
Total	**(1,322)**	**(1,212)**
Of which capitalised as non-current assets	477	400
Total	**(845)**	**(812)**
Average number of full-time employee equivalents[1]	2,030	1,860

[1] Denotes the average number of full-time employee equivalents including permanent employees and trainees.

Remuneration for the Board of Directors and the Executive Committee is described in note 2.4 to the consolidated financial statements.

2.3 | Special items

(DKKm)	2020	2019
Costs related to redundancy programmes	(37)	(11)
Other restructuring costs, etc.	(1)	(59)
Costs related to acquisition and divestment of enterprises	(1)	(8)
Special items before income taxes	**(39)**	**(78)**
Income taxes related to special items	8	15
Total special items	**(31)**	**(63)**

2.4 | Income taxes

(DKKm)	2020 Income taxes cf. the income statement	2020 Income tax payable/ (receivable)	2020 Deferred tax liabilities/ (assets)	2019 Income taxes cf. the income statement	2019 Income tax payable/ (receivable)	2019 Deferred tax liabilities/ (assets)
At 1 January	-	242	341	-	0	509
Income taxes	(178)	231	(53)	(93)	242	(149)
Adjustment of tax for previous years	(5)	11	(6)	19	0	(19)
Income tax paid	-	(403)	-	-	0	-
Total	**(183)**	81	**282**	**(74)**	**242**	**341**
Income taxes are specified as follows:						
Income excluding special items	(191)			(89)		
Special items	8			15		
Total	**(183)**			**(74)**		

Reconciliation of effective tax rate (%)	2020	2019
Danish corporate income tax rate	22.0	22.0
Profit from subsidiaries, joint ventures and associates	(1.7)	(3.7)
Other non-taxable income and non-tax-deductible expenses	(0.2)	0.0
Adjustment of tax for previous years	0.6	(3.7)
Limitation on the tax deductibility of interest expenses	2.4	2.8
Effective tax rate excluding special items	**23.1**	**17.4**
Special items	0.1	(0.4)
Effective tax rate including special items	**23.2**	**17.0**

Specification of deferred tax (DKKm)	2020	2019
Other	(2)	0
Current	**(2)**	**0**
Intangible assets	605	589
Property, plant and equipment	(243)	(201)
Lease assets and liabilities	(17)	(2)
Other	(61)	(45)
Non-current	**284**	**341**
Deferred tax at 31 December	**282**	**341**

3.1 | Intangible assets

(DKKm)	2020 Goodwill	2020 Brands	2020 Other rights, software, etc.	2020 Total	2019 Goodwill	2019 Brands	2019 Other rights, software, etc.	2019 Total
Accumulated cost at 1 January	6,948	1,287	6,858	15,093	6,948	1,287	5,197	13,432
Additions	0	0	418	418	0	0	1,709	1,709
Assets disposed of or fully amortised	0	0	(110)	(110)	0	0	(48)	(48)
Accumulated cost at 31 December	**6,948**	**1,287**	**7,166**	**15,401**	**6,948**	**1,287**	**6,858**	**15,093**
Accumulated amortisation and write-downs for impairment at 1 January	0	0	(4,043)	(4,043)	0	0	(3,585)	(3,585)
Amortisation	0	0	(477)	(477)	0	0	(503)	(503)
Write-downs for impairment	0	0	0	0	0	0	(3)	(3)
Assets disposed of or fully amortised	0	0	110	110	0	0	48	48
Accumulated amortisation and write-downs for impairment at 31 December	**0**	**0**	**(4,410)**	**(4,410)**	**0**	**0**	**(4,043)**	**(4,043)**
Carrying amount at 31 December	**6,948**	**1,287**	**2,756**	**10,991**	**6,948**	**1,287**	**2,815**	**11,050**

