DKT Holdings ApS

Annual Report 2018

Contents

DKTH group in brief

Key events

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
- ATP Infrastructure III K/S (16.7%), managed by ATP Infrastructure III GP ApS, an entity owned by Arbejdsmarkedets Tillægspension (ATP)
- PFA Ophelia InvestCo I 2018 K/S (16.7%), managed by PFA Pension Forsikringsaktieselskab
- PKA Ophelia Holding K/S (16.7%), managed by Pensionskassernes Administration[1].

The acquisition

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

The Acquisition Financing

In connection with the tender offer, members of the consortium provided capital in the form of equity and shareholder loans in the amount of EUR 2,763m. In addition, DKTF entered into bridge term loan facilities of EUR 2,800m and a revolving credit facility of EUR 100m.

On 28 June 2018, DKTF repaid EUR 1,400m of the bridge facilities with amounts received by DKT from TDC by way of extraordinary dividend.

On 2 July 2018, the remaining outstanding bridge term loans, EUR 1,400m were repaid following the completion of the offering of EUR 1,050m 7.000% and $410m 9.375% Senior Notes due 2023.

Refinancing in TDC Group

As a consequence of the takeover of TDC by DKT, a change of control event occurred resulting in the triggering of various repayment clauses under the terms of TDCs outstanding EMTN bonds and bank loans. TDCs Hybrid Bond (EUR 750m), the EMTN bond maturing in 2027 (EUR 800m) as well as the loans from KfW and the European Investment Bank ended up being repaid with drawings under a newly established senior secured financing (EUR 2,700m and USD 1,418m) entered into in May 2018.

Key figures

DKKm		2018	2017
Income statements	DKKm		
Revenue		11,581	-
Gross profit		8,266	-
EBITDA		4,342	-
Profit/(loss) for the period from continuing operations excluding special items		(2,934)	-
Profit/(loss) for the period		(2,951)	-
Capital expenditure		(2,443)	-
Total assets		65,842	-
Total equity		893	-
Cash flow			
Total cash flow from operating activities		2,737	-
Total cash flow from investing activities		(39,154)	-
Total cash flow from financing activities		21,250	-
Total cash flow from continuing operations		(15,167)	-
Total cash flow from discontinued operations		17,581	-
Total cash flow		2,414	-
Key financial ratios			
Gross margin	%	71.4	-
EBITDA margin	%	37.5	-
Net interest-bearing debt (NIBD)	DKKm	(46,902)	-
Net interest-bearing debt/LTM EBITDA	x	4.6	0.0

[1] Based on TDC's LTM EBITDA of DKK 6,691m and calculated excluding shareholder loans.

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

On 30 October 2018, a substantial part of the proceeds from TDC's divestment of Get was applied towards prepayment at par of the TLB under TDC's Senior Facility Agreement.

The business

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

The Danish business lines are:

Consumer delivers services to residential households and has a multi-brand strategy with differentiated brands, with leading market shares across mobile, broadband, landline voice and pay-TV based on end-user subscriptions.

Business provides telecommunications solutions, cloud-based services and IT solutions to businesses in Denmark

Wholesale offers and resells telecommunications services to other operators and external partners. This business line also manages our interconnect and roaming agreements.

Other Operations consists of three operating segments, Operations, Digital and Headquarters. Operations manages a number of support functions, such as IT operations, procurement, installation and network.

People

TDC Group constantly focus on developing talented people to match future needs for skills. Furthermore, individuals' potential are constantly challenged by empowering and energising people through clear goals and frequent feedback. MyPlan is TDC Group's yearly development dialogue, and PitTalk is the basis for frequent follow-up dialogues. Both are vital for the group's people development programme. In 2018, 89% of employees had a MyPlan. Also, People Review was rolled out for all employees for the first time in 2018.

The digital transformation of TDC Group requires more employees with digital competences. To tackle the threatening lack of qualified IT profiles in the Danish labour market, TDC co-founded[1] Digital Dogme – a cooperation whereby Danish businesses join forces to improve their employees' digital skills. TDC is fully committed to upskilling employees with the digital competences needed for the future and to share experiences in the Digital Dogme network. At the same time, TDC succeeded in attracting and employing 170 new digital profiles in 2018.

CSR

TDC Group is committed to contributing to positive and sustainable development throughout society, and the group's most important impacts are linked to the UN's Sustainable Development Goals (SDGs). TDC Group's online CSR Report constitutes DKTH group's statutory reporting on CSR in accordance with Sections 99a and 99b of the Danish Financial Statements Act. See csrreport2018.tdcgroup.com.

1. Founding partners of Digital Dogme: TDC, Danske Bank, NetCompany and Copenhagen Airport

Financial review

As TDC was acquired by DKT as of 4 May 2018, the figures for the DKTH group do not include the operations of TDC for the full reporting period, but only for 4 May 2018 to 31 December 2018. Consequently, the figures for the DKTH Group for twelve months include eight months operations of TDC as well as interest expenses, acquisition costs and administrative expenses in DKT, DKTF and DKTH for twelve months.

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 initial accounting for the acquisition of TDC is [provisional as the valuation of property, plant and equipment as well as software and thereby goodwill has not been completed]1.

As it is not possible to conduct a meaningful analysis of the consolidated results for the DKTH Group due to the eight months' ownership of the TDC Group, the analysis set out below is focusing on the activities in DKT, DKTF and DKTH for 2018.

For further information about TDC's activities and the development, please see the Annual Report for TDC for 2018.

DKTH group's 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 4 May 2019 to 31 December 2018. EBITDA for DKTH group amounted to DKK 4,342m. Hereof DKK 4,366m stems from TDC. The remaining negative EBITDA of DKK 24m are primarily related to consultant fees in DKTH.

TDC Group's EBITDA 2018 vs. 2017 (full year comparison)

Revenue

In 2018, TDC Group's reported revenue decreased by 0.2%. Adjusted for acquisitions, divestments, regulations and non-recurring items, organic revenue decreased by 0.5% due mainly to intense customer competition facing Business in the internet and network segment, and the TV and landline voice decline in Consumer.

Gross profit

At TDC Group, reported gross profit decreased by 1.4% in 2018. Organic gross profit decreased by 1.2%, driven mainly by declining revenue at Business and Consumer. However, this was partly offset by the improved mobile voice performance across business lines. The gross margin decreases from 72.7% in 2017 to 71.8% in 2018 was caused by a lower margin in TV that was driven by content costs and a decline in the share of revenue from high-margin landline voice at Consumer

Operating expenses[2]

In 2018, reported operating expenses increased by 0.9%. Organic operating expenses decreased by 2.7%, stemming from renegotiated supplier contracts and efficiency improvements in the field force, Consumer and Business.

EBITDA

Reported EBITDA declined by 3.3% Organic EBITDA improved by 0.1%, consisting of a decline in gross profit, which was more than offset by savings in operating expenses. Compared with the 2017 development (-2.2%), the improvement was driven mainly by improved gross profit.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses amounted to DKK 4,088m. Hereof DKK 2,905m stems from the TDC Group and DKK 1,183m was amortisation of assets recognised in connection with the preliminary purchase price allocation performed in connection with the acquisition of TDC. This included primarily amortisation of customer relationships and brands.

The customer relationships of TDC and the TDC brand and the other brands used TDC's business lines were recognised as separate assets as part of the preliminary purchase price allocation performed in connection with the acquisition of TDC. The customer relationships are amortised over the estimated useful lives of such relationships. Brands with finite useful lives are amortised over the useful livers of such brands. The useful life of the TDC brand are deemed indefinite and consequently, DKTH does not amortise the values of this brand.

Special items

The total special items, representing a net expense of DKK 777m before tax, comprised primarily costs in connection with DKT's acquisition of the shares in TDC and expenses in TDC related to the takeover by DKT. In addition, special items comprised primarily expenses related to redundancies and vacant tenancies in the TDC Group.

Special items in discontinued operations included a gain of DKK 405m from the divestment TDC's Norwegian business Get (Get AS and its subsidiaries. The corresponding gain in TDC was DKK 5,293m. The significant lower gain is primarily due to the revaluation of Get at estimated fair value in connection with the preliminary purchase price allocation.

[1] For further information about the purchase price allocation see note 5.3 to the Consolidated Financial Statements.
[2] Including other income.

Financial income and expenses

Financial income and expenses represented an expense of DKK 3,350m in 2018. The interest expenses in 2018 primarily relates to long term loans (DKK 1,974m) and fees and interest expenses relating to Bridge facility (DKK 679m).

In addition, the full redemption of the USD SFA loan, a redemption of the EUR 800m SFA loan and a full redemption of 2027 EMTNs resulted in a loss in 2018 (DKK 472m). Furthermore, currency translation adjustments relating to Bridge financing resulted in a loss (DKK 193m), which was partly offset by a gain (DKK 180m) related to the USD 1,418m SFA loan established on 28 June 2018 and pre-hedged from 11 June.

Income taxes

DKTH Group income taxes related primarily to the profit before income taxes in TDC as well as the impact from purchase price allocation adjustments. 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 2,951m comprised a loss for TDC of DKK 361m and a loss in DKT, DKTF and DKTH of DKK 2,590m.

