

DKT Holdings ApS

Interim financial report January – September 2021

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Management review

The business

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

The consolidated financial statements

This interim financial report includes the consolidated financial statements for DKT Holdings ApS (DKTH). The operating activities of the DKTH Group relate to activities in TDC Group.

The acquisition of TDC has resulted in a number of accounting adjustments to DKTH's financial statements, including purchase price allocation adjustments which have increased consolidated non-cash expenses and contributed to the consolidated net loss.

The analysis set out below is focusing on the activities in DKT, DKTF and DKTH for 1Q-3Q 2021. For a separate analysis of the development of TDC's activities, please see the Interim Financial Report for TDC for 1 January to 30 September 2021 included as an appendix to this report.

Group performance

EBITDA

DKTH group revenue, cost of sales, external expenses, personnel expenses and other income, i.e. EBITDA (Operating profit before depreciation, amortisation and special items), largely corresponds to TDC Group's similar items for 1 January to 30 September 2021. EBITDA for DKTH group amounted to DKK 4,907m. Hereof DKK 4,914m stems from TDC.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses are all related to the TDC Group and amounted to DKK 3,777m. Hereof DKK 619m was amortisation of assets recognised in connection with the purchase price allocation performed in connection with the acquisition of TDC. This included primarily amortisation of customer relationships and brands.

Special items

All special items, representing a net expense of DKK 273m before tax, related to the TDC Group.

Financial income and expenses

Of the total financial income and expenses, representing a net expense of DKK 2.604m, DKK 1,930m related to DKT, DKTF and DKTH. These financial expenses related primarily to interest expenses on senior notes and shareholder loans. All other financial income and expenses related to the TDC Group.

DKT Holdings Group, key figures (DKK m)

	Q3 2021	Q3 2020	Change in %	Q1-Q3 2021	Q1-Q3 2020	Change in %
Income statements						
Revenue	4,004	3,993	0.3	11,951	12,034	(0.7)
Gross profit	2,778	2,862	(2.9)	8,360	8,671	(3.6)
Operational expenses	(1,123)	(1,221)	(8.0)	(3,453)	(3,760)	(8.2)
EBITDA	1,655	1,641	0.9	4,907	4,911	(0.1)
EBITDA excl. new lease accounting principles (IFRS 16)	1,573	1,529	2.9	4,611	4,594	0.4
Loss for the period excluding special items	(481)	(710)	(32.3)	(1,678)	(2,068)	(18.9)
Loss for the period	(476)	(714)	(33.3)	(1,853)	(2,203)	(15.9)
Capital expenditure, excluding mobile licences	(951)	(1,263)	(24.7)	(3,095)	(3,974)	(22.1)
Mobile licences	(1)	-	-	(671)	-	-
Cash flow						
Total cash flow from operating activities	1,138	1,881	(39.5)	3,592	4,385	(18.1)
Total cash flow from investing activities	(893)	(1,287)	(30.6)	(3,474)	(3,880)	(10.5)
Total cash flow from financing activities	(77)	(71)	8.5	324	(912)	(135.5)
Total cash flow	168	523	(67.9)	442	(407)	-
NIBD						
Adjusted net interest-bearing debt (NIBD) ¹	(31,637)	(30,898)	2.4	(31,637)	(30,898)	2.4
Net interest-bearing debt (NIBD)	(58,576)	(56,550)	3.6	(58,576)	(56,550)	3.6
Key financial ratios						
Gross margin, %	69.4	71.7	-	70.0	72.1	-
EBITDA margin, %	41.3	41.1	-	41.1	40.8	-

¹Excluding shareholder loans, impact from IFRS 16 and spectrum licence liabilities.

Income taxes

DKTH Group income taxes related to the profit before income taxes for TDC and external expenses in DKT, DKTF and DKTH. Due to the Danish rules on limitation on the tax deductibility of interest expenses, the interest deductibility is already constrained on TDC Group level. Accordingly, the additional financial expenses in DKTF and DKTH are not tax deductible.

Loss for the period

The loss for the period of DKK 1,853m comprised a profit for TDC of DKK 82m and a combined loss in DKT, DKTF and DKTH of DKK 1,935m related primarily to the net financial expenses.

Net interest-bearing debt

During 1Q-3Q 2021, adjusted net interest-bearing debt¹ increased by DKK 33m. The increase was due primarily to lease repayments re IFRS 16 leases (DKK 214m) partly offset primarily by the positive net cash flow from operating and investing activities (DKK 118m).

1. Net interest-bearing debt excluding the impact from IFRS 16, shareholder loans and spectrum licence liabilities.

Consolidated financial statements

Income statement (DKKm)	Note	Q3 2021	Q3 2020	Change in %	Q1-Q3 2021	Q1-Q3 2020	Change in %
Revenue		4,004	3,993	0.3	11,951	12,034	(0.7)
Cost of sales		(1,226)	(1,131)	8.4	(3,591)	(3,363)	6.8
Gross profit		2,778	2,862	(2.9)	8,360	8,671	(3.6)
External expenses		(425)	(486)	(12.6)	(1,387)	(1,463)	(5.2)
Personnel expenses		(743)	(769)	(3.4)	(2,200)	(2,424)	(9.2)
Other income		45	34	32.4	134	127	5.5
Operating profit before depreciation, amortisation and special items (EBITDA)		1,655	1,641	0.9	4,907	4,911	(0.1)
Depreciation, amortisation and impairment losses	2	(1,113)	(1,563)	(28.8)	(3,777)	(4,762)	(20.7)
Operating profit excluding special items (EBIT excluding special items)		542	78	-	1,130	149	-
Special items	3	(56)	(4)	-	(273)	(163)	67.5
Operating profit/(loss) (EBIT)		486	74	-	857	(14)	-
Financial income and expenses	4	(885)	(826)	7.1	(2,604)	(2,292)	13.6
Loss before income taxes		(399)	(752)	(46.9)	(1,747)	(2,306)	(24.2)
Income taxes		(77)	38	-	(106)	103	-
Loss for the period		(476)	(714)	(33.3)	(1,853)	(2,203)	(15.9)

Balance sheet

Assets (DKKm)	Note	30 September 2021	31 December 2020	30 September 2020
Non-current assets				
Intangible assets		35,316	35,713	36,092
Property, plant and equipment		17,188	16,658	16,115
Lease assets		3,260	3,433	4,321
Joint ventures, associates and other investments		8	56	55
Pension assets	5	9,165	8,028	7,676
Receivables		192	200	201
Prepaid expenses		21	23	26
Total non-current assets		65,150	64,111	64,486
Current assets				
Inventories		236	200	227
Receivables		1,741	2,096	2,074
Income tax receivables		-	229	-
Derivative financial instruments		83	45	96
Prepaid expenses		607	700	661
Cash		949	508	1,259
Total current assets		3,616	3,778	4,317
Total assets		68,766	67,889	68,803

Equity and liabilities (DKKm)	Note	30 September 2021	31 December 2020	30 September 2020
Equity				
Share capital		-	-	-
Reserve for exchange-rate adjustments		-	-	12
Reserve for cash flow hedges		(5)	(8)	(9)
Retained earnings		(4,814)	(4,133)	(3,586)
Total equity		(4,819)	(4,141)	(3,583)
Non-current liabilities				
Deferred tax liabilities		3,927	3,881	3,854
Provisions		425	403	337
Loans	6	30,074	33,179	33,323
Lease liabilities		3,720	3,818	4,698
Shareholder loans		20,815	19,141	19,141
Other non-current liabilities		381	381	379
Total non-current liabilities		59,342	60,803	61,732
Current liabilities				
Loans	6	4,507	35	30
Lease liabilities		480	489	491
Trade and other payables		8,713	10,248	9,480
Income tax payable		348	-	306
Derivative financial instruments		119	397	284
Provisions		76	58	63
Total current liabilities		14,243	11,227	10,654
Total liabilities		73,585	72,030	72,386
Total equity and liabilities		68,766	67,889	68,803
Total liabilities excl. impact of IFRS 16		69,441	67,781	67,256