3.2 | Property, plant and equipment

(DKKm)	2020 Land and buildings	2020 Network infra-structure	2020 Equipment	2020 Assets under construction	2020 Total	2019 Land and buildings	2019 Network infra-structure	2019 Equipment	2019 Assets under construction	2019 Total
Accumulated cost at 1 January	494	36,721	1,109	910	39,234	492	34,475	997	612	36,576
Transfers (to)/from other items	(2)	935	27	(960)	0	(1)	401	55	(455)	0
Transfers from leased assets	0	0	0	0	0	0	25	0	0	25
Additions	3	2,491	86	933	3,513	3	1,883	139	753	2,778
Assets disposed of	0	(757)	(195)	0	(952)	0	(63)	(82)	0	(145)
Accumulated cost at 31 December	**495**	**39,390**	**1,027**	**883**	**41,795**	**494**	**36,721**	**1,109**	**910**	**39,234**
Accumulated depreciation and write-downs for impairment at 1 January	(146)	(24,558)	(772)	(329)	(25,805)	(141)	(22,199)	(747)	(327)	(23,414)
Transfers (to)/from other items	0	0	0	0	0	1	0	(1)	0	0
Transfers from leased assets	0	0	0	0	0	0	(17)	0	0	(17)
Depreciation	(6)	(2,087)	(123)	0	(2,216)	(6)	(2,392)	(106)	0	(2,504)
Write-downs for impairment	0	(13)	0	(5)	(18)	0	(13)	0	(2)	(15)
Assets disposed of	0	757	195	0	952	0	63	82	0	145
Accumulated depreciation and write-downs for impairment at 31 December	**(152)**	**(25,901)**	**(700)**	**(334)**	**(27,087)**	**(146)**	**(24,558)**	**(772)**	**(329)**	**(25,805)**
Carrying amount at 31 December	**343**	**13,489**	**327**	**549**	**14,708**	**348**	**12,163**	**337**	**581**	**13,429**

3.3 | Lease assets and liabilities

Lease assets (DKKm)	2020				2019			
	Land and buildings	Network infrastructure	Vehicles and equipment	Total	Land and buildings	Network infrastructure	Vehicles and equipment	Total
Carrying amount at 1 January	1,437	21	86	1,544	1,643	27	98	1,768
Additions	17	0	34	51	16	0	23	39
Lease reassessments	0	0	(6)	(6)	0	0	0	0
Disposals	(45)	0	0	(45)	0	0	0	0
Depreciation	(217)	(6)	(40)	(263)	(222)	(6)	(35)	(263)
Carrying amount at 31 December	**1,192**	**15**	**74**	**1,281**	**1,437**	**21**	**86**	**1,544**

Lease liabilities (DKKm)	2020	2019
Recognised in the balance sheet at present value:		
Current	265	258
Non-current	1,092	1,297
Total	1,357	**1,555**
Maturing within 1 year	265	258
Maturing between 1 and 3 years	425	497
Maturing between 3 and 5 years	332	339
Maturing after 5 years	335	461
Total	**1,357**	**1,555**

Amounts recognised in the statement of profit and loss (DKKm)	2020	2019
Expense relating to short-term leases	(49)	(42)
Expense relating to leases of low-value assets	(1)	(1)
Depreciation charge of lease assets, cf. above	(263)	(263)
Interest expense (included in finance cost)	(41)	(47)

The total cash outflow for leases in 2020 was DKK 286m (2019: DKK 278m), of which DKK 41m (2019: DKK 47m) related to interest payments on lease liabilities.

3.4 | Investments in subsidiaries

(DKKm)	2020	2019
Accumulated cost at 1 January	417	416
Additions	0	1
Accumulated cost at 31 December	**417**	**417**
Accumulated write-downs at 1 January	(69)	(157)
Share of profit/(loss)	62	88
Accumulated write-downs at 31 December	**(7)**	**(69)**
Carrying amount at 31 December	**410**	**348**

Overview of subsidiaries at 31 December 2020

Company name	Domicile	Currency	Ownership share (%)
Subsidiaries:			
Dansk Kabel TV A/S	Copenhagen, Denmark	DKK	100
Fiberkysten A/S	Gilleleje, Denmark	DKK	60