The loss for the period from continuing operations excluding special items of DKK 3,611m comprised a profit for TDC of DKK 1,020m and a loss in DKT, DKTF and DKTH of DKK 2,590m primarily corresponding to the net financial expenses as well as amortisation of purchase price adjustments.

Net interest-bearing debt

Total DKTH Group net interest-bearing debt amounted to DKK 46,902m of which DKK 19,610m related to TDC, DKK 10,346m to Senior Notes issued in DKTF and DKK 16,453m to shareholder loans in DKTH.

2019 guidance

DKTH group's 2019 guidance is affected by higher operating expenses and capital expenditure due to substantial investments towards new strategy and transforming TDC Group into two industry-leading entities. Continued improvement in underlying commercial performance is expected across business lines. Guidance does not include the expected impact from new IFRS16 requirements[1]

2019 guidance

EBITDA (full year comparison)	**Slightly lower**
Capex DKKbn	**4.1-4.5**
Net debt EBITDA	**~5.2x EoY**

Assumptions

EBITDA is expected to be slightly lower driven mainly by increased operating costs triggered by substantial investments into our new strategy, somewhat offset by improvements in the underlying business

- Increased investments in own content rights in order to protect and develop TDC Group's TV offering
- Increased costs due to investment in fibre with increased marketing costs and more FTEs
- We expect further improved trends in underlying commercial performance across business lines
- Cost savings stemming from simplification, digitalisation and reductions in call centres though at lower levels than in recent years

- **Increase in capex due to substantial investments in new strategy and separating TDC Group**
  - Accelerated fibre investments started at the end of 2018
  - Investments in developing our TV platform
  - Roll-out of the 5G network
  - IT separation

[1] For further information, see also note 6.7 to the Consolidated Financial Statements

Risk assessment

Risk assessment

DKTH group faces both internal and external risks. Also, DKTH group focuses on risks in the short, medium as well as long term. The following pages describe short and medium-term risks. TDC Group has identified risks that could influence long-term growth where TDC Group will become a low-margin service provider and could lose its footprint and network utilisation. However, strategic initiatives focus on mitigating this risk.

Risk management is an integrated aspect of TDC Group's business operations. On a yearly basis, an extensive risk assessment is conducted in which business lines and corporate functions identify all significant risks. The risks are then consolidated, assessed and displayed as a heat map based on their potential impact and probability, which is then reported to the Board of Directors. Responsibilities are assigned for significant risks, and mitigating initiatives are established and tracked.

See also the notes to the consolidated financial statements. Note 3.6 on provisions, note 3.8 on pension obligations, note 4.3 on financial risk disclosures and note 6.5 on contingencies. Finally, see also the Risk Factor section in DKT Finance ApS' Senior Notes Offering Memomarum, https://tdcgroup.com/en/investor-relations/debt.

By their very nature, forward-looking statements involve certain risks and uncertainties. Risks not currently known to DKTH group, or that DKTH group currently deems to be immaterial, may also adversely affect DKTH group's business, financial condition and results of operations.

TDC Group's approach to risk management

Six key risks

Change in consumer behaviour & market disruption

Description: TV consumer behaviour in our markets is continuing to change faster, which favours more flexible viewing solutions. The trend is leading towards customers deselecting *flow TV* and migrating to cheaper price plans, with reduced *ARPU* and further pressure on margins and profits. Content owners are changing their business models selling directly to end customers and increasingly taking over the role of aggregating content, leaving TDC Group as a pure distribution company. Increased pressure on premium content rights could raise prices to levels that cannot be passed to consumers.

Impact in 2018: Not materialised. The TDC Group market share remained stable in 2018 and the *churn rate* declined. The customer trend in 2018 entailed migration from basic and full packages to medium packages with *SVoD* services as part of the Mix-it-yourself 'Bland Selv' packages. Overall, the basic and medium package share of the total customer base is increasing.

Potential impact: Accelerating pressure from *OTT* suppliers, content owners, content prices and customers terminating TV subscriptions could exert pressure on *ARPU* levels and net adds.

Mitigation initiatives

- Continue to offer the most flexible TV packages to customers by further developing the Bland Selv universe and providing exclusive content

Competitor behaviour impacting our strategy

Description: The competitive landscape is accelerating with renewed intense price competition within mobile. In fixed line broadband, TDC may lose retail or wholesale customers to faster networks. The entrance of new competitors with convergent products may increase competition and challenge TDC Group's ability to remain attractive and competitive. Technology developments, e.g. eSIM cards, can increase churn if TDC Group is not ready to adapt.

Impact in 2018: Partly materialised. *ARPU* has increased as expected in the mobile market (B2C) due to price increases, though the effect has been counterbalanced by reduced *roaming* revenue caused by EU regulation. *Fibre* rollout began in 2018 as scheduled.

Potential impact: Increased competition with continued price pressure, including new competitors, may result in TDC Group failing to execute sustainable pricing in the B2C and B2B mobile markets. Fewer households connected to the *fibre* network could lead to lower revenue and potentially higher churn from customers on existing broadband solutions. Technology developments may lead to higher churn if TDC Group is not ready to remain level with the market.

Mitigation initiatives

- Focus on premium mobile products including the best mobile network in Denmark to retain and attract customers
- Ensure successful *fibre* rollout through capacity planning and smart area selection
- Secure right positioning towards device manufacturers and other operators

IT, networks and cyber attacks

Description: More frequent network breakdowns during large events, TDC's legacy IT cannot match the speed and functionality of newer IT software held by competitors. Continuously increasing threats of cyber attacks impacting TDC's business.

Impact in 2018: Partly materialised. A few network and instability errors especially during the first half of the year led to negative customer experiences, which were expressed in social media.

Potential impact: Instability in TDC Group's network, IT systems and platforms as well as cyber attacks could have a negative effect on the customer experience and reputation, which may increase the risk of customer churn and further pressure profits.

Mitigation initiatives

- TDC Group's Security Operations Centre receives continuous threat intelligence through monitoring systems, and actively enables the right mitigating actions to cope with the threats
- Highlight security as a differentiator by continuously providing the highest standards of security to keep customers safe

Six key risks

Political & macro-economic impacts

Description: TDC Group's business may be impacted on from various angles. First, new or updated regulation or legislation may lead to reduced sector profit and reduce the incentive to invest. Second, higher interest levels may lead to higher financing costs when refinancing. Third, uncertainty about the outcome of the multi-band mobile spectrum auction may result in inadequate spectrum for TDC compared with competitors or more expensive spectrum than expected. Fourth, public sentiment regarding TDC or TDC's suppliers may weaken TDC's ability to engage with political and regulatory stakeholders.

Impact in 2018: Partly materialised. TDC Group terminated the paper communication fee in mid-2018, which was announced to the ombudsman. The multi-band spectrum auction has been postponed until early 2019.

Potential impact: An increased level of regulation and increasing interest levels may lead to lower profits and higher financing costs. An unfortunate outcome of the spectrum auction could result in TDC Group losing its claim to having Denmark's best mobile network.

Mitigation initiatives

- Proactive dialogue with stakeholders, politicians and regulators
- Storytelling about the new TDC and clear communication about TDC's strategy

Reputation & attracting the right competences

Description: Pressure on TDC Group's reputation may influence the ability to attract and retain customers and employees, especially with competences within areas such as IT and technology. This may potentially prevent efficiency improvements as well as improved services and experiences for customers. Bad publicity for business-as-usual activities, such as poor customer service, challenged stability and network breakdowns could put additional pressure on our image.

Impact in 2018: Partly materialised. The use of consultants has been higher than expected and moving to an internal workforce is an ongoing priority. TDC Group's reputation was adversely impacted by negative media coverage on a couple of occasions during the year due to operational and external issues. However, reputation and brand perception were recouped during the year.

Potential impact: Negative effects on TDC Group's reputation from network breakdown, IT instability, squeezed customer service levels or price structure could make it more difficult to attract and retain customers and the right competences.

Mitigation initiatives

- Continue to focus on best customer experience and delivering stable, high-quality and reliable services and solutions
- Strengthen cooperation with educational institutions
- Promote public affairs activities telling about TDC Group's success stories and the contribution made to Danish society

Transition

Description: The transition of splitting TDC Group into two business lines, OpCo and NetCo, could turn out to be more comprehensive when splitting IT systems and establishing new processes, and may also demand more resources than 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.

Impact in 2018: New risk identified.

Potential impact: The level of costs may be higher than assumed for splitting TDC Group into two business lines. In addition, the fact that many employees are being allocated to execute the transition could push our focus away from optimising the core business leading to lower efficiency.

Mitigation initiatives

- A transition organisation has been established, and a plan is in place to execute the split
- A clear focus and engagement from top management
- An IT foundation that enables IT of the future

Financial statements

Consolidated financial statement
Parent Company financial statement

Financial statements

Management statement

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

The Annual Report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and Parent Company financial statements give a true and fair view of the financial position at 31 December 2018 of the Group and the Parent Company and of the results of the Group and Parent Company operations and cash flows for 2018.

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.