Statements of cash flow (DKKm)	Q3 2021	Q3 2020	Change in %	Q1-Q3 2021	Q1-Q3 2020	Change in %
EBITDA	1,655	1,641	0.9	4,907	4,911	(0.1)
Adjustment for non-cash items	13	29	(55.2)	72	135	(46.7)
Pension contributions	(1)	-	-	270	198	36.4
Payments related to provisions	(3)	(4)	(25.0)	(11)	(16)	(31.3)
Special items	(43)	(60)	(28.3)	(157)	(183)	(14.2)
Change in working capital	(177)	389	(145.5)	(228)	655	(134.8)
Interest paid, net	(303)	(110)	175.5	(1,447)	(1,250)	15.8
Income tax paid	(3)	(4)	(25.0)	186	(65)	-
Total cash flow from operating activities	1,138	1,881	(39.5)	3,592	4,385	(18.1)
Investment in enterprises	-	-	-	-	(7)	-
Investment in property, plant and equipment	(717)	(938)	(23.6)	(2,597)	(2,851)	(8.9)
Investment in intangible assets	(280)	(373)	(24.9)	(985)	(1,044)	(5.7)
Investment in other non-current assets	(4)	(1)	-	(5)	(2)	150.0
Divestment of joint ventures and associates	97	-	-	97	-	-
Sale of other non-current assets	11	25	(56.0)	16	24	(33.3)
Total cash flow from investing activities	(893)	(1,287)	(30.6)	(3,474)	(3,880)	(10.5)
Repayment of long-term loans	(24)	(24)	-	(24)	(24)	-
Lease repayments	(52)	(47)	10.6	(216)	(200)	8.0
Change in short-term bank loans	(1)	-	-	564	(681)	(182.8)
Capital contribution from non-controlling interests	-	-	-	-	(7)	-
Total cash flow from financing activities	(77)	(71)	8.5	324	(912)	(135.5)
Total cash flow	168	523	(67.9)	442	(407)	-
Cash and cash equivalents (beginning of period)	780	749	4.1	508	1,686	(69.9)
Effect of exchange-rate changes on cash and cash equivalents	1	(13)	(107.7)	(1)	(20)	(95.0)
Cash and cash equivalents (end of period)	949	1,259	(24.6)	949	1,259	(24.6)

Notes to consolidated financial statements

1 | Accounting policies

DKTH Group's interim financial report for 1Q-3Q 2021 has been prepared in accordance with International Financial Reporting Standards' (IFRS) rules on recognition and measurement and the requirements in accounting class D of the Danish Financial Statements Act.

The consolidated financial statements are based on the historical cost convention, with the exception that the following assets and liabilities are measured at fair value: derivatives and equity investments.

The accounting policies are unchanged compared with the policies applied in the annual report 2020.

Critical accounting estimates and judgements

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 material to the preparation of the consolidated financial statements are shown in note 1.2 in the consolidated financial statements for 2020, cf. DKTH's annual report 2020.

2 | Depreciation, amortisation and impairment losses

(DKKm)	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020
Amortisation of intangible assets	(496)	(792)	(1,961)	(2,367)
Depreciation on property, plant and equipment	(526)	(660)	(1,537)	(2,091)
Depreciation of lease assets	(96)	(98)	(289)	(297)
Impairment losses	(4)	(18)	(11)	(23)
Capitalised as tangible or intangible assets	9	5	21	16
Total	(1,113)	(1,563)	(3,777)	(4,762)

All depreciation, amortisation and impairment losses related to the TDC Group and amounted to DKK 3,777m. Hereof DKK 619m was amortisation of assets recognised in connection with the purchase price allocation performed in connection with the acquisition of TDC. This included primarily amortisation of customer relationships and brands.

3 | Special items

Special items include significant amounts that cannot be attributed to normal operations such as re-structuring 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 acquisition of enterprises.

Special items as described above 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.

Special items (DKKm)	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020
Costs related to redundancy programmes	(13)	(23)	(145)	(141)
Other restructuring costs, etc.	(43)	5	(77)	2
Distribution of excess capital to members of TDC Pension Fund	-	-	(44)	(35)
Profit on sale of other investments	-	15	-	15
Loss from rulings	-	-	(1)	(1)
Adjustment of purchase price re acquisition of enterprises	-	-	-	(2)
Costs related to acquisition of enterprises	-	(1)	(6)	(1)
Special items before income taxes	(56)	(4)	(273)	(163)
Income taxes related to special items	12	-	49	28
Special items related to joint ventures and associates	49	-	49	-
Total special items	5	(4)	(175)	(135)

4 | Financial income and expenses

Financial income and expenses (DKKm)	Q3 2021	Q3 2020	Change in %	Q1-Q3 2021	Q1-Q3 2020	Change in %
Interest income	4	9	(55.6)	24	15	60.0
Interest expenses	(951)	(896)	6.1	(2,781)	(2,645)	5.1
Net interest	(947)	(887)	6.8	(2,757)	(2,630)	4.8
Currency translation adjustments	(58)	143	(140.6)	(291)	495	(158.8)
Fair value adjustments	64	(96)	(166.7)	374	(196)	-
Interest, currency translation adjustments and fair value adjustments	(941)	(840)	12.0	(2,674)	(2,331)	14.7
Profit/(loss) from joint ventures and associates	49	-	-	49	(4)	-
Interest on pension assets	7	14	(50.0)	21	43	(51.2)
Total	(885)	(826)	7.1	(2,604)	(2,292)	13.6

Of the total financial income and expenses, representing a net expense of DKK 2,604m, DKK 1,930m related to DKT, DKTF and DKTH. These financial expenses related primarily to interest expenses on senior notes and shareholder loans. All other financial income and expenses related to the TDC Group.

4 | Financial income and expenses (continued)

Specifications (DKKm)	Q3 2021				Q3 2020			
	Interest	Currency translation adjustments	Fair value adjustments	Total	Interest	Currency translation adjustments	Fair value adjustments	Total
	Shareholder loan	(466)			(466)	(428)		
Senior Notes	(190)	-	(4)	(194)	(189)	17	(42)	(214)
Senior Facility Agreement	(113)	-	-	(113)	(111)	15	-	(96)
Euro Medium Term Notes	(55)	-	(19)	(74)	(55)	6	36	(13)
Lease liabilities	(48)			(48)	(60)			(60)
Other	(46)	(2)	2	(46)	(23)	(3)	(3)	(29)
Total	(918)	(2)	(21)	(941)	(866)	35	(9)	(840)

Specifications (DKKm)	Q1-Q3 2021				Q1-Q3 2020			
	Interest	Currency translation adjustments	Fair value adjustments	Total	Interest	Currency translation adjustments	Fair value adjustments	Total
	Shareholder loan	(1,334)			(1,334)	(1,230)		
Senior Notes	(566)	(7)	(15)	(588)	(564)	40	30	(494)
Senior Facility Agreement	(332)	11	1	(320)	(331)	52	4	(275)
Euro Medium Term Notes	(164)	(3)	-	(167)	(162)	42	64	(56)
Lease liabilities	(146)			(146)	(181)			(181)
Other	(129)	(4)	14	(119)	(85)	(10)	-	(95)
Total	(2,671)	(3)	-	(2,674)	(2,553)	124	98	(2,331)

Interest, currency translation adjustments and fair value adjustments represented an expense of DKK 2.674m in Q1-Q3 2021. The increase of DKK 343m compared with Q1-Q3 2020 was driven primarily by:

- Interest: A higher level of Shareholder loans in 2021 and higher interest as well as commitment fees relating to RCF (Revolving Credit Facility) resulted in higher interest expenses. This was partly offset by lower interest relating to lease liabilities in Q1-Q3-2021, due to the reduced leasing liabilities in Q4 2020 following the reassessment of future need for leasing square metres of floor space for technical equipment.
- Currency adjustments: During Q1-Q3 2021, the EUR exchange rate decreased by less than in Q1-Q3 2020 resulting in lower gains relating to EUR loans, GBP loans and USD loans swapped to EUR compared with Q1-Q3 2020.
- Fair value adjustments: A gain in Q1-Q3 2020, driven primarily by declining GBP (DKK 68m) and USD (DKK 30m) interest rates involving cross currency swaps related to GBP loans.