3.5 | Trade receivables

(DKKm)	2020	2019
Trade receivables	448	478
Allowances for doubtful debts	(20)	(18)
Trade receivables, net	**428**	**460**
Allowances for doubtful debts at 1 January	(18)	(15)
Additions	(11)	(17)
Realised losses	4	2
Reversed allowances	5	12
Allowances for doubtful debts at 31 December	**(20)**	**(18)**

3.6 | Contract liabilities

(DKKm)	2020	2019
Deferred subscription income	157	217
Total contract liabilities	**157**	**217**

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
2020						
Expected loss rate	0%	0%	0%	38%	48%	5%
Gross carrying amount	395	5	5	4	39	448
Loss allowance	0	0	0	(1)	(19)	(20)
2019						
Expected loss rate	0%	0%	2%	18%	71%	4%
Gross carrying amount	433	0	14	7	24	478
Loss allowance	0	0	0	(1)	(17)	(18)

4.1 | Equity

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

4.2 | Loans

For a reconciliation between loans and cash flows from financing activities, see note 4.4 to the consolidated financial statements.

4.3 | Financial income and expenses

(DKKm)	2020	2019
Interest income	6	1
Interest expenses	(84)	(83)
Interest expenses to group enterprises	(527)	(494)
Net interest	**(605)**	**(576)**
Currency translation adjustments	2	(3)
Total	**(603)**	**(579)**

5.1 | Change in working capital

(DKKm)	2020	2019
Change in receivables	669	(985)
Change in trade payables	279	711
Change in contract liabilities	(60)	48
Change in prepaid expenses	16	24
Change in other items, net	21	33
Total	**925**	**(169)**

6.1 | Related parties

For information about the related parties of the Group, see note 6.2 to the consolidated financial statements. The parent company has the following transactions and outstanding balances with its subsidiaries (cf. the overview of subsidiaries in note 3.4):

Subsidiaries (DKKm)	2020	2019
Income	99	94
Expenses	(623)	(307)
Receivables	0	0
Debt	(453)	(172)

Remuneration for the Board of Directors and the Executive Committee is described in note 2.4 and incentive programmes in note 6.1 to the consolidated financial statements.

Interest expenses to group enterprises are shown in note 4.3.

All transactions with related parties are made on market terms.

TDC NET A/S is included in the Group Annual Reports of TDC A/S and of the ultimate parent company DKT Holdings ApS.

The consolidated financial statements for TDC A/S can be downloaded from www.investor.tdc.dk

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
DK-2450 Copenhagen SV

6.2 | Fees to auditors elected by the Annual General Meeting

(DKKm)	2020	2019
Statutory audit	**2**	**2**
Other assurance engagements	0	0
Tax advisory services	0	0
Other services	0	0
Total non-statutory audit services	**0**	**0**
Total	**2**	**2**

6.3 | Other financial commitments

For information on other financial commitments, see note 6.4 to the consolidated financial statements.

6.4 | Pledges and contingencies

Receivables from group enterprises with a carrying amount of DKK 823m (2019: DKK 812m) are pledged as security for the parent company TDC A/S's long-term loans.

For information on pending lawsuits, see note 6.5 to the consolidated financial statements.

TDC NET A/S is jointly registered for Danish VAT with the parent company TDC A/S and the majority of its Danish subsidiaries and is jointly and severally liable for payment of VAT.

6.5 | Events after the balance sheet date

For information on events after the balance sheet date, see note 6.6 to the consolidated financial statements.

Other

Management statement

Today, the Board of Directors and the Executive Committee considered and approved the annual report of TDC NET A/S 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 consolidated financial statements and parent company financial statements give a true and fair view of the financial position at 31 December 2020 of the Group and the parent company and of the results of the Group and parent company operations and cash flows 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 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.

In our opinion, the Supplementary Report on ESG data represents a reasonable, fair, and balanced representation of the Group's ESG data and is prepared in accordance with the stated reporting policies.

We recommend that the annual report be adopted at the Annual General Meeting.