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

Copenhagen, 21 February 2019

Executive Committee

Nathan Andrew Luckey

Board of Directors

Martin Bradley
Chairman

Ulrik Dan Weuder
Vice Chairman

Peter Tind Larsen
Vice Chairman

Ulrik Pallisø Bornø
Vice Chairman

Arthur Rakowski

Nathan Andrew Luckey

Independent Auditor's Report

To the shareholders of DKT Holdings ApS

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 2018 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 2018 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of DKT Holdings ApS for the financial year 1 January - 31 December 2018, 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, 21 February 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Lars Baungaard
State Authorised Public Accountant
mne23331

Tue Stensgård Sørensen
State Authorised Public Accountant
mne32200

Consolidated income statement

DKKm

	Note	2018	2017
Revenue	2.1,2.2	11,581	0
Cost of sales	2.3	(3,315)	0
Gross profit		8,266	0
External expenses	2.4	(1,766)	0
Personnel expenses	2.5	(2,232)	0
Other income	2.2	74	0
Operating profit before depreciation, amortisation and special items (EBITDA)		4,342	0
Depreciation, amortisation and impairment losses	2.6	(3,929)	0
Special items	2.7	(777)	0
Operating profit (EBIT)		(364)	0
Financial income and expenses	4.5	(3,350)	0
Profit before income taxes		(3,714)	0
Income taxes	2.8	103	0
Profit for the year from continuing operations		(3,611)	0
Profit from discontinued operations	2.9	660	0
Profit/(loss) for the year		**(2,951)**	**0**
Attributable to:			
Shareholders of DKT Holdings ApS		(3,007)	0
Non-controlling interests		56	0
Profit/(loss) for the year		(2,951)	0

Consolidated statement of comprehensive income

DKKm

	Note	2018	2017
Profit/(loss) for the year		(2,951)	0
Items that may subsequently be reclassified to the income statement:			
Exchange-rate adjustments of foreign enterprises	4.5	21	0
Value adjustments of hedging instruments	4.5	(16)	0
Items that cannot subsequently be reclassified to the income statement:			
Remeasurement of defined benefit pension plans	3.8	59	0
Income tax relating to remeasurement of defined benefit pension plans	2.8	(13)	0
Other comprehensive income/(loss)		51	0
Total comprehensive income/(loss)		**(2,900)**	**0**
Attributable to:			
Shareholders of DKT Holdings ApS		(2,966)	0
Non-controlling interests		66	0
Total comprehensive income/(loss)		(2,900)	0
Total comprehensive income attributable to shareholders of DKT Holdings ApS arising from:			
Continuing operations		(3,626)	0
Discontinued operations		660	0
Total		(2,966)	0

Consolidated balance sheet

Assets

DKKm	Note	2018	2017
Non-current assets			
Intangible assets	3.1	38,541	0
Property, plant and equipment	3.2	14,597	0
Joint ventures, associates and other investments		91	0
Pension assets	3.8	6,854	0
Receivables	3.3	194	0
Prepaid expenses	3.5	43	0
Total non-current assets		**60,320**	**0**
Current assets			
Inventories		187	0
Receivables	3.3	1,760	0
Contract assets	3.4	359	0
Income tax receivable	2.8	38	0
Derivative financial instruments	4.6	399	0
Prepaid expenses	3.5	428	0
Cash		2,381	0
Total current assets		**5,552**	**0**
Total assets		**65,872**	**0**

Equity and liabilities

DKKm	Note	2018	2017
Equity			
Share capital	4.1	0	0
Other reserves		5	0
Retained earnings		886	0
Equity attributable to shareholders of DKT Holdings ApS		**891**	**0**
Non-controlling interests		2	0
Total equity		**893**	**0**
Non-current liabilities			
Deferred tax liabilities	2.8	4,663	0
Provisions	3.6	972	0
Loans	4.2,4.6	49,120	0
Total non-current liabilities		**54,755**	**0**
Current liabilities			
Loans	4.2,4.6	117	0
Trade and other payables	3.7	6,645	0
Contract liabilities	3.4	2,583	0
Derivative financial instruments	4.6	763	0
Provisions	3.6	116	0
Total current liabilities		**10,224**	**0**
Total liabilities		**64,979**	**0**
Total equity and liabilities		**65,872**	**0**

Consolidated statement of cash flow

DKKm

	Note	2018	2017
Operating profit before depreciation, amortisation and special items (EBITDA)		4,342	0
Adjustment for non-cash items	5.1	90	0
Pension contributions	3.8	(4)	0
Payments related to provisions	3.6	(22)	0
Special items	2.7	(994)	0
Change in working capital	5.2	1,188	0
Interest received	4.5	163	0
Interest paid	4.5	(1,740)	0
Income tax paid	2.8	(286)	0
Operating activities in continuing operations		2,737	0
Operating activities in discontinued operations		464	0
Total cash flow from operating activities		**3,201**	**0**
Investments			
Investment in enterprises	5.3	(36,609)	0
Investment in property, plant and equipment	3.2	(1,476)	0
Investment in intangible assets	3.1	(1,072)	0
Investment in other non-current assets		(59)	0
Sale of other non-current assets		62	0
Investing activities in continuing operations		(39,154)	0
Investing activities in discontinued operations	5.4	17,117	0
Total cash flow from investing activities		**(22,037)**	**0**

	Note	2018	2017
Financing			
Proceeds from long-term loans		69,596	0
Proceeds from bridge-loan		20,859	0
Repayment of long-term loans		(42,887)	0
Repayment of bridge-loan		(21,051)	0
Cost relating to short-term credit facilities		(87)	0
Settlement of derivatives related to long-term loans		285	0
Finance lease repayments		(23)	0
Change in short-term loans		(222)	0
Dividend paid to non-controlling interests		(66)	0
Redemption of non-controlling interests		(9,267)	0
Capital contribution		4,113	0
Financing activities in continuing operations		21,250	0
Financing activities in discontinued operations		0	0
Total cash flow from financing activities		**21,250**	**0**
Total cash flow		**2,414**	0
Cash and cash equivalents at 1 January		0	0
Effect of exchange-rate changes on cash and cash equivalents		(33)	0
Cash and cash equivalents at 31 December		**2,381**	**0**

Consolidated statement of changes in equity

DKKm

	Attributable to shareholders of DKT Holdings ApS[1]						
	Share capital	Reserve for currency translation adjustments	Reserve for cash flow hedges	Retained earnings	Total	Non-controlling interests	Total
Equity at 22 December 2017	0	0	0	0	0	0	0
Profit for the year	-	-	-	0	0	0	0
Exchange-rate adjustments of foreign enterprises, cf. note 4.5	-	0	-	-	0	-	0
Value adjustments of hedging instruments, cf. note 4.5	-	-	0	-	0	-	0
Remeasurement of defined benefit pension plans	-	-	-	0	0	-	0
Income tax relating to remeasurement of defined benefit pension plans	-	-	-	0	0	-	0
Total comprehensive income	-	0	0	0	0	0	0
Share-based remuneration	-	-	-	0	0	-	0
Distributed dividend	-	-	-	0	0	-	0
Total transactions with shareholders	-	-	-	0	0	-	0
Equity at 31 December 2017	0	0	0	0	0	0	0
Profit for the year	-	-	-	(3,007)	(3,007)	56	(2,951)
Exchange-rate adjustments of foreign enterprises, cf. note 4.5	-	12	-	-	12	9	21
Value adjustments of hedging instruments, cf. note 4.5	-	-	(17)	-	(17)	1	(16)
Remeasurement of defined benefit pension plans	-	-	-	59	59	-	59
Income tax relating to remeasurement of defined benefit pension plans	-	-	-	(13)	(13)	-	(13)
Total comprehensive income	-	12	(17)	(2,961)	(2,966)	66	(2,900)
Capital contribution	0	-	-	4,113	4,113	-	4,113
Share-based remuneration	-	-	-	181	181	18	199
Settlement of Performance share programme	-	-	-	(430)	(430)	(42)	(472)
Income tax relating to share-based remuneration	-	-	-	(11)	(11)	9	(2)
Addition to non-controlling interests	-	-	-	-	-	9,276	9,276
Decrease to non-controlling interests	-	-	-	-	-	(9,255)	(9,255)
Loss on acquisition of non-controlling interests	-	9	1	(6)	4	(13)	(9)
Distributed dividend	-	-	-	0	0	(57)	(57)
Total transactions with shareholders	-	9	1	3,847	3,857	(64)	3,793
Equity at 31 December 2018	**0**	**21**	**(16)**	**886**	**891**	**2**	**893**

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

Basis of preparation

This section sets out the Group's basis of preparation that 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, sources of estimation uncertainty are described in the notes to which they relate.

1.1 Accounting policies

DKTH Group's consolidated financial statements for 2018 have been prepared in accordance with the recognition and measurement criteria of the International Financial Reporting Standards' (IFRS), and the disclosure and presentation requirements established by the Board of Directors.

Previously, the financial statements were prepared in accordance with the Danish Financial Statements Act. No consolidated financial statements were prepared for 2017.

The consolidated financial statements are based on the historical cost convention, except that the following assets and liabilities are measured at fair value: derivatives, financial instruments held for trading, and financial instruments classified as available for sale.

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 below.

Changed accounting presentation
Following the divestment of Get and TDC Norway in 2018, these activities are classified as discontinued operations in DKTH Group's consolidated financial statements.

Consolidation policies
The consolidated financial statements include the financial statements of the Parent Company and subsidiaries in which DKT Holdings ApS has direct or indirect control. Joint ventures in which the Group has joint control and associates in 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 DKT Holdings ApS 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.