5 | Pension assets and pension obligations

TDC's Danish pension fund operates defined benefit plans via a separate legal entity supervised by the Danish Financial Supervisory Authority (FSA). In accordance with existing legislation, articles of association and the pension regulations, TDC is required to make contributions to meet the capital adequacy requirements. Since 1990, no new members have joined the pension fund plans, and the pension fund is prevented from admitting new members in the future due to the Articles of Association.

For further information of the pension asset of DKK 9,165m as of 30 September 2021, see note 7 to TDC's consolidated financial statements for 1 January – 30 September 2021 included as appendix to this report.

6 | Loans and net interest-bearing debt

Euro Medium Term Notes (EMTNs) and Senior Facility Agreement (SFA)

	2022	2023	2023	2023	2024	2025	2029	2029	Total
Maturity	Mar 22	Feb 23	Jun 23	Jun 23	Jun 24	Jun 25	Apr 29	Apr 29	
Fixed/Floating rate	Fixed	Fixed	Fixed	Fixed	Floating	Floating	Fixed	Fixed	
					Margin+Floored	Margin+Floored			
Coupon	5.000%	6.875%	7.000%	9.375%	Euribor ¹	Euribor ¹	8.810%	8.150%	
Currency	EUR	GBP	EUR	USD	EUR/DKK	EUR	DKK	DKK	
Type	EMTN Bond	EMTN Bond	Senior note	Senior note	RCF	SFA loan	SHL loan	SHL loan	
Nominal value (DKKm)	3,718	3,678	7,806	2,632	565	14,129	18,982	1,833	53,343
Nominal value (currency)	500	425	1,050	410	565	1,900	18,982	1,833	
– of which nominal value swapped to EUR or DKK (currency) ²	200	425		410	-				
Nominal value of debt incl. currency hedging in DKKm	3,723	3,718	7,806	2,672	565	14,129	18,982	1,833	53,428
– of which nominal value swapped to or with floating interest rate (EURm)	100	-	-	-	76	1,775			1,951
– of which nominal value swapped to or with fixed interest rate (EURm) ²	400	500	1,050	359	-	125	2,553	246	5,233

¹ The Revolving Credit Facility (RCF) and SFA loans have a Euribor floor at zero and margins of 2.75% and 3.00% as per 30 September-2021, respectively. DKK 565m in RCF has a margin of 2.3%.

² EUR exposures are not considered a significant risk due to the fixed EUR DKK exchange rate policy.

³ The maturity of interest-rate swaps used for hedging of long-term EMTN bonds matches the maturity of the underlying EMTN bonds. Derivatives of nominal EUR 125m matures in March 2022.

Net interest-bearing debt (DKKm)	30 September 2021	31 December 2020	30 September 2020
EMTN loans incl. short-term part	7,552	7,540	7,538
Senior Facility Agreement incl. short-term-part	14,102	14,107	14,111
Senior Notes	10,378	10,201	10,323
Shareholder loans	20,815	19,141	19,141
Lease liabilities incl. short-term part	4,200	4,307	5,189
Spectrum licence liabilities	1,980	1,361	1,381
Bank loans	569	5	-
Interest-bearing payables	2	2	2
Derivatives	79	352	287
Interest-bearing receivables and investments	(152)	(161)	(163)
Cash	(949)	(508)	(1,259)
Net interest-bearing debt	58,576	56,347	56,550
Hereof shareholder loans	(20,815)	(19,141)	(19,141)
Hereof impact of IFRS 16	(4,144)	(4,249)	(5,130)
Hereof spectrum licence liabilities	(1,980)	(1,361)	(1,381)
Net interest-bearing debt excl. shareholder loans, impact of IFRS 16 and spectrum licence liabilities	31,637	31,596	30,898

The increase in net interest-bearing debt during 1Q-3Q 2021 was due primarily to the addition on spectrum licence liabilities (DKK 663m), interest accrued on shareholder loans (DKK 1,698m)

7 | Events after the balance sheet date

There have been no events that materially affect the assessment of this interim financial report January – September 2021 after the balance sheet date and up to today.

Corporate matters

Risk factors

DKTH Group's annual report describes certain risks that could materially and adversely affect DKTH Group's business, financial condition, results of operations and/or cash flows.

In addition, COVID-19 has had a significant impact on many global financial markets and general uncertainty has increased. Travel restrictions negatively affect the roaming business and the overall decline in the economy may cause a negative impact on revenues as well as increased credit losses, or even bankruptcies, leading to financial loss.

Forward-looking statements

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

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

As any risk factors referred to in this report could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made in this report, undue reliance is not to be placed on any of these forward-looking statements. New factors will emerge in the future that DKTH Group cannot predict. In addition, DKTH Group cannot assess the impact of each factor on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those described in any forward-looking statements.

Management statement

Management statement

Today, the Board of Directors and the Executive Committee considered and approved the interim financial statements of DKTH Group for 1Q-3Q 2021.

The financial report has been prepared in accordance with International Financial Reporting Standards' (IFRS) rules on recognition and measurement.

In our opinion, the financial report gives a true and fair view of the Group's assets, liabilities and financial position at 30 September 2021 as well as the results of operations and cash flows for 1Q-3Q 2021. Furthermore, in our opinion, the Management's review provides a fair review of the developments in the Group's activities and financial position, and describes the significant risks and uncertainties that may affect the Group.

Copenhagen, 5 November 2021

Executive Committee

Nathan Andrew Luckey

Board of Directors

Martin Bradley
Chairman

Jørgen Høholt

Peter Tind Larsen

Ulrik Pallisø Bornø

Arthur Rakowski

Nathan Andrew Luckey

About DKTH

DKT Holdings ApS

c/o TDC A/S, Teglholmsgade 1, DK-2450 Copenhagen SV

CVR No. 39 18 68 29

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

- DKTUK Limited (50%), managed by Macquarie Infrastructure and Real Assets Europe Limited
- Arbejdsmarkedets Tillægspension (ATP) (16.7%)
- PFA Ophelia InvestCo I 2018 K/S (16.7%), managed by PFA Asset Management A/S
- PKA Ophelia Holding K/S (16.7%), managed by AIP Management P/S.

For more information, please contact Henrik Hjortshøj-Nielsen, Head of TDC Investor Relations, on +45 2129 8991 or at investorrelations@tdc.dk.

Appendix:

TDC Group

Interim financial report January – September 2021

Group performance in Q3 2021

Q3 highlights

- TDC Group's EBITDA increased by 0.9% in Q3 compared to the same quarter last year (Q3 YoY), which was driven by continued improvements of commercial and financial performance. We expect to deliver on our guidance of stable to slightly declining EBITDA for 2021.
- Revenue increased by 0.3% Q3 YoY, driven by highest reported growth in service revenue since 2015
- Operating expenses decreased by 8.1% Q3 YoY, driven by continuous cost savings across TDC Group
- Capital expenditure decreased by 24.7% Q3 YoY, driven by completion of the mobile network 5G swap last year and calendarization of capex towards Q4
- TDC Group received Ecovadis' platinum medal in Q3 and is therefore among the top 1% of the most sustainable companies in the world
- Key Milestone in the separation of TDC Group completed as most of the employees from TDC A/S have been transferred to either TDC NET or Nuuday

Revenue

In the first three quarters of 2021, TDC Group's revenue decreased by 0.7%, or DKK 83m to DKK 11,951m, when compared with Q1-Q3 2020. The decrease was driven mainly by the mature services within internet & network, TV and landline voice, and was partly offset by growth in mobility services.

Gross profit

TDC Group's gross profit decreased by 3.6% or DKK 311m to DKK 8,360m in Q1-Q3 2021. The decline was driven primarily by the legacy technologies in internet & network and the continued decline in landline voice.

Operating expenses

In Q1-Q3 2021, operating expenses decreased by 8.2% or DKK 309m to DKK 3,446m. The improved operating expenses were fuelled by cost savings across TDC Group, primarily in Nuuday.

EBITDA

A stable EBITDA development of 0.0%, DKK 2m to DKK 4,914m, was achieved in Q1-Q3. The continued decline in mature services was offset by cost savings.