Copenhagen, 29 April 2021

Executive Committee

Andreas Albert Pfisterer
Chief Executive Officer

Ulrik Laudrup Bølling
Chief Financial Officer

Board of Directors

Henrik Clausen
Chairman

Lasse Rudebeck Pilgaard

Jens Aaløse

Svend Bank Andreasen

Ole Mølgaard Andersen

Independent auditor's report

To the shareholders of TDC NET A/S

Our opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2020 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 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 Consolidated Financial Statements and the Parent Company Financial Statements of TDC NET A/S for the financial year 1 January - 31 December 2020, 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, 29 April 2021

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Lars Baungaard
State Authorised Public Accountant
mme23331

Michael Groth Hansen
State Authorised Public Accountant
mme33228

ESG data

Environmental data

Energy & Emissions Intensity Ratio	2020	2019	2018
Energy intensity (MWh of electrical energy / TB of data usage)	0.010	0.011	0.012
Emissions intensity (tCO2e of Scope 1 and 2 market-based emissions / TB of data usage)	0.0039	0.0043	0.0052

Energy	2020	2019	2018
Electricity (MWh)	185,441	184,076	189,860
Heat (MWh)	7,461	7,299	7,247
Transport (MWh)	28,844	29,136	29,160
Total Energy Consumption (MWh)	**221,747**	**220,511**	**226,267**

Emissions	2020	2019	2018
Scope 1 (metric tons CO2e)	7,244	7,260	7,318
Scope 2 location-based (metric tons CO2e)	25,611	27,890	39,241
Scope 2 market-based (metric tons CO2e)	67,891	67,466	74,745
Scope 3 (metric tons CO2e)	99,321	94,288	n/a
Total Scope 1, 2 & 3 market-based emissions (metric tons CO2e)	**174,456**	**169,014**	**82,063**

Scope 3 by category	2020	2019
1: Purchased goods and services & 2: Capital Goods (metric tons of CO2e)	84,007	75,639
3: Fuel and energy-related activities (metric tons of CO2e)	9,769	10,354
4: Upstream transportation and distribution (metric tons of CO2e)	3,388	3,075
5: Waste generated in operations (metric tons of CO2e)	22	14
6: Business travel (metric tons of CO2e)	107	511
7: Employee commuting (metric tons of CO2e)	995	4,046
11: Use of sold products (Direct) (metric tons of CO2e)	1,030	648
12: End-of-life treatment of sold products (metric tons of CO2e)	4	-
Total Scope 3 emissions (metric tons CO2e)	**99,321**	**94,288**

Waste	2020
Non-Hazardous - Landfill (metric tons)	22
Non-Hazardous - Composting (metric tons)	20
Non-Hazardous- Recycling (metric tons)	1,014
Non-Hazardous - Energy Recovery & Incineration (metric tons)	520
Total Non-Hazardous waste (metric tons)	**1,576**
Hazardous - Landfill (metric tons)	-
Hazardous - Composting (metric tons)	-
Hazardous - Recycling (metric tons)	8.1
Hazardous - Energy Recovery & Incineration (metric tons)	0.5
Hazardous - Other, incl. recycling and energy recovery (metric tons)	0.1
Total Hazardous waste (metric tons)	**9**
Total waste disposed (metric tons)	**1,585**
Waste recycled (%)	65

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

HR and occupational health & safety data

Occupational health & safety	2020	2019	2018
Fatalities (Number)	0	0	0
With lost time (Number)	31	25	24
Without lost time (Number)	48	40	45
Total (Number)	**79**	**65**	**69**
Days of absence (Number)	351	289	131
Injury incidence (Lost time injuries per 10,000 employees)	116	-	-
Rate of fatalities (per 1,000,000 hours)	0	0	0
Rate of High consequence work related injuries (per 1,000,000 hours)	7	-	-
Rate of work-related injuries (per 1,000,000 hours)	18	-	-
Rate of near miss accidents (per 1,000,000 hours)	15	-	-

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

Gender Representation - Board of Directors	TDC NET	Dansk Kabel TV
Men (Number)	3	4
Women (Number)	0	0
Total (Number)	**3**	**4**
Men (%)	100	100
Women (%)	0	0

Employees by Gender	2020
Men (Number)	2,181
Women (Number)	495
Men (%)	82
Women (%)	18