Foreign currency translation
A functional currency is determined for each of the Group's enterprises. The functional currency is the currency applied in the primary economic environment where each enterprise operates. Transactions in currencies other than the functional currency are transactions in foreign currencies. The consolidated financial statements are presented in Danish kroner (DKK), which is the Parent Company's functional and presentation currency.

1.1 Accounting policies (continued)

Transactions in foreign currencies are translated at the transaction-date exchange rates. Foreign exchange gains and losses arising from differences between the transaction-date rates and the rates at the date of settlement are recognised as financial income and expenses in the income statement.

Cash, loans and other amounts receivable or payable in foreign currencies are translated into the functional currency at the official exchange rates quoted at year-end. Currency translation adjustments are recognised as financial income and expenses in the income statement.

The balance sheets and goodwill of consolidated foreign enterprises are translated into Danish kroner at the official exchange rates quoted at the balance sheet date, whereas the income statements of the enterprises are translated into Danish kroner at monthly average exchange rates. Currency translation adjustments arising from the translation of equity at the beginning of the year into Danish kroner at the official exchange rates quoted at year-end are recognised in other comprehensive income and in equity under a separate reserve for currency translation adjustments. The same applies to adjustments arising from the translation of the income statement from the monthly average exchange rates to the exchange rates quoted at year-end.

In relation to hedge accounting, DKTH Group has not adopted IFRS 9 and continue in accordance with IAS 39.

1.2 Critical accounting estimates and judgements

The preparation of DKTH 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:

- revenue recognition (note 2.2)
- special items (note 2.7)
- useful lives regarding intangible assets (note 3.1)
- impairment testing of intangible assets (note 3.1)
- provisions (note 3.6)
- defined benefit plans (note 3.8)
- purchase price allocation for business combinations (note 5.3)

Profit for the year

This section focuses on disclosures of details of the DKTH Group's results for the year including segmental information, special items, taxation and earnings per share. A detailed review of revenue, EBITDA and profit for the year is provided in the section 'Our performance' in the Management's review.

2.1 Segment reporting

Worth noting

DKTH Group consists of the following segments: Consumer, dedicated to residential households in Denmark; Business, dedicated to the business market in Denmark; and Wholesale, delivering services to service providers in Denmark. Other operations consists of the three operating segments Operations, Digital and Headquarters and includes shared Danish functions such as, IT, procurement, installation, etc.

Costs are not fully allocated among segments. For further information, see 'Cost allocation' below.

§ Accounting policies

Operating segments are reported in a manner consistent with the internal reporting to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board of Directors. The operating segments have been determined based on the financial and operational reports reviewed by the Board of Directors.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in the notes. Profit before depreciation, amortisation and special items (*EBITDA*) represents the profit earned by each segment. *EBITDA* is the measurement reported to the Board of Directors for the purposes of resource allocation and assessment of segment performance.

Assets and liabilities are not allocated to operating segments in the financial and operational reports reviewed by the Board of Directors.

Cost allocation

Cost allocation in Denmark is used only in relation to postage, freight and rent for shops to ensure incentives to optimise the use of such services. All other costs are not allocated, but are included in the operating expenses of the segment responsible for the service. Accordingly, e.g. costs related to IT services from Operations and Digital as well as staff services from Headquarters to Consumer, Business and Wholesale are not allocated.

In addition, as the Danish mobile and landline networks (including the cable network) are based in Operations, operating expenses and capital expenditure related to these networks are not allocated to Consumer, Business and Wholesale. However, roaming revenue and costs for Consumer and Business' customers are included in the revenue and expenses of Consumer and Business. In addition, interconnection payments and revenues concerning DKTH customers are included in the revenue and expenses of Wholesale.

Headquarters has assumed all pension obligations for the members of the Danish corporate pension fund. Accordingly, pension costs/incomes for the Danish corporate pension fund are reported under Headquarters.

All costs related to the short-term bonus, deferred bonus and performance share programmes are included in Other operations.

2.1 Segment reporting (continued)

Activities

DKKm

	Consumer[1]		Business		Wholesale	
	2018	2017	2018	2017	2018	2017
Mobility services	2,039	0	761	0	368	0
Landline voice	386	0	441	0	100	0
Internet & network	1,639	0	826	0	554	0
TV	2,612	0	20	0	33	0
Other services	626	0	787	0	103	0
Revenue	**7,302**	**0**	**2,835**	**0**	**1,158**	**0**
Cost of sales	(2,140)	**0**	(701)	**0**	(372)	0
Gross profit	**5,162**	**0**	**2,134**	**0**	**786**	**0**
Operating expenses	(1,125)	**0**	(558)	**0**	(99)	0
Other income and expenses	1	0	0	0	0	0
EBITDA	**4,038**	**0**	**1,576**	**0**	**687**	**0**
Specification of revenue:						
External revenue	7,295	0	2,781	0	1,139	0
Revenue across segments	7	0	54	0	19	0

	Other operations[2]		Eliminations		Total	
	2018	2017	2018	2017	2018	2017
Mobility services	2	0	(4)	0	3,166	0
Landline voice	6	0	1	0	934	0
Internet & network	115	0	(14)	0	3,120	0
TV	0	0	0	0	2,665	0
Other services	245	0	(65)	0	1,696	0
Revenue	**368**	**0**	**(82)**	**0**	**11,581**	**0**
Cost of sales	(147)	0	45	0	(3,315)	0
Gross profit	**221**	**0**	**(37)**	**0**	**8,266**	**0**
Operating expenses	(2,273)	0	57	0	(3,998)	0
Other income and expenses	99	0	(26)	0	74	0
EBITDA	**(1,953)**	**0**	**(6)**	0	**4,342**	**0**
Specification of revenue:						
External revenue	366	0	-	-	11,581	0
Revenue across segments	2	0	(82)	0	-	-

1 The two operating segments YouSee and Online Brands are aggregated to the reportable segment Consumer as both render telecoms services B2C on the same telecoms network and under the same regulatory environment.
2 Consists of the three operating segments Operations, Digital and Headquarters. At Operations, external revenue amounted to DKK 348m (2017: DKK 0m), revenue across segments amounted to DKK 10m (2017: DKK 0m) and EBITDA amounted to DKK (776)m (2017: DKK 0m). At Digital, external revenue amounted to DKK 9m (2017: DKK 0m), revenue across segments amounted to DKK 0m (2017: DKK 0m) and EBITDA amounted to DKK (166)m (2017: DKK 0m). At Headquarters, external revenue amounted to DKK 9m (2017: DKK 0m), revenue across segments amounted to DKK 23m (2017: DKK 0m) and EBITDA amounted to DKK (1,011m) (2017: DKK 0m).

2.1 Segment reporting (continued)

Reconciliation of EBITDA to profit before income taxes

DKKm

	2018	2017
Total EBITDA from reportable segments	4,342	0
Unallocated:		
Depreciation, amortisation and impairment losses	(3,929)	0
Special items	(777)	0
Financial income and expenses	(3,350)	0
Consolidated profit before income taxes	**(3,714)**	**0**

2.2 Revenue

DKKm

	2018	2017
Sales of goods recognised at a point in time	868	0
Sales of services recognised over time	10,713	0
Total	**11,581**	**0**

External revenue from products and services

DKKm

	2018	2017
Mobility services	3,166	0
Landline voice	934	0
Internet & network	3,120	0
TV	2,665	0
Other services	1,696	0
Total	**11,581**	**0**

Critical accounting estimates

Revenue recognition for a telecoms 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 revenue is recognised as the commission the Group receives for arranging the agreement when the Group acts as an agent. 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 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 mobile phones, subscriptions, leases, etc.

2.2 Revenue (continued)

§ 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. Goods and services may be sold separately or in bundled packages. Services include traffic and subscription fees, *interconnection* and *roaming* fees, fees for leased lines, network services, TV distribution as well as connection and installation fees. Goods include customer premises equipment, telephony handsets, PCs, set-top boxes, etc.

The Group derives revenue from transfer of goods and services to customers in the main segments as shown in the segment reporting, see note 2.1.

Consumer sells to households and the contracts are primarily perpetual where the same service is provided until the customer terminates the contract. Some of the contracts include a non-cancellation period of 6 months. Consumer also has contracts with antenna associations that are for longer periods.

Business sells digital solutions to enterprises and public segments. Business offers modular solutions for small and medium-sized enterprises, as well as customised solutions for public and large enterprises. Modular self-service contracts are perpetual and contracts with customised solutions are for longer periods, i.e. 3-5 years.

Wholesale delivers services from plain access to full service packages to service providers. Wholesale revenue 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 call is 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 upon 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. Such revenues include the sale of equipment located at customer premises, e.g. switchboards and handsets.

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

Contracts with similar characteristics have been valuated 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 3.4.

Revenues are recognised gross when DKTH Group acts as the principal in a transaction. For content-based services and the resale of services from content providers where DKTH Group acts as the agent, revenues are recognised net of direct costs.

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 compensation for *cable* breakages, investment advisory fees from the related pension funds as well as profit relating to divestment of property, plant and equipment.