TDC Group, key figures (DKKm)	Q3 2021	Q3 2020	Change in %	Q1-Q3 2021	Q1-Q3 2020	Change in %
Income statements						
Revenue	4,004	3,993	0.3	11,951	12,034	(0.7)
Gross profit	2,778	2,862	(2.9)	8,360	8,671	(3.6)
Operational expenses	(1,120)	(1,219)	(8.1)	(3,446)	(3,755)	(8.2)
EBITDA	1,658	1,643	0.9	4,914	4,916	(0.0)
Profit for the period excluding special items	207	147	40.8	585	251	133.1
Profit/(loss) for the period	212	149	42.3	410	122	-
Total comprehensive income/(loss)	545	395	38.0	1,427	524	172.3
Capital expenditure, excluding mobile licences	(951)	(1,263)	(24.7)	(3,095)	(3,974)	(22.1)
Mobile licences	(1)	-	-	(671)	-	-
Key financial ratios						
Gross margin, %	69.4	71.7	-	70.0	72.1	-
EBITDA margin, %	41.4	41.1	-	41.1	40.9	-

Capital expenditure

Capital expenditure, excluding mobile licences, totalled DKK 3,095m in the first three quarters of 2021, down by 22.1% or DKK 879m compared with the same period last year. This was driven mainly by large mobile investments in 2020, following the mobile network 5G swap, combined with lower 2021 fibre capex spending driven by lower unit costs compared with 2020.

Cash flow

Total cash flow increased by DKK 875m to DKK 393m.

The DKK 887m decrease in cash flow from operating activities in Q1-Q3 2021, down to DKK 3,884m, was driven primarily by a decline in net working capital (DKK 893m) explained mainly by the COVID-19 support package build-up in Q1-Q3 2020 and partial repayment in 2021 (app. DKK 700m). Also higher net interest paid contributed to the decrease driven primarily by different timing. The decrease in cash flow was partly offset by the different timing of income tax paid (DKK 172m) and a larger distribution of excess capital from the TDC Pension Fund compared with 2020 (DKK 74m before tax).

The DKK 406m decrease in cash outflow from investing activities, to DKK 3,474m, was driven by lower capex (DKK 879m), partly offset by cash flow adjustments to capex due to different timing of payments compared with 2020.

Cash outflow from financing activities in Q1-Q3 2021 increased by DKK 1,356m to DKK 17m, driven mainly by an increase in short-term bank loans during that period in combination with a decrease in Q1-Q3 2020.

Profit for the period

Excluding special items, profit for the period increased by DKK 334m to DKK 585m. Profit for the period (including special items) increased by DKK 288m to DKK 410m. The increases were both driven largely by reduced depreciation³.

Comprehensive income

Total comprehensive income increased by DKK 1,091m to DKK 1,615m. The DKK 288m increase in profit for the period was accompanied by a positive development in defined benefit plans (DKK 789m after tax).

Net interest-bearing debt

During Q1-Q3 2021, adjusted net interest-bearing debt¹ increased by DKK 179m to DKK 21,181m. The increase was due primarily to the dividend payment of DKK 365m to DK Telekommunikation ApS mainly to cover interest payments on senior notes in DKT Finance ApS.

3. See also note 4 to the consolidated financial statements.

Cash flow and net interest-bearing debt (DKKm)	Q3 2021	Q3 2020	Change in %	Q1-Q3 2021	Q1-Q3 2020	Change in %
Cash flow from operating activities	1,143	1,895	(39.7)	3,884	4,771	(18.6)
Investment in property, plant and equipment	(717)	(938)	(23.6)	(2,597)	(2,851)	(8.9)
Investment in intangible assets	(280)	(373)	(24.9)	(985)	(1,044)	(5.7)
Lease repayments	(52)	(47)	10.6	(216)	(200)	8.0
Equity free cash flow	94	537	(82.5)	86	676	(87.3)
Total cash flow from operating activities	1,143	1,895	(39.7)	3,884	4,771	(18.6)
Total cash flow from investing activities	(893)	(1,287)	(30.6)	(3,474)	(3,880)	(10.5)
Total cash flow from financing activities	(53)	(47)	12.8	(17)	(1,373)	(98.8)
Total cash flow	197	561	(64.9)	393	(482)	(181.5)
Adjusted net interest-bearing debt (NIBD) ¹	(21,181)	(20,359)	4.0	(21,181)	(20,359)	4.0
Net interest-bearing debt (NIBD)	(27,305)	(26,870)	1.6	(27,305)	(26,870)	1.6
Adjusted NIBD/EBITDA ²	3.5	3.4	-	3.5	3.4	-

1. Excluding the impact from IFRS 16 and spectrum licence liabilities.
2. Calculated without spectrum licence liabilities as well as the additional lease liabilities due to the adoption of IFRS 16 and the resulting EBITDA effect. The EBITDA effect of IFRS 16 amounted to DKK 404m for the last twelve months. Including spectrum licence liabilities and IFRS 16 the NIBD/EBITDA ratio amounted to 4.3 at 30 September 2021.

TDC NET highlights Q3 2021

- TDC NET's **EBITDA** increased 2.6% in Q3 YoY and totalled DKK 1,114m
 - **Gross profit** declined by 2.0% Q3 YOY as growth within high-speed broadband was more than offset by lower revenues from TV and legacy broadband copper as well as lower revenues from customer installations
 - **Operating expenses** improved by 11.8% Q3 YoY driven by optimised support functions at TDC Group
- **Capital expenses** of DKK 646m in Q3, down by 32.0% Q3 YoY driven mainly by the investment peak in mobile in previous year
- TDC NET rolled out 23k **fibre homes passed** in Q3 and now has a total fibre footprint of 460k homes passed
- In Q3, TDC NET was awarded the title of **best mobile experience** in the world according to a new survey by Tutela
- After one year, **5G** traffic now amounts to approximately 10% of total mobile data transported at TDC NET

TDC NET performance in Q1-Q3 2021

Revenue

In the first three quarters of 2021, TDC NET's revenue totalled DKK 4,987m, resulting in a decrease of 3.1% or DKK 162m compared with the same period in 2020. The decrease was driven mainly by lower revenues from TV and broadband copper as well as lower revenues from customer installations largely affected by COVID-19 restrictions in Q1. Continued customer losses on legacy landline voice contributed to the revenue decline. Growth in high-speed broadband offerings as well as higher revenues from mobility services partly offset this overall revenue trend.

Gross profit

TDC NET's gross profit decreased by 1.9% or DKK 91m in Q1-Q3 2021 and totalled DKK 4,753m. The development, driven by the revenue decline, was partly offset by higher revenues from mobility services as well as lower revenues from low-margin products. As a result, TDC NET's gross profit margin increased to 95.3% in Q1-Q3 compared with 94.1% during the same period in 2020.

Operating expenses

Operating expenses were cut by 8.6% or DKK 129m and totalled DKK 1,364m. This improvement was driven primarily by lower costs for TDC Group support functions and lower expenditures on consultants, marketing and service contractors, as well as decreased

personnel expenses, partly offset by increased electricity costs.

EBITDA

In Q1-Q3 2021, EBITDA totalled DKK 3,389, up by 1.1% or DKK 38m YoY. The improvement was driven by the significant cost savings in operating expenses throughout the first three quarters of 2021, which more than offset the decline in gross profit. Consequently, the EBITDA margin in the first three quarters of 2021 improved to 68.0% from 65.1% in 2020.

Capital expenditure

Capital expenditure accumulated to DKK 2,160m, a decrease of 25.1% or DKK 722m. The lower spending throughout Q1-Q3 was largely affected by the YoY impact of the investment peak in the 5G network in 2020. In addition, fibre rollout costs were lower than in 2020.

TDC NET passed 23k homes with fibre in Q3 and remains on schedule to deliver more than 100k homes passed in 2021.