Employees by contract type	2020
Employees on permanent contracts - Male (Number)	2,173
Employees on permanent contracts - Female (Number)	489
Employees on temporary contracts - Male (Number)	8
Employees on temporary contracts - Female (Number)	6

Employees by employment type	2020
Employees in full-time employment - Male (Number)	2,152
Employees in full-time employment - Female (Number)	459
Employees in part-time employment - Male (Number)	29
Employees in part-time employment - Female (Number)	36

Employees by age group	2020
Employees under 30 years old (%)	9
Employees 30 - 50 years old (%)	38
Employees over 50 years old (%)	53

Employees by age group	2020
Employees under 30 years old (Number)	243
Employees 30 - 50 years old (Number)	1,026
Employees over 50 years old (Number)	1,407

Employees by employment category	2020
Manager - Male (Number)	179
Manager - Female (Number)	40
Non-Manager - Male (Number)	2,002
Non-Manager - Female (Number)	455

Employees by employment category	2020
Manager - Male (%)	82
Manager - Female (%)	18
Non-Manager - Male (%)	81
Non-Manager - Female (%)	19

Employee performance review – by gender & employee category	2020
Percentage of appraisal – managers/supervisors (male) (%)	94
Percentage of appraisal – managers/supervisors (female) (%)	100
Percentage of appraisal – non-management (male) (%)	96
Percentage of appraisal – non-management (female) (%)	99

Employee training	2020
Average training hours (Hours per FTE)	5.1

Employee Statistics - other	2020
Fathers and non-birth mothers taking parental leave (%)	68
Number of different nationalities (Number)	24
Age of oldest employee (Years)	71
Age of youngest employee (Years)	16

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

Digital Denmark	2020
Digital Citizenship: WiFive	
Pupils who have tested their skills from start of programme to end 2020 (Number)	99,205
Percentage of total number of pupils in grade 2-6 in Denmark (%)	29.9
Schools that have been using WiFive (Number)	768
Total number of schools using WiFive in Denmark (%)	34.6
Teachers that have been using WiFive (Number)	1,922
GDPR & Security e-learning	
Employees completing a GDPR e-learning (%)	99
Employees completing security e-learning (%)	77

Other metrics	2020	2019	2018
Data transported			
Data transported[1] (TB data output/year)	19,110,816	17,234,424	15,661,566
Whistleblower reports to TDC Group A/S Board of Directors			
Number of reports submitted to the whistleblower system (Number)	1	0	0
ESG Reporting (TDC Group on behalf of all three companies)			
GRESB Infrastructure ESG Score (Number)	65	61	-
EcoVadis Score (Number)	65	62	55
Engagement with Society			
Online meeting arranged on the online platform SnakSammen.dk as part of the partnership between Danish Red Cross and TDC NET (Number)	2,642	-	-

[1] The traffic reported is the average output traffic measured at the periphery of the network over a year, includes multicast traffic data.

Independent Auditor’s Assurance Report on the ESG Section

To the stakeholders of TDC NET A/S

We have reviewed the ESG Section in the TDC NET A/S Annual Report 2020 (“the Report”), which covers TDC NET’s activities from 1 January to 31 December 2020, to provide limited assurance that

- The ESG performance data on pages 101-103 in the Report have been stated in accordance with the criteria defined by the accounting principles;
- The ESG Section of the Report has been prepared in accordance with the principles and reporting criteria defined in the Global Reporting Initiative (GRI) Sustainability Reporting Standards (Core level).

We express a conclusion providing limited assurance.

Management’s responsibility

The Management of TDC NET is responsible for collecting, analysing, aggregating and presenting the information in the ESG Section and ESG data tables, ensuring that data are free from material misstatement, whether due to fraud or error. TDC Group’s non-financial Accounting Principles for 2020 contain Management’s defined reporting scope for each data type, which can be found on TDC Group’s website: https://tdcgroup.com/-/media/files/tdccom/documents/responsibility/tdc-net-esg-accounting-principles.ashx.