2.3 Cost of sales

DKKm

	2018	2017
Mobile services	(345)	0
Landline voice	(101)	0
Internet & network	(273)	0
TV	(1,370)	0
Other services	(1,226)	0
Total	**(3,315)**	**0**

§ 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 as well as TV-programme rights and other content costs.

§ Accounting policies

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

Subscriber acquisition costs and fulfilment costs

The most common subscriber acquisition costs are dealer commissions. Subscriber acquisition costs and fulfilment costs are capitalised and recognised as expenses in external expenses and personnel expenses over the expected term of the related customer relationship. The term is estimated using historical customer churn rates. Change of management estimates may have a significant impact on the amount and timing of the expenses for any period.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the term of the lease.

2.4 External expenses

DKKm

	2018	2017
Marketing and advertising expenses	(133)	0
Subscriber acquisition and retention expenses	(162)	0
Property expenses	(417)	0
IT expenses	(279)	0
Temps and personnel-related expenses	(133)	0
Other expenses	(642)	0
Total	**(1,766)**	**0**

Rental expenses for the year for all operating leases

DKKm

	2018	2017
Lease payments	(409)	0
Sublease payments	101	0
Total	**(308)**	0

2.5 Personnel expenses

DKKm

	2018	2017
Wages and salaries (including short-term bonuses)	(2,458)	0
Pensions:		
• defined benefit plans	(82)	0
• defined contribution plans	(191)	0
Share-based remuneration	(3)	0
Social security	(56)	0
Total	**(2,790)**	**0**
Of which capitalised as non-current assets	558	0
Total personnel expenses recognised in the income statement[1]	**(2,232)**	**0**

[1] The figures cover only continuing operations. Calculated including discontinued operations, personnel expenses totalled DKK 2,412m (2017: DKK 0m).

Number of full-time employee equivalents

	2018	2017
1 January	0	0
Additions relating to the acquisition of enterprises	7,099	0
Redundancy programmes	(110)	0
Acquisitions and divestments	50	0
Hirings and resignations	87	0
31 December	**7,126**	**0**
Former Danish civil servants	77	0
Employees entitled to pension from TDC Group's pension fund	806	0
Other employees	6,243	0
31 December	**7,126**	**0**
Of which in Denmark	**7,011**	**0**
Average number of full-time employee equivalents, DKTH Group[1,2]	**4,686**	**0**

1 The average number of full-time employee equivalents seconded to external parties in connection with outsourcing of tasks or divestment of operations and entitled to pensions on conditions similar to those provided for Danish civil servants is not included in the reported figures (73 in 2018 and 0 in 2017).
2 The figures cover only continuing operations. Calculated including discontinued operations, the average number of full-time employee equivalents amounted to 4,935 in 2018 (2017: 0).

Remuneration for the Executive Committee of TDC and the Board of Directors of TDC

DKKm

	2018	2017
Base salary (incl. benefits)	19.7	-
Cash bonus	21.4	-
Retention allowance	31.0	-
One-off consideration	4.5	-
Pensions	3.4	-
Employer social security contribution	0.6	-
	80.6	-
Redundancy compensation	50.7	-
Executive Committee in total	131.3	-
Fee to the Board of Directors	3.5	-
Total	**134.8**	**-**

Until May 2018, the Executive Committee of TDC participated in the Performance share programme cf. note 6.1. Settlement of the programme resulted in a further cost of DKK 22.0m. Total remuneration expenses for the Executive Committee of TDC amounted to DKK 153.3m.

§ Accounting policies

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.

Pension costs

See note 3.8.

Share-based remuneration

See note 6.1.

Full-time employee equivalents

The number of full-time employee equivalents includes permanent employees and trainees.

Employees who are entitled to pensions on conditions similar to those provided for Danish civil servants and who are seconded to external parties in connection with outsourcing of tasks or divestment of operations are not included in the reported numbers.

Employees in acquired enterprises are included as the average number of full-time employee equivalents from the time of acquisition until 31 December. Employees in divested enterprises are included as the average number of full-time employee equivalents from 1 January until the time of divestment.

Employees in discontinued operations are not included in the number of full-time employee equivalents. The total number of full-time employee equivalents including discontinued operations is disclosed in a footnote.

2.6 Depreciation, amortisation and impairment losses

DKKm

	2018	2017
Depreciation of property, plant and equipment, cf. note 3.2	(1,562)	0
Amortisation of intangible assets, cf. note 3.1	(2,317)	0
Impairment losses, cf. notes 3.1 and 3.2	(50)	0
Total	**(3,929)**	**0**

2.7 Special items

DKKm

	2018	2017
Costs related to redundancy programmes and vacant tenancies	(169)	0
Other restructuring costs, etc.	(88)	0
Loss on sale of enterprises	(34)	0
Loss from rulings	(3)	0
Settlement of Performance share programme, cf. note 6.1	(192)	0
Costs related to acquisition of enterprises	(291)	0
Special items before income taxes	**(777)**	**0**
Income taxes related to special items	100	0
Special items related to joint ventures and associates	0	0
Special items related to discontinued operations	393	0
Total special items	**(284)**	**0**

Cash flow from special items (excl. discontinued operations)

DKKm

	2018	2017
Redundancy programmes and vacant tenancies	(129)	0
Settlement of Performance share programme	(444)	0
Other	(421)	0
Total	**(994)**	**0**

2.7 Special items (continued)

Worth noting

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.

Comments

Special items related to discontinued operations are primarily the gain on the divestment of DKTH's Norwegian business.

Critical accounting judgements

In the Group's 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 recurrent. This is consistent with the way that financial performance is measured by Management and reported to the Board of Directors and assists in providing a meaningful analysis of the operating results of the Group.

Accounting policies

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

2.8 Income taxes

Worth noting

A large part of DKTH Group's deferred tax liabilities relates to assets that are not expected to be taxed in the foreseeable future (pension assets, customer relations and brands). The deferred tax liabilities relating to customer relationships and brands stem primarily from the acquisition of TDC A/S in May 2018 and the resulting purchase price allocation.

Comments

Reconciliation of income taxes
All income taxes paid related to the Danish business.

In Sweden, the Group had a non-recognised tax loss of DKK 5m (2017: DKK 0m).

Reconciliation of income taxes

DKKm

	2018			2017		
	Income taxes cf. the income statement	Income tax payable/ (receivable)	Deferred tax liabilities/ (assets)	Income taxes cf. the income statement	Income tax payable/ (receivable)	Deferred tax liabilities/ (assets)
At 1 January	-	0	0	-	0	0
Transferred to discontinued operations	-	0	(20)	-	-	-
Additions relating to acquisition of enterprises	-	73	4,954	-	0	0
Income taxes for the year	82	201	(283)	0	0	0
Adjustment of tax for previous years	21	(26)	5	0	0	0
Tax relating to remeasurement effects from defined benefit pension plans	-	-	13	-	0	0
Tax relating to coupon payments on hybrid capital	-	-	(8)	-	0	0
Tax relating to share-based remuneration	-	-	2		0	0
Income tax paid	-	(286)	-	-	0	-
Total	**103**	**(38)**	**4,663**	**0**	**0**	**0**
Shown in the balance sheet as:						
Tax payable/deferred tax liabilities		0	4,663		0	0
Tax receivable/deferred tax assets		(38)	0		0	0
Total		**(38)**	**4,663**		**0**	**0**
Income taxes are specified as follows:						
Income excluding special items	3			0		
Special items	100			0		
Total	**103**			**0**		

2.8 Income taxes (continued)

Specification of deferred tax

	2018			2017
	Deferred tax assets	Deferred tax liabilities	Total[1]	
Intangible assets	0	400	400	0
Other	0	26	26	0
Current	**0**	**426**	**426**	**0**
Intangible assets	0	2,988	2,988	0
Property, plant and equipment	(100)	0	(100)	0
Pension assets and pension liabilities	0	1,508	1,508	0
Tax value of tax-loss carryforwards	(7)	0	(7)	0
Other	(152)	0	(152)	0
Non-current	**(259)**	**4,496**	**4,237**	**0**
Deferred tax at 31 December	**(259)**	**4,922**	**4,663**	**0**

With effect from 4 May 2018, DKT Holdings ApS participates in joint taxation with all its Danish group companies. DKT Holdings ApS is the administration 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

	2018		2017	
	DKKm	%	DKKm	%
Danish corporate income tax rate	(646)	(22.0)	0	0
Limitation on the tax deductibility of interest expenses	659	22.4	0	0
Other non-taxable income and non-tax deductible expenses	2	0.1	0	0
Tax value of non-capitalised tax losses and utilised tax losses, net	3	0.1	0	0
Adjustment of tax for previous years	(21)	(0.7)	0	0
Other	0	-	0	0
Effective tax excluding special items	(3)	**(0.1)**	**0**	**0**
Other special items	(100)	(2.7)	0	0
Effective tax including special items	**(103)**	**(2.8)**	**0**	**0**

Reconciliation of effective tax rate

The effective tax rate (excluding special items) was impacted primarily by the Danish limitation on the deductibility of interest due to interest expenses.

2.8 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 DKT Holdings Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets including the tax value of tax-loss carryforwards are recognised at the value at which they are expected to be realised. Realisation is expected to be effected either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Adjustment of deferred tax is made 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.