TDC NET, key figures (DKKm)	Q3 2021	Q3 2020	Change in %	Q1-Q3 2021	Q1-Q3 2020	Change in %
Income statements						
Revenue	1,636	1,677	(2.4)	4,987	5,149	(3.1)
Hereof external revenue	344	342	0.6	1,055	1,042	1.2
Gross profit	1,564	1,596	(2.0)	4,753	4,844	(1.9)
Operational expenses	(450)	(510)	(11.8)	(1,364)	(1,493)	(8.6)
EBITDA	1,114	1,086	2.6	3,389	3,351	1.1
Capital expenditure, excluding mobile licences						
	(646)	(950)	(32.0)	(2,160)	(2,882)	(25.1)
Key financial ratios						
Gross margin, %	95.6	95.2	-	95.3	94.1	-
EBITDA margin, %	68.1	64.8	-	68.0	65.1	-

Nuuday highlights Q3 2021

- **EBITDA declined by 3.5% in Q3 YoY** but grew significantly QoQ fuelled by the stabilisation of our business, and continued cost reduction.
 - **Revenue increased by 0.4% Q3 YoY**, driven by a strong performance in Consumer mobile, which increased by 5.2%. This led to the first YoY increase in service revenue in several years, reflecting strengthening mobile performance and continued stabilisation of our broadband base as we expand into fibre areas.
 - **Gross profit decreased by 4.7% YoY in Q3** but remained stable compared with Q2 2021, with margin pressure continuing from DSL to fibre migration.
 - **Operating expenses decreased by 5.6% Q3 YoY**, driven by reductions in personnel expenses along with savings on IT and external spending.
- **Capital expenditure decreased by 7.5% in Q3 YoY**, achieved through fewer TV set-top box replacements, high modem refurbishment levels, and lower IT investments.
- Nuuday maintained its position as **market leader** across all core products with small changes in market shares, prompted by positive trends in YouTv, Hiper and TDC Business mobile net adds
- We have continued to rapidly **expand our fibre reach** across Denmark to reach 2/3 or 1.5m of Danish fibre addresses passed. In Q3, we launched on Nord-Energi, Syd-Energi, Fibia and Energi-Fyn representing approx. 750k addresses passed.
- We continued to **migrate our customers steadily from legacy to future proof technologies**, with approx. 73.7% of RGUs ‘future proof’ in Q3, compared to 72.9% in Q2 2021
 - The strong development in Consumer mobile was backed by 5G subscription sales, with more than 50% of the gross adds were 5G enabled.

Nuuday performance in Q1-Q3 2021

Revenue

In the first three quarters of 2021, Nuuday's revenue decreased by 0.8%, or DKK 91m, to DKK 10,933m compared with the same period last year. This decrease was driven by our mature service segment¹, impacted especially by the continued structural loss of landline voice and low-speed DSL broadband. However, this decrease was almost offset by a 2.5% YoY increase in revenue from mobility services, driven by an increase in the customer base and higher prices.

Gross profit

Nuuday's gross profit decreased by 6.8%, or DKK 278m, to DKK 3,790m in the first three quarters of 2021. Declining customer bases within our mature services were the main reason for the lower gross profit, however our growth services continued the positive development in the customer base. The gross profit from mobility services in Consumer increased by 3.0% YoY, driven by a higher customer base as well as price increases. This was offset by a YoY decrease in the business segment, driven by higher costs and lower prices.

Operating expenses

Operating expenses decreased by DKK 210m or 8.1% YoY. This improvement was driven primarily by lower personnel expenses and IT costs along with the general cost focus in Nuuday.

EBITDA

Nuuday recorded an EBITDA decline of 4.6%, or DKK 70m, to DKK 1,445m in Q1-Q3 of 2021, compared with the same period last year. The savings in operating expenses positively impacted the EBITDA YoY growth, although the loss in gross profit more than offset these savings.

Capital expenditure

In the first three quarters of 2021, Nuuday's capital expenditure declined by 15.7%, or DKK 159m, to DKK 853m compared with the same period in 2020. The lower spending stemmed largely from lower volume-driven capex, driven by a higher degree of modem refurbishment and fewer TV set-top box replacements, as well as smaller IT investments.

EBITDA less capital expenditure

Nuuday's simple cash flow (EBITDA – capital expenditure) in Q1-Q3 amounted to DKK 592m, up by DKK 89m compared with same period in 2020. This increase was achieved through cost savings in both operating and capital expenditure but was partly offset by Nuuday's gross profit from growth services increasing less rapidly than the decline in gross profit from mature services.

Nuuday, key figures (DKKm)	Q3 2021	Q3 2020	Change in %	Q1-Q3 2021	Q1-Q3 2020	Change in %
Income statements						
Revenue	3,676	3,660	0.4	10,933	11,024	(0.8)
Hereof external revenue	3,659	3,649	0.3	10,892	10,988	(0.9)
Gross profit	1,272	1,335	(4.7)	3,790	4,068	(6.8)
Operational expenses	(744)	(788)	(5.6)	(2,345)	(2,553)	(8.1)
EBITDA	528	547	(3.5)	1,445	1,515	(4.6)
Capital expenditure, excluding mobile licences	(272)	(294)	(7.5)	(853)	(1,012)	(15.7)
Key financial ratios						
Gross margin, %	34.6	36.5	-	34.7	36.9	-
EBITDA margin, %	14.4	14.9	-	13.2	13.7	-

¹ Mature services include: Linear TV, DSL broadband & landline voice

Consolidated financial statements

Income statement (DKKm)	Note	Q3 2021	Q3 2020	Change in %	Q1-Q3 2021	Q1-Q3 2020	Change in %
Revenue	3	4,004	3,993	0.3	11,951	12,034	(0.7)
Cost of sales		(1,226)	(1,131)	8.4	(3,591)	(3,363)	6.8
Gross profit		2,778	2,862	(2.9)	8,360	8,671	(3.6)
External expenses		(424)	(486)	(12.8)	(1,383)	(1,461)	(5.3)
Personnel expenses		(743)	(769)	(3.4)	(2,200)	(2,424)	(9.2)
Other income		47	36	30.6	137	130	5.4
Operating profit before depreciation, amortisation and special items (EBITDA)	2	1,658	1,643	0.9	4,914	4,916	(0.0)
Depreciation, amortisation and impairment losses	4	(1,012)	(1,224)	(17.3)	(3,158)	(3,787)	(16.6)
Operating profit excluding special items (EBIT excluding special items)		646	419	54.2	1,756	1,129	55.5
Special items	5	(56)	2	-	(273)	(157)	73.9
Operating profit (EBIT)		590	421	40.1	1,483	972	52.6
Financial income and expenses	6	(278)	(234)	18.8	(829)	(736)	12.6
Profit before income taxes		312	187	66.8	654	236	177.1
Income taxes		(100)	(38)	163.2	(244)	(114)	114.0
Profit for the period		212	149	42.3	410	122	-
Profit attributable to:							
Owners of the parent company		212	149	42.3	410	122	-

Statement of comprehensive income (DKKm)	Note	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020
Profit for the period		212	149	410	122
Items that may subsequently be reclassified to the income statement:					
Exchange-rate adjustments of foreign enterprises		-	(12)	-	(14)
Change in fair value adjustments of cash flow hedges transferred to financial expenses		11	11	33	33
Items that cannot subsequently be reclassified to the income statement:					
Remeasurement of defined benefit pension plans		655	317	1,503	492
Income tax relating to remeasurement of defined benefit pension plans		(145)	(70)	(331)	(109)
Other comprehensive income		521	246	1,205	402
Total comprehensive income		733	395	1,615	524

Balance sheet

Assets (DKKm)	Note	30 September 2021	31 December 2020	30 September 2020
Non-current assets				
Intangible assets		24,742	24,498	24,535
Property, plant and equipment		16,472	15,964	15,441
Lease assets		3,260	3,433	4,321
Joint ventures, associates and other investments		8	56	55
Pension assets	7	9,165	8,028	7,676
Receivables		192	200	201
Prepaid expenses		21	23	26
Total non-current assets		53,860	52,202	52,255
Current assets				
Inventories		236	200	227
Receivables		1,742	2,096	2,072
Income tax receivables		-	174	-
Derivative financial instruments		64	45	49
Prepaid expenses		607	689	660
Cash		826	434	1,075
Total current assets		3,475	3,638	4,083
Total assets		57,335	55,840	56,338