Auditor’s responsibility

Our responsibility is to express a limited assurance conclusion on whether the ESG performance data on pages 101-103 in the Report have been stated in accordance with the criteria defined by the accounting principles, and whether the ESG section in the Report has been prepared in accordance with the principles and reporting criteria defined in the Global Reporting Initiative (GRI) Sustainability Reporting Standards (Core level). We have conducted our work in accordance with ISAE 3000 “Assurance Engagements Other than Audits or Reviews of Historical Financial Information” and additional requirements under Danish audit regulation to obtain limited assurance about our conclusion.

Deloitte Statsautoriseret Revisionspartnerselskab is subject to International Standard on Quality Control (ISQC) 1 and, accordingly, applies a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by FSR – Danish Auditors (Code of Ethics for Professional Accountants), which are based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Considering the risk of material misstatement, we planned and performed our work to obtain all information and explanations necessary to support our conclusion.

We performed our review from November 2020 to April 2021. Our work has included interviews with key functions in TDC Group, inquiries regarding procedures and methods to ensure that selected ESG data and information have been incorporated in accordance with the accounting principles. As part of the work, we have assessed whether the process for reporting greenhouse gas emissions data complies with the principles of the Greenhouse Gas Protocol methodology as referred to in the accounting principles. We have assessed processes, tools, systems and controls for gathering, consolidating and aggregating ESG data at Group level, and performed analytical review procedures and tested ESG data prepared at Group level against underlying documentation. We have reviewed the reported ESG data as well as evaluated the reliability and validity of the underlying sources, especially of estimated data. We have reviewed the ESG section for adherence to the GRI principles for defining report content and ensuring report quality, as well as the GRI Standards disclosure requirements as presented in the GRI tables of the Report. Finally, we have evaluated the ESG Section’s compliance with the disclosure requirements in the Danish Financial Statements Act §99a and §99b.

We have not performed site visits or interviewed external stakeholders, nor have we performed any assurance procedures on baseline data or forward-looking statements such as targets and expectations.

Consequently, we draw no conclusion on these statements.

Conclusion

Based on our work, nothing has come to our attention causing us to believe that:

- The ESG data tables on page 101-103 in the TDC NET A/S Annual Report ("the Report") for the period from 1 January to 31 December 2020 have not been stated in accordance with the criteria mentioned in the accounting principles;

- The ESG Section of the Report has not been prepared in accordance with the principles and reporting criteria defined in the Global Reporting Initiative (GRI) Sustainability Reporting Standards (Core level).

Copenhagen, 27 April 2021

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No. 33 96 35 56

Lars Siggaard Hansen
State-Authorised Public Accountant

Identification No
(MNE) mne32208

Helena Barton
Lead Reviewer

tdc net

Disclaimer

Disclaimer

This report may include statements about TDC NET's expectations, beliefs, plans, objectives, assumptions or future events or performance that are not historical facts and may be forward-looking. These statements are often, but not always, formulated using words or phrases such as "are likely to result", "are expected to", "will continue", "believe", "is anticipated", "estimated", "intends", "expects", "plans", "seeks", "projection" and "outlook" or similar expressions or negatives thereof. These statements involve known and unknown risks, estimates, assumptions and uncertainties that could cause actual results, performance or achievements or industry results to differ materially from those expressed or implied by such forward-looking statements.

Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this financial report. Key factors that may have a direct bearing on TDC NET's results include: the competitive environment and the industry in which TDC NET operates; contractual obligations in TDC NET's financing arrangements; developments in competition within the domestic and international communications industry; information technology and operational risks including TDC NET's responses to change and new technologies; introduction of and demand for new services and products; developments in demand, product mix and prices in the mobile and multimedia services market; research regarding the impact of mobile phones on health; changes in applicable legislation, including but not limited to tax and telecommunications legislation and anti-terror measures; decisions made by the Danish Business Authority; the possibility of being awarded licences; increased interest rates; the status of important intellectual property rights; exchange-rate fluctuations; global and local economic conditions; investments in and divestment of domestic and foreign companies; and supplier relationships.

As the risk factors referred to in this report could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made in this Report, undue reliance is not to be placed on any of these forward-looking statements. New factors will emerge in the future that TDC NET cannot predict. In addition, TDC NET 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.