2.9 Discontinued operations

DKKm

	2018	2017
Revenue	1,310	0
Total operating costs	(803)	0
Income taxes	(64)	0
Results from discontinued operations excluding gain from divestment	267	0
Gain from divestment of discontinued operations (special items)	405	0
Other special items relating to discontinued operations	(12)	0
Profit for the year from discontinued operations	**660**	**0**

Discontinued operations comprise the former 100% owned subsidiaries Get AS and TDC Norway AS.

§ Accounting policies

Disclosure of discontinued operations
Discontinued operations are recognised separately as they constitute entities comprising separate major lines of business or geographical areas, whose activities and cash flows for operating and accounting purposes can be clearly distinguished from the rest of the entity, and where the entity has been disposed of or classified as held for sale, and it seems highly probable that the disposal will be effected within twelve months in accordance with a single coordinated plan.

Profit/loss after tax of discontinued operations is presented in a separate line in the income statement with restated comparative figures. Revenue, cost and taxes relating to the discontinued operation are disclosed in the table above.

Cash flows from operating, investing and financing activities of discontinued operations are presented in separate lines in the statement of cash flow with restated comparative figures.

Operating assets and liabilities

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

3.1 Intangible assets

DKKm

	2018					2017				
	Goodwill	Customer relationships	Brands	Other rights, software, etc.	Total	Goodwill	Customer relationships	Brands	Other rights, software, etc.	Total
Accumulated cost at 1 January	0	0	0	0	0	0	0	0	0	0
Additions relating to the acquisition of enterprises	22,439	11,209	2,631	3,664	39,943	0	0	0	0	0
Additions	0	1	0	945	946	0	0	0	0	0
Assets disposed of or fully amortised	0	0	0	(163)	(163)	0	0	0	0	0
Accumulated cost at 31 December	**22,439**	**11,210**	**2,631**	**4,446**	**40,726**	**0**	**0**	**0**	**0**	**0**
Accumulated amortisation and write-downs for impairment at 1 January	0	0	0	0	0	0	0	0	0	0
Amortisation	0	(1,391)	(119)	(807)	(2,317)	0	0	0	0	0
Write-downs for impairment	0	0	0	(31)	(31)	0	0	0	0	0
Assets disposed of or fully amortised	0	0	0	163	163	0	0	0	0	0
Accumulated amortisation and write-downs for impairment at 31 December	**0**	**(1,391)**	**(119)**	**(675)**	**(2,185)**	**0**	**0**	**0**	**0**	**0**
Carrying amount at 31 December	**22,439**	**9,819**	**2,512**	**3,771**	**38,541**	**0**	**0**	**0**	**0**	**0**

3.1 Intangible assets (continued)

Worth noting

DKTH Group's intangible assets relate largely to goodwill, customer relations and brands stemming from the acquisition of TDC A/S in May 2018 and the resulting purchase price allocation.

Comments

Write-downs for impairment of intangible assets, etc. totalled DKK 31m (2017: DKK 0m) related to write-downs stemming from termination of various software projects in Other operations.

Assets with indefinite useful lives other than goodwill amounted to DKK 833m (2017: DKK 0m) and related to the TDC brand in Denmark.

The carrying amount of software amounted to DKK 1,945m (2017: DKK 0m). The addition of internally developed software totalled DKK 277m (2017: DKK 0m).

The carrying amount of individually material Danish mobile licences included in other rights, software etc., amounted to DKK 1,510m (2017: DKK 0m) and is shown in the next table.

Critical accounting estimates and 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 DKTH Group'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.

Spectrum licences in Denmark

DKKm

Spectrum (MHz)	Bandwidth (MHz)	Type/Technology	Licence expiration	Carrying amount
800	2 x 20	Technology neutral	2034	934
900	2 x 9	Technology neutral	2020	26
1800	2 x 20	Technology neutral	2032	371
2100	2 x 15 + 1 x 5	Technology neutral	2021	72
2600	2 x 20	Technology neutral	2030	107

Cash flow

DKKm

	2018	2017
Additions, cf. table above	(946)	0
Instalments regarding mobile licences	(126)	0
Of which related to discontinued operations	-	0
Cash flow from investment in intangible assets	**(1,072)**	**0**

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.

Impairment testing of goodwill and intangible assets with indefinite useful lives

Goodwill and intangible assets with indefinite useful lives relate primarily to DKTH's acquisition of TDC A/S. The carrying amount of goodwill relating to TDC amounted to DKK 22,249m and the carrying value of intangible assets with indefinite useful lives amounted to DKK 833m.

The initial allocation on cash-generating units or group of units of goodwill related to TDC A/S is not completed. Accordingly, the goodwill has exclusively been tested for impairment on an aggregated level. The recoverable value has been based on a fair value corresponding to the acquisition price less costs to sell, since TDC A/S was acquired in a recent market transaction, and the business has been performing in line with expectations.

The allocation of goodwill will be completed in order to test the carrying value for each cash-generating unit or group of units for impairment at 1 October 2019 or if events or changes in circumstances indicate impairment.

3.1 Intangible assets (continued)

§ 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 operating segments in the Group's internal management reporting.

Brands with finite useful lives, licences, 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 (15% to 28%) 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:

Brands	3-10 years
Mobile licences	2-20 years
Development projects	3-5 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

	2018					2017				
	Land and buildings	Network infrastructure	Equipment	Assets under construction	Total	Land and buildings	Network infrastructure	Equipment	Assets under construction	Total
Accumulated cost at 1 January	0	0	0	0	0	0	0	0	0	0
Transfers (to)/from other items	1	392	33	(426)	0	0	0	0	0	0
Additions relating to the acquisition of enterprises	432	13,410	428	412	14,682	0	0	0	0	0
Additions	9	965	131	393	1,498	0	0	0	0	0
Assets disposed of	(1)	(17)	(84)	0	(102)	0	0	0	0	0
Accumulated cost at 31 December	**441**	**14,750**	**508**	**379**	**16,078**	**0**	**0**	**0**	**0**	**0**
Accumulated depreciation and write-downs for impairment at 1 January	0	0	0	0	0	0	0	0	0	0
Depreciation	(6)	(1,434)	(122)	0	(1,562)	0	0	0	0	0
Write-downs for impairment	0	(12)	(2)	(5)	(19)	0	0	0	0	0
Assets disposed of	0	17	83	0	100	0	0	0	0	0
Accumulated depreciation and write-downs for impairment at 31 December	**(6)**	**(1,429)**	**(41)**	**(5)**	**(1,481)**	**0**	**0**	**0**	**0**	**0**
Carrying amount at 31 December	**435**	**13,321**	**467**	**374**	**14,597**	**0**	**0**	**0**	**0**	**0**
Carrying amount of finance leases at 31 December	**46**	**24**	**0**	**-**	**70**	**0**	**0**	**0**	**0**	**0**

Comments

In 2018, write-downs for impairment totalled DKK 19m related to assets in Denmark operated by Operations.

3.2 Property, plant and equipment (continued)

Cash flow

DKKm	2018	2017
Additions, cf. table above	(1,498)	0
Non-cash additions regarding decommissioning obligations	(4)	0
Additions not yet paid	26	0
Of which related to discontinued operations	-	0
Cash flow from investment in property, plant and equipment	**(1,476)**	**0**

§ 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, 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.

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.

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

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.

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.

Leased property, plant and equipment that qualify as finance leases are recognised as assets acquired.

Property, plant and equipment are recognised at the lower of recoverable amount and carrying amount.

3.3 Receivables

DKKm

	2018	2017
Trade receivables	1,922	0
Allowances for doubtful debts	(242)	0
Trade receivables, net	**1,680**	**0**
Receivables from joint ventures and associates	3	0
Other receivables	271	0
Total	**1,954**	**0**
Recognised as follows in the balance sheet:		
Non-current assets	194	0
Current assets	1,760	0
Total	**1,954**	**0**
Allowances for doubtful debts at 1 January	0	0
Additions relating to acquisition of subsidiaries	(235)	0
Additions	(63)	0
Realised losses	36	0
Reversed allowances	20	0
Allowances for doubtful debts at 31 December	**(242)**	**0**

Trade receivables

DKKm

2018	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
Expected loss rate	1%	2%	3%	23%	78%	13%
Gross carrying amount	1,170	326	105	52	269	1,922
Loss allowance	(10)	(6)	(3)	(12)	(211)	(242)

2017	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
Expected loss rate	0	0	0	0	0	0
Gross carrying amount	0	0	0	0	0	0
Loss allowance	0	0	0	0	0	0

Comments

The carrying amount of the balances approximated fair value due to the short maturity of amounts receivable.

Of the receivables classified as current assets, DKK 19m falls due after more than one year (2017: DKK 0m).

Accounting policies

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. TDC 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.

DKTH 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.

3.4 Contract assets and liabilities

DKKm

	2018	2017
Assets recognised from costs to obtain a contract (SAC)	284	0
Work in progress for the account of third parties	75	0
Total contract assets	**359**	**0**
Deferred subscription income	2,560	0
Work in progress for the account of third parties, liabilities	23	0
Total contract liabilities	**2,583**	**0**

Comments

Of the deferred subscription income, DKK 39m (2017 DKK 0m) will be recognised as income after more than one year.

Of the assets recognised from costs to obtain a contract, (SAC) DKK 110m (2017 DKK 0m) will be recognised as costs after more than one year.