Equity and liabilities (DKKm)	Note	30 September 2021	31 December 2020	30 September 2020
Equity				
Share capital		812	812	812
Reserve for exchange-rate adjustments		-	-	(7)
Reserve for cash flow hedges		(63)	(96)	(107)
Retained earnings		15,755	14,538	14,621
Total equity		16,504	15,254	15,319
Non-current liabilities				
Deferred tax liabilities		3,568	3,386	3,291
Provisions		425	403	337
Loans	8	19,558	22,690	22,672
Lease liabilities		3,720	3,818	4,698
Other non-current liabilities		381	381	379
Total non-current liabilities		27,652	30,678	31,377
Current liabilities				
Loans	8	4,482	35	30
Lease liabilities		480	489	491
Trade and other payables		7,698	9,056	8,500
Income tax payable		324	-	274
Derivative financial instruments		119	270	284
Provisions		76	58	63
Total current liabilities		13,179	9,908	9,642
Total liabilities		40,831	40,586	41,019
Total equity and liabilities		57,335	55,840	56,338
Total liabilities excl. impact of IFRS 16		36,687	36,337	35,889

Statements of cash flow (DKK m)	Q3 2021	Q3 2020	Change in %	Q1-Q3 2021	Q1-Q3 2020	Change in %
EBITDA	1,658	1,643	0.9	4,914	4,916	(0.0)
Adjustment for non-cash items	12	30	(60.0)	70	136	(48.5)
Pension contributions	(1)	-	-	270	198	36.4
Payments related to provisions	(3)	(4)	(25.0)	(11)	(16)	(31.3)
Special items	(43)	(60)	(28.3)	(157)	(183)	(14.2)
Change in working capital	(179)	397	(145.1)	(227)	666	(134.1)
Interest paid, net	(299)	(107)	179.4	(1,082)	(881)	22.8
Income tax paid/received	(2)	(4)	(50.0)	107	(65)	-
Total cash flow from operating activities	1,143	1,895	(39.7)	3,884	4,771	(18.6)
Investment in enterprises	-	-	-	-	(7)	-
Investment in property, plant and equipment	(717)	(938)	(23.6)	(2,597)	(2,851)	(8.9)
Investment in intangible assets	(280)	(373)	(24.9)	(985)	(1,044)	(5.7)
Investment in other non-current assets	(4)	(1)	-	(5)	(2)	150.0
Divestment of joint ventures and associates	97	-	-	97	-	-
Sale of other non-current assets	11	25	(56.0)	16	24	(33.3)
Total cash flow from investing activities	(893)	(1,287)	(30.6)	(3,474)	(3,880)	(10.5)
Lease repayments	(52)	(47)	10.6	(216)	(200)	8.0
Change in short-term bank loans	(1)	-	-	564	(681)	(182.8)
Dividends paid	-	-	-	(365)	(485)	(24.7)
Capital contribution from non-controlling interests	-	-	-	-	(7)	-
Total cash flow from financing activities	(53)	(47)	12.8	(17)	(1,373)	(98.8)
Total cash flow	197	561	(64.9)	393	(482)	(181.5)
Cash and cash equivalents (beginning of period)	628	527	19.2	434	1,577	(72.5)
Effect of exchange-rate changes on cash and cash equivalents	1	(13)	(107.7)	(1)	(20)	(95.0)
Cash and cash equivalents (end of period)	826	1,075	(23.2)	826	1,075	(23.2)

Statement of changes in equity (DKKm)	Equity attributable to owners of the parent company						Non-control- ling interests	Total
	Share capital	Reserve for currency translation adjustments	Reserve for cash flow hedges	Retained earnings	Total			
Equity at 1 January 2020	812	7	(140)	14,605	15,284	2	15,286	
Profit for the period				122	122	-	122	
Exchange-rate adjustments of foreign enterprises		(14)			(14)		(14)	
Change in fair value adjustments of cash flow hedges transferred to financial expenses			33		33		33	
Remeasurement effects of defined benefit pension plans				492	492		492	
Income tax related to remeasurement effects of defined benefit pension plans				(109)	(109)		(109)	
Total comprehensive income	-	(14)	33	505	524	-	524	
Distributed dividends				(485)	(485)	-	(485)	
Decrease in non-controlling interests				(4)	(4)	(2)	(6)	
Total transactions with shareholders	-	-	-	(489)	(489)	(2)	(491)	
Equity at 30 September 2020	812	(7)	(107)	14,621	15,319	-	15,319	
Equity at 1 January 2021	812	-	(96)	14,538	15,254	-	15,254	
Profit for the period				410	410	-	410	
Change in fair value adjustments of cash flow hedges transferred to financial expenses			33		33		33	
Remeasurement effects related to defined benefit pension plans				1,503	1,503		1,503	
Income tax related to remeasurement effects from defined benefit pension plans				(331)	(331)		(331)	
Total comprehensive income	-	-	33	1,582	1,615	-	1,615	
Distributed dividends				(365)	(365)		(365)	
Total transactions with shareholders	-	-	-	(365)	(365)	-	(365)	
Equity at 30 September 2021	812	-	(63)	15,755	16,504	-	16,504	

1 | Accounting policies

TDC's interim financial report for Q1-Q3 2021 has been prepared in accordance with IAS 34 Interim Financial Reporting and the requirements in accounting class D of the Danish Financial Statements Act.

The consolidated financial statements are based on the historical cost convention, with the exception that the following assets and liabilities are measured at fair value: derivatives and equity investments.

The accounting policies are unchanged compared with the policies applied in the annual report 2020.

Critical accounting estimates and judgements

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 material to the preparation of the consolidated financial statements are shown in note 1.2 of the consolidated financial statements for 2020, cf. TDC's annual report 2020.

2 | Segment reporting

Activities (DKKm)	Nuuday ¹		TDC NET		Group functions	
	Q3 2021	Q3 2020	Q3 2021	Q3 2020	Q3 2021	Q3 2020
External revenue	3,659	3,648	344	342	1	3
Revenue across segments	17	12	1,292	1,335	-	-
Total revenue	3,676	3,660	1,636	1,677	1	3
Cost of sales	(2,404)	(2,325)	(72)	(81)	-	(1)
Gross profit	1,272	1,335	1,564	1,596	1	2
Operating expenses	(758)	(799)	(520)	(568)	(173)	(219)
Other income and expenses	14	11	70	58	272	327
EBITDA	528	547	1,114	1,086	100	110
			Eliminations		Total	
			Q3 2021	Q3 2020	Q3 2021	Q3 2020
External revenue			-	-	4,004	3,993
Revenue across segments			(1,309)	(1,347)	-	-
Total revenue			(1,309)	(1,347)	4,004	3,993
Cost of sales			1,250	1,276	(1,226)	(1,131)
Gross profit			(59)	(71)	2,778	2,862
Operating expenses			284	331	(1,167)	(1,255)
Other income and expenses			(309)	(360)	47	36
EBITDA			(84)	(100)	1,658	1,643

2 | Segment reporting (continued)

Reconciliation of profit before depreciation, amortisation and special items (EBITDA) (DKKm)	Q3 2021	Q3 2020
EBITDA from reportable segments	1,658	1,643
Unallocated:		
Depreciation, amortisation and impairment losses	(1,012)	(1,224)
Special items	(56)	2
Financial income and expenses	(278)	(234)
Consolidated profit/(loss) before income taxes	312	187

2 | Segment reporting (continued)

Activities (DKKm)	Nuuday ¹		TDC NET		Group functions	
	Q1-Q3 2021	Q1-Q3 2020	Q1-Q3 2021	Q1-Q3 2020	Q1-Q3 2021	Q1-Q3 2020
External revenue	10,892	10,988	1,055	1,042	4	4
Revenue across segments	41	36	3,932	4,107	-	-
Total revenue	10,933	11,024	4,987	5,149	4	4
Cost of sales	(7,143)	(6,956)	(234)	(305)	-	-
Gross profit	3,790	4,068	4,753	4,844	4	4
Operating expenses	(2,387)	(2,592)	(1,555)	(1,681)	(563)	(679)
Other income and expenses	42	39	191	188	897	1,038
EBITDA	1,445	1,515	3,389	3,351	338	363
			Eliminations		Total	
			Q1-Q3 2021	Q1-Q3 2020	Q1-Q3 2021	Q1-Q3 2020
External revenue			-	-	11,951	12,034
Revenue across segments			(3,973)	(4,143)	-	-
Total revenue			(3,973)	(4,143)	11,951	12,034
Cost of sales			3,786	3,898	(3,591)	(3,363)
Gross profit			(187)	(245)	8,360	8,671
Operating expenses			922	1,067	(3,583)	(3,885)
Other income and expenses			(993)	(1,135)	137	130
EBITDA			(258)	(313)	4,914	4,916