Accounting policies

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

Assets recognised from costs to obtain a contract are costs deferred and recognised as expenses over the expected term of the related customer relationship. The term is estimated using historical customer churn rates.

3.5 Prepaid expenses

DKKm

	2018	2017
Prepaid expenses related to service contracts	138	0
Other prepaid expenses	333	0
Total	**471**	**0**
Recognised as follows in the balance sheet:		
Non-current assets	43	0
Current assets	428	0
Total	**471**	**0**

Accounting policies

Prepaid expenses comprise expenses paid relating to subsequent financial years. Prepaid expenses are measured at amortised cost.

3.6 Provisions

DKKm

	2018				2017
	Decommis-sioning obligations	Restructur-ing obliga-tions	Other provisions	Total	
Provisions at 1 January	0	0	0	0	0
Additions relating to the acquisition of enterprises	236	714	137	1,087	0
Provisions made	4	163	1	168	0
Change in present value	(6)	6	-	0	0
Provisions used (payments)	(1)	(129)	(31)	(161)	0
Reversal of unused provisions	(2)	0	(4)	(6)	0
Currency translation adjustments	0	0	0	0	0
Provisions at 31 December	**231**	**754**	**103**	**1,088**	**0**
Of which recognised through special items in the income statement	**0**	**728**	**34**	**762**	**0**
Recognised as follows in the balance sheet:					
Non-current liabilities	231	659	82	972	0
Current liabilities	0	95	21	116	0
Total	**231**	**754**	**103**	**1,088**	**0**

Specification of how payments regarding provisions are recognised in the statements of cash flow

DKKm

	2018	2017
Payments related to provisions	(22)	0
Cash flow related to special items	(139)	0
Total	**(161)**	**0**

Comments

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

The Danish part of the Group has 167,763 square metres of leased tenancies no longer used by the Group (2017: 0). Of this 88,582 (2017: 0) square metres were sublet. The leases terminate in 2041 at the latest. See also note 6.4. The uncertainties regarding the provision for vacant tenancies relate primarily to the assumption on probability of sublease and rent rates that will be impacted by e.g. changed market conditions for subletting.

Other provisions relate mainly to onerous contracts and jubilee benefits for employees as well as legal claims. The majority of these provisions are expected to result in cash outflows in the next five years. The uncertainties regarding legal claims and onerous contracts relate to both timing and estimated amounts. The uncertainties regarding jubilee benefits relate to both salary and the number of employees included.

In pursuance of Section 32 of the Danish Civil Servants Act, the Group has a termination benefit obligation to former Danish civil servants and to employees with civil-servant status hired before 1 April 1970 who are members of the

Average redundancy cost per full-time employee equivalent[1]

DKK thousands

	2018	2017
Non-civil servants	372	0
Former Danish civil servants	1,406	0
Employees with civil-servant status	911	0
Weighted average per full-time employee equivalent	667	0

[1] Excluding corporate management.

3.6 Provisions (continued)

related Danish pension fund. In the event of termination, such employees have a right to special termination benefits in the amount of three years' salary (tied-over allowance) or three months' full salary and two-thirds of their full monthly salary for four years and nine months (stand-off pay).

The Group's total termination benefits include wages during the notice period, severance pay, stand-off pay, payments pursuant to the Danish Salaried Employees Act, special termination benefits (in accordance with IAS 19 *Employee Benefits*), social security contributions and outplacement costs. The average redundancy cost per full-time employee equivalent, calculated as the total cost divided by the number of full-time employee equivalents included in the redundancy programmes during this period, is shown in the table above.

Critical accounting estimates

The Group has engaged, and may in the future need to engage, in new restructuring activities, which require Management to make significant estimates on provisions for e.g. onerous contracts and employee layoffs. Such estimates are based on expectations concerning timing and scope, the future cost level for the restructuring, etc. In connection with former large restructurings, Management has estimated the cost of onerous contracts for vacant tenancies, including rent costs and operating costs for the contract period reduced by the expected rental income. For each category of tenancy (office, exchange, etc.) and in consideration of the geographical location, the probability of obtaining income from sublease and expected sublet rent rates is judged. The most critical assumptions used in determining the provision relate to the probability of sublease and expected sublet rent rates. The provision is estimated at DKK 657m (2017: DKK 0m). The actual amounts may differ from this estimate, and may therefore materially impact future results.

The Group is expected to vacate and sublet additional tenancies in the future, following further reductions in the number of employees and upgrading to technical equipment that requires fewer square metres.

§ 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 result 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.

3.7 Trade and other payables

DKKm

	2018	2017
Trade payables	3,828	0
Prepayments from customers	145	0
Accrued interest	1,331	0
Holiday allowance provision	596	0
VAT and other taxes	273	0
Personnel expense payables	272	0
Other payables	200	0
Total	**6,645**	**0**

Of the current liabilities, DKK 43m falls due after more than one year (2017: DKK 0m).

3.8 Pension assets and pension obligations

Worth noting

In a defined contribution plan, DKTH Group pays fixed contributions to a third party on behalf of the employees and has no further obligations towards the employees. The benefits for the employees ultimately depend on the third party's ability to generate returns.

In a defined benefit plan, members receive cash payments on retirement, the value of which depends on factors such as salary and length of service. The Group underwrites investment, mortality and inflation risks necessary to meet these obligations. In the event of returns not being sufficient to honour obligations towards the employees, DKTH Group needs to address this through increased levels of contribution. The Group has defined benefit plans in Denmark (in the separate legal entity: TDC Pension Fund).

DKTH Group makes contributions to its separate pension funds, which are not consolidated in these financial statements, but are reflected in the balance sheet in pension assets. DKTH Group's pension assets and pension obligations are outlined in more detail in the following.

3.8 Pension assets and pension obligations (continued)

Defined benefit plan in Denmark
Under conditions similar to those provided by the Danish Civil Servants' Pension Plan, 923 of DKTH Group's employees (2017: 0) were entitled to pensions from the pension fund related to the Group. Of these, 102 (2017: 0) employees were seconded to external parties in connection with outsourcing tasks or divesting operations. In addition, 7,886 (2017: 0) members of the pension fund receive or are entitled to receive pension benefits. The pension benefits comprise lifelong old-age and disability pensions as well as certain benefits for spouses and children. Future pension benefits are based primarily on years of credited service and on participants' compensation at the time of retirement. 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.

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, the Group is required to make contributions to meet the capital adequacy requirements. When all pension obligations have been met, the remaining funds will be distributed from the pension fund to TDC Group.

Ordinary monthly contributions to the pension fund are made corresponding to a percentage of wages. The ordinary contributions have been reduced from 1 January 2018. This decision was made due to the positive funding situation of the pension fund. Extraordinary contributions are made in connection with redundancy programmes and other retirements. Overall, the risk of additional capital contributions to the pension fund can be categorised as investment, longevity and regulatory risks.

Investment risk is managed within risk tolerance limits to mitigate excessive risk that could lead to contribution. The fund invests in a wide variety of marketable securities (predominantly fixed-income securities) and the return on the investments has implications for TDC Group's financial results. Uncompensated risk related to nominal interest rates and inflation has been hedged.

Since the Danish FSA introduced the longevity benchmark in 2011 for statutory purposes, the fund's actuary has conducted a detailed longevity statistical analysis, that overall underpinned the fund's assumptions regarding observed current longevity. In line with the sector, however, the fund has increased its provisions for future expected improvements to longevity corresponding to the updated Danish FSA benchmark.

Other risks of capital contributions in excess of the planned ordinary contributions and extraordinary contributions in connection with redundancies going forward relate primarily to future changes to pension regulation and benefits over which the Group does not have full control.

The surplus under the Danish FSA pension regulation amounted to approx. DKK 3.5bn (2017: DKK 2.7bn). The equity of the pension fund amounted to approx. DKK 4.4bn (2017: DKK 3.7bn). The equity differs from the pension assets recognised in accordance with IFRS (DKK 6.9bn) due to specific FSA pension regulation requirements resulting in a higher pension obligation for regulatory purposes. The method for determining the fair value of plan assets is identical under the two requirements.

Plan assets include property with a fair value of DKK 41m used by Group companies.