2 | Segment reporting (continued)

Reconciliation of profit before depreciation, amortisation and special items (EBITDA) (DKKm)	Q1-Q3 2021	Q1-Q3 2020
EBITDA from reportable segments	4,914	4,916
Unallocated:		
Depreciation, amortisation and impairment losses	(3,158)	(3,787)
Special items	(273)	(157)
Financial income and expenses	(829)	(736)
Consolidated profit before income taxes	654	236

3 | Revenue

	Consumer		Business		Other		Nuuday	
	Q3 2021	Q3 2020	Q3 2021	Q3 2020	Q3 2021	Q3 2020	Q3 2021	Q3 2020
External revenue specified by services (DKKm)								
Landline voice	90	102	105	123	-	-	195	225
Mobility services	790	750	290	292	176	133	1,256	1,175
Internet & network	600	619	265	278	-	-	865	897
TV	830	839	5	6	11	12	846	857
Other services	210	212	269	280	18	2	497	494
External revenue, total	2,520	2,522	934	979	205	147	3,659	3,648

	TDC NET		Group functions		Eliminations		Total	
	Q3 2021	Q3 2020	Q3 2021	Q3 2020	Q3 2021	Q3 2020	Q3 2021	Q3 2020
Landline voice	30	29	-	-	-	-	225	254
Mobility services	17	21	-	-	-	-	1,273	1,196
Internet & network	216	211	-	-	-	-	1,081	1,108
TV	-	-	-	-	-	-	846	857
Other services	81	81	1	3	-	-	579	578
External revenue, total	344	342	1	3	-	-	4,004	3,993

3 | Revenue (continued)

External revenue specified by services (DKKm)	Consumer		Business		Other		Nuuday	
	Q1-Q3 2021	Q1-Q3 2020	Q1-Q3 2021	Q1-Q3 2020	Q1-Q3 2021	Q1-Q3 2020	Q1-Q3 2021	Q1-Q3 2020
	Landline voice	276	320	330	387	3	-	609
Mobility services	2,319	2,252	873	886	445	409	3,637	3,547
Internet & network	1,806	1,885	802	842	1	-	2,609	2,727
TV	2,533	2,578	15	19	33	32	2,581	2,629
Other services	582	578	873	794	1	6	1,456	1,378
External revenue, total	7,516	7,613	2,893	2,928	483	447	10,892	10,988

	TDC NET		Group functions		Eliminations		Total	
	Q1-Q3 2021	Q1-Q3 2020	Q1-Q3 2021	Q1-Q3 2020	Q1-Q3 2021	Q1-Q3 2020	Q1-Q3 2021	Q1-Q3 2020
	Landline voice	88	89	-	-	-	-	697
Mobility services	64	58	-	-	-	-	3,701	3,605
Internet & network	663	655	-	-	-	-	3,272	3,382
TV	-	7	-	-	-	-	2,581	2,636
Other services	240	233	4	4	-	-	1,700	1,615
External revenue, total	1,055	1,042	4	4	-	-	11,951	12,034

4 | Depreciation, amortisation and impairment losses

(DKKm)	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020
Amortisation of intangible assets	(391)	(433)	(1,320)	(1,334)
Depreciation on property, plant and equipment	(530)	(680)	(1,559)	(2,149)
Depreciation of lease assets	(96)	(98)	(289)	(297)
Impairment losses	(4)	(18)	(11)	(23)
Capitalised as tangible or intangible assets	9	5	21	16
Total	(1,012)	(1,224)	(3,158)	(3,787)

The decrease in depreciation from Q1-Q3 2020 to Q1-Q3 2021 is due primarily to the reduced useful lives of existing mobile equipment in 2020 resulting from the replacement with Ericsson equipment.

5 | Special items

Special items are significant amounts that Management considers are not attributable to normal operations such as restructuring costs and special write-downs for impairment of intangible assets and property, plant and equipment. Special items also include gains and losses related to divestment of enterprises, as well as transaction costs and adjustments of purchase prices relating to the acquisition of enterprises.

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

Special items (DKKm)	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020
Costs related to redundancy programmes	(13)	(23)	(145)	(141)
Other restructuring costs, etc.	(43)	5	(77)	2
Distribution of excess capital to members of TDC Pension Fund	-	-	(44)	(35)
Profit on sale of other investments	-	21	-	21
Loss from rulings	-	-	(1)	(1)
Adjustment of purchase price re acquisition of enterprises	-	-	-	(2)
Costs related to acquisition of enterprises	-	(1)	(6)	(1)
Special items before income taxes	(56)	2	(273)	(157)
Income taxes related to special items	12	-	49	28
Special items related to joint ventures and associates	49	-	49	-
Total special items	5	2	(175)	(129)

6 | Financial income and expenses

Financial income and expenses (DKKm)	Q3 2021	Q3 2020	Change in %	Q1-Q3 2021	Q1-Q3 2020	Change in %
Interest income	3	9	(66.7)	24	15	60.0
Interest expenses	(318)	(301)	5.6	(952)	(908)	4.8
Net interest	(315)	(292)	7.9	(928)	(893)	3.9
Currency translation adjustments	4	16	(75.0)	(135)	320	(142.2)
Fair value adjustments	(23)	28	(182.1)	164	(202)	(181.2)
Interest, currency translation adjustments and fair value adjustments	(334)	(248)	34.7	(899)	(775)	16.0
Profit/(loss) from joint ventures and associates	49	-	-	49	(4)	-
Interest on pension assets	7	14	(50.0)	21	43	(51.2)
Total	(278)	(234)	18.8	(829)	(736)	12.6

6 | Financial income and expenses (continued)

TDC no longer applies hedge accounting under IFRS. Consequently, currency translation adjustments and interest from derivatives are reported as fair value adjustments in the income statement. In TDC's internal reporting, currency translation adjustments and interest from derivatives are reported as such, as specified in the table below.

Specifications (DKKm)	Q3 2021				Q3 2020			
	Interest	Currency translation adjustments	Fair value adjustments	Total	Interest	Currency translation adjustments	Fair value adjustments	Total
Senior Facility Agreement	(113)	-	-	(113)	(111)	15	-	(96)
Euro Medium Term Notes	(100)	-	(29)	(129)	(98)	6	25	(67)
Lease liabilities	(48)			(48)	(60)			(60)
Other	(44)	(2)	2	(44)	(18)	(4)	(3)	(25)
Total	(305)	(2)	(27)	(334)	(287)	17	22	(248)

Specifications (DKKm)	Q1-Q3 2021				Q1-Q3 2020			
	Interest	Currency translation adjustments	Fair value adjustments	Total	Interest	Currency translation adjustments	Fair value adjustments	Total
Senior Facility Agreement	(332)	11	1	(320)	(331)	52	4	(275)
Euro Medium Term Notes	(296)	5	(30)	(321)	(291)	21	33	(237)
Lease liabilities	(146)			(146)	(181)			(181)
Other	(122)	(4)	14	(112)	(71)	(11)	-	(82)
Total	(896)	12	(15)	(899)	(874)	62	37	(775)

Interest, currency translation adjustments and fair value adjustments represented an expense of DKK 899m in Q1-Q3 2021. The increase of DKK 124m compared with Q1-Q3 2020 was driven primarily by:

- Interest: Higher interest as well as commitment fees relating to RCF (Revolving Credit Facility). Lower interest relating to lease liabilities in Q1-Q3-2021, due to the reduced leasing liabilities in Q4 2020 following the reassessment of future needs for leasing square meters of floor space for technical equipment.
- Currency adjustments: During Q1-Q3 2021, the EUR exchange rate decreased by less than in Q1-Q3 2020, resulting in lower gains relating to EUR loans and GBP loans swapped to EUR compared with Q1-Q3 2020.
- Fair value adjustments: A gain of DKK 68m in Q1-Q3 2020, driven primarily by declining GBP interest rates involving cross currency swaps related to GBP loans.

7 | Pension assets and pension obligations

Defined benefit plan (DKKm)	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020
Pension (costs)/income				
Service cost	(18)	(21)	(54)	(63)
Administrative expenses	(2)	(2)	(7)	(8)
Personnel expenses (included in EBITDA)	(20)	(23)	(61)	(71)
Interest on pension assets	7	14	21	43
Pension (costs)/income	(13)	(9)	(40)	(28)
Redundancy programmes recognised in special items	(2)	(8)	(16)	(19)
Members' part of distribution of excess capital	-	-	(44)	(35)
Total pension (costs)/income recognised in the income statement	(15)	(17)	(100)	(82)

The pension fund operates defined benefit plans via a separate legal entity supervised by the Danish Financial Supervisory Authority (FSA). In accordance with existing legislation, articles of association and the pension regulations, TDC is required to make contributions to meet the capital adequacy requirements. Since 1990, no new members have joined the pension fund plans, and the pension fund is prevented from admitting new members in the future due to the articles of association.

With effect from 2019, the TDC Pension Fund can under certain circumstances, distribute excess capital annually as described and defined in the fund's articles of association and pension regulations.

Regarding the financial year 2021, DKK 318m was distributed, of which TDC received DKK 274m before tax, and the members of the fund received DKK 44m (recognised as special items).

Assets and obligations (DKKm)	30 September 2021	31 December 2020	30 September 2020
Specification of pension assets			
Fair value of plan assets	33,060	31,981	30,782
Defined benefit obligation	(23,895)	(23,953)	(23,106)
Pension assets recognised in the balance sheet	9,165	8,028	7,676
Change in pension assets			
Pension assets recognised at 1 January	8,028	7,463	7,463
Pension (costs)/income	(56)	(56)	(46)
Remeasurement effects	1,503	849	492
Distribution of excess capital	(318)	(235)	(235)
TDC's contribution	8	7	2
Pension assets recognised in the balance sheet	9,165	8,028	7,676
Assumptions used to determine defined benefit obligations (%)			
Discount rate	0.88	0.35	0.50
General price/wage inflation	1.91	1.19	0.95
Assumptions used to determine pension (costs)/income (%)			
Discount rate	0.35	0.77	0.77
General price/wage inflation	1.19	1.30	1.30

The pension obligation is calculated by discounting the expected future pension payments.

The remeasurement effects in Q1-Q3 2021 (a net gain of DKK 1,503m) cover primarily a gain related to the plan assets (DKK 2,114m) as the actual return was higher than expected. The gain was partly offset by a loss related to the benefit obligation (DKK 611m) resulting from the increasing inflation rate (from 1.19% to 1.91%). This was partly offset by an increasing discount rate (from 0.35% to 0.88%).

In accordance with International Financial Reporting Standards, the expected return should be assumed to be equal to the discount rate as of the end of the previous year.

8 | Loans and net interest-bearing debt

Euro Medium Term Notes (EMTNs) and Senior Facility Agreement (SFA)	2022	2023	2024	2025	Total
Maturity	Mar 22	Feb 23	Jun 24	Jun 25	
Fixed/Floating rate	Fixed	Fixed	Floating	Floating	
Coupon	5.000%	6.875%	Margin+floored	Margin+floored	
Currency	EUR	GBP	Euribor ¹	Euribor ¹	
Type	EMTN Bond	EMTN Bond	EUR/DKK	EUR	
Nominal value (DKKm)	3,718	3,678	RCF	SFA loan	22,090
Nominal value (currency)	500	425	565	14,129	1,900
– of which nominal value swapped to EUR or DKK (currency) ²	200	425	-	-	-
Nominal value of debt incl. currency hedging in DKKm	3,723	3,718	565	14,129	22,135
– of which nominal value swapped to or with floating interest rate (EURm) ³	100	-	76	1,775	1,951
– of which nominal value swapped to or with fixed interest rate (EURm) ³	400	500	-	125	1,025

¹ The Revolving Credit Facility (RCF) and SFA Loan have a Euribor floor at zero and margins of 2.75% and 3.00% as per 30 September 2021, respectively. DKK 565m in the Revolving Credit Facility (RCF) has a margin of 2.3%.

² EUR exposures are not considered a significant risk due to the fixed EUR/DKK exchange rate policy.

³ The maturity of interest-rate swaps used for hedging long-term EMTN bonds matches the maturity of the underlying EMTN bonds. Derivatives of nominal EUR 125m will mature in March 2022.

Net interest-bearing debt (DKKm)	30 September 2021	31 December 2020	30 September 2020
EMTN loans incl. short-term part	7,389	7,252	7,210
Senior Facility Agreement incl. short-term part	14,102	14,107	14,111
Bank loans	569	5	-
Debt regarding leasing incl. short-term part	4,200	4,307	5,189
Spectrum licence liabilities	1,980	1,361	1,381
Interest-bearing payables	2	2	2
Derivatives	41	173	215
Interest-bearing receivables and investments	(152)	(161)	(163)
Cash	(826)	(434)	(1,075)
Net interest-bearing debt	27,305	26,612	26,870
Hereof impact of IFRS 16	(4,144)	(4,249)	(5,130)
Hereof spectrum licence liabilities	(1,980)	(1,361)	(1,381)
Net interest-bearing debt excl. impact of IFRS 16	21,181	21,002	20,359

Net interest-bearing debt excluding the impact of IFRS 16 and spectrum licence liabilities increased by DKK 179m to DKK 21,181m. The increase was due primarily to the dividend payment of DKK 365m to DK Telekommunikation ApS, mainly to cover interest payments on senior notes in DKT Finance ApS.

9 | Events after the balance sheet date

There have been no events that materially affect the assessment of this interim financial report January – September 2021 after the balance sheet date and up to today.

Corporate matters

Risk factors

TDC Group's annual report 2020 describes certain risks that could materially and adversely affect TDC Group's business, financial condition, results of operations and/or cash flows.

In addition, COVID-19 has had a significant impact on many global financial markets and general uncertainty has increased. Travel restrictions negatively affect the roaming business and the overall decline in the economy may cause a negative impact on revenues as well as increased credit losses, or even bankruptcies, leading to financial loss.

Forward-looking statements

This report may include statements about TDC Group's expectations, beliefs, plans, objectives, assumptions, 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 Group's results include: the competitive environment and the industry in which TDC operates; contractual obligations in TDC Group's financing arrangements; developments in competition within the domestic and international communications industry; information technology and operational risks including TDC Group's responses to change and new technologies; introduction of and demand for new services and products; developments in demand, product mix and prices in the mobile and multimedia services market; research regarding the impact of mobile phones on health; changes in applicable legislation, including but not limited to tax and telecommunications legislation and anti-terror measures; decisions made by the Danish Business Authority; the possibility of being awarded licences; increased interest rates; the status of important intellectual property rights; exchange-rate fluctuations; global and local economic conditions; investments in and divestment of domestic and foreign companies; and supplier relationships.

As any 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 Group cannot predict. In addition, TDC Group cannot assess the impact of each factor on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those described in any forward-looking statements.

Management statement

Management statement

Today, the Board of Directors and the Executive Committee considered and approved the interim financial statements of TDC Group for Q1-Q3 2021.

The financial report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

In our opinion, the financial report gives a true and fair view of the Group's assets, liabilities and financial position at 30 September 2021 as well as the results of operations and cash flows for Q1-Q3 2021. Furthermore, in our opinion, the management's review provides a fair review of the developments in the Group's activities and financial position and describes the significant risks and uncertainties that may affect the Group.

Copenhagen, 5 November 2021

Executive Committee

Henrik Clausen

Group Chief Executive Officer and President

Board of Directors

Michael William John Parton

Chairman

Martin Bradley

Frank Hyldmar

Martin Dollaris Præstegaard

Thomas Lech Pedersen

Zanne Merethe Stensballe

Anna Sofia Arhall Bergendorff

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