Pension (costs)/income

DKKm	Expected 2019	2018	2017
Service cost	(91)	(73)	0
Administrative expenses	(10)	(9)	0
Personnel expenses (included in EBITDA)	(101)	(82)	0
Interest on pension assets	106	72	0
Pension (costs)/income	**5**	**(10)**	0
Domestic redundancy programmes recognised in special items		(20)	0
Total pension (costs)/income recognised in the income statement	**-**	**(30)**	0

3.8 Pension assets and pension obligations (continued)

Assets and obligations

DKKm	2018	2017
Specification of pension assets		
Fair value of plan assets	29,990	0
Defined benefit obligation	(23,136)	0
Pension assets recognised in the balance sheet	**6,854**	**0**
Change in defined benefit obligation		
Defined benefit obligation at 1 January	0	0
Additions relating to the acquisition of enterprises	(23,800)	0
Service cost	(73)	0
Administrative expenses	(9)	0
Interest cost on the defined benefit obligation	(246)	0
Termination benefits	(20)	0
Remeasurement effect:		
Demographic experience	(167)	0
Financial assumptions	459	0
Benefit paid	720	0
Projected benefit obligations at 31 December	**(23,136)**	**0**
Change in fair value of plan assets		0
Fair value of plan assets at 1 January	0	0
Additions relating to the acquisition of enterprises	30,616	0
Interest income on plan assets	318	0
Actual return on plan assets greater/(less) than discount rate (remeasurement effect)	(233)	0
TDC's contribution	9	0
Benefit paid	(720)	0
Fair value of plan assets at 31 December	**29,990**	**0**
Change in pension assets		
Pension assets at 1 January	0	0
Additions relating to the acquisition of enterprises	6,816	0
Pension (costs)/income	(30)	0
Remeasurement effects	59	0
TDC's contribution (see also table below)	9	0
Pension assets recognised in the balance sheet at 31 December	**6,854**	**0**

Asset allocation by asset categories at 31 December

DKKm	2018	2017
Assets with quoted prices:		
Government and mortgage bonds (incl. hedges and repos)	13,819	0
High-yield bonds	3,671	0
Investment grade bonds	1,682	0
Emerging markets-debt	3,228	0
Property	2,301	0
Equities	361	0
Cash	(38)	0
Other	340	0
Assets without quoted prices:		0
High-yield bonds	1,050	0
Investment grade bonds	1,510	0
Property	1,684	0
Alternatives	63	0
Equities	319	0
Fair value of plan assets	**29,990**	**0**

Assumptions used to determine defined benefit obligations (balance sheet)

%	2018	2017
Discount rate	1.55	0
General price/wage inflation	1.51	0

Assumptions used to determine pension (costs)/income

%	2019	2018	2017
Discount rate	1.55	1.56	0
General price/wage inflation	1.51	1.73	0

3.8 Pension assets and pension obligations (continued)

The basis for determining the discount rate is the yield of AA-rated euro-denominated corporate bonds with an average maturity of 14 years, taking into account that the pension liability is in Danish kroner. For purposes of determining DKTH Group's pension costs, the assumed discount rate was 1.56% and inflation was 1.73%. The assumptions for 2019 reflect a discount rate decrease to 1.55% and a decrease of the assumed inflation rate to 1.51%.

The decreased inflation rate during 2018 resulted in a decreased pension benefit obligation.

In 2019, with these changed assumptions, pension income from the domestic defined benefit plan are expected to amount to DKK 5m (2018: cost of DKK 10m), assuming all other factors remain unchanged.

The remeasurement effects of DKK 59m covered primarily a gain related to the benefit obligation (DKK 292m) resulting from the decreasing inflation rate (from 1.73% to 1.51%), partly offset by a decreasing discount rate (from 1.56% to 1.55%) and a loss related to the plan assets (DKK 233m) as the actual return was lower than the expected return[1].

The mortality assumptions are based on a yearly mortality study, which analyses the actual mortality experience of the DKTH Group pension fund plan. The mortality assumptions provide the best estimate for the Group's recent experience plus an allowance for future improvement. The allowance for future improvement is in accordance with the Danish FSAs guidelines.

The table below shows the estimated impact of some of the risks to which DKTH Group is exposed. The Group is also exposed to fluctuations in the market value of assets. For some of these risks, if the defined benefit obligation rises or falls, the market value of assets may move in the opposite direction, thereby eliminating part of the risk.

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

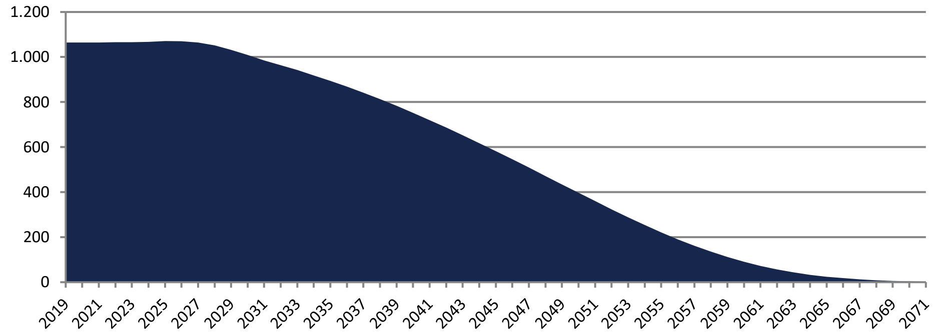
Sensitivity analysis

DKKm

	2018	2017
Reported defined benefit obligation	23,136	0
Discount rate sensitivity	**1.55%**	**-**
Assumption -0.5%	24,801	0
Assumption +0.5%	21,644	0
General price/wage inflation sensitivity	**1.51%**	**-**
Assumption +0.25%	23,977	0
Assumption –0.25%	22,337	0
Mortality sensitivity		
Assumption +1 year longevity	24,339	0
Assumption -1 year longevity	21,913	0

Projected benefit payments[1]

DKKm



[1] The duration of the pension plan is approximately 14 years.

3.8 Pension assets and pension obligations (continued)

DKTH Group's contributions

DKKm

	Expected 2019	2018	2017
Ordinary contributions	3	3	0
Extraordinary contributions in connection with retirements	8	6	0
Capital contributions	0	0	0
Total	**11**	**9**	**0**

Other information

Ultimately, 506 members of the defined benefit plans will have part of their pension payment reimbursed by the Danish government.

The related benefit obligations of DKK 404m (2017: DKK 0m) have been deducted in the projected benefit obligation.

Critical accounting estimates

Defined benefit plans

The pension liability regarding defined benefit plans is estimated based on certain actuarial assumptions, the most significant of which relate to discount rates, wage inflation and mortality. The discount rate applied is based on the yield of corporate bonds and may change over the years depending on interest rate developments. Management estimates of actuarial assumptions illustrate current market conditions. See the separate section Sensitivity analysis for a statement on the sensitivity of the defined benefit obligation to the discount rate, inflation and mortality.

Accounting policies

In a defined benefit plan, DKTH Group is obliged to pay a specific benefit at the time of retirement. A pension asset or pension obligation corresponding to the present value of the obligations less the defined pension plans' assets at fair value is recognised for these benefit plans.

The obligations are determined annually by independent actuaries using the projected unit credit method assuming that each year of service gives rise to an additional unit of benefit entitlement, and each unit is measured separately to build up the final obligations. Estimation of future obligations is based on the Group's projected future developments in mortality, early retirement, future wages, salaries and benefit levels, interest rate, etc. The defined pension plan assets are estimated at fair value at the balance sheet date.

Differences between the projected and realised developments in pension assets and pension obligations are referred to as remeasurement effects and are recognised in other comprehensive income when gains and losses occur.

Pension assets are recognised to the extent that they represent future repayments from the pension plan.

Pension income/costs from defined benefit plans comprise the items: service cost, administrative expenses and interest on pension assets. Service cost and administrative expenses are recognised in personnel expenses, whereas interest on pension assets is presented as an item in financial income and expenses.

For the defined contribution plans, the Group will pay in a fixed periodic contribution to separate legal entities and will have no further obligations after the payment has been made.

Capital structure and financing costs

This section explains the Group'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 company's share capital is DKK 195,000 divided into shares of DKK 1 each or multiples thereof. All issued shares have been fully paid up.

During 2018, the share capital was increased by DKK 145,000 resulting in a total capital contribution of DKK 4,113m.

During 2018, total equity increased by DKK 0.9bn due mainly to the capital contribution mentioned above partly offset by the negative total comprehensive income (DKK 2.9bn).

The Parent Company statement of changes in equity specifies which reserves are available for distribution. The distributable reserves amounted to DKK 891m at 31 December 2018 before proposed dividend (2017: DKK 0m). At the Annual General Meeting, the Board of Directors will not propose any dividend.

There were no dividend payments during the financial year 2018.

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.

Currency translation reserve
The currency translation reserve comprises exchange-rate differences arising from translation of the functional currency of foreign enterprises' financial statements into Danish kroner. Translation adjustments are recognised in the income statement when the net investment is realised.

Reserve for cash flow hedges
The reserve for cash flow hedges in equity comprises changes in the fair value of hedging transactions that qualify for recognition as cash flow hedges and where the hedged transaction has not yet been realised.

4.2 Loans and derivatives

Worth noting

DKTH Group is financed through the European bond market (EMTN), Senior Facility Agreement (SFA), Senior Notes and Shareholder loans (SHL).

The next upcoming maturity is the EUR 500m EMTN bond that will mature in March 2022.

The Group's outstanding EMTN and Senior Notes have been issued in EUR, GBP and USD with fixed interest rates. Both the GBP and USD bonds have been swapped to fixed EUR interest rates. Part of the fixed-rate debt has been swapped to floating-rate debt.

On 30 June 2018, DKTH decided to stop using the hedge accounting rules in accordance to IAS 39. As a result of this, values recognised in other comprehensive income or fair value adjustments on loans at 30 June 2018 were fixed and will be reversed to the income statement over the lifetime of the underlying hedged item.

Derivatives are used for hedging interest and exchange-rate exposure only, and not for taking speculative positions.

Loans

DKKm	2018	2017
Shareholder loans	16,453	0
SFA loan	14,140	0
Senior Notes	10,346	0
EMTN	7,915	0
Debt regarding financial leasing	72	0
Other long-term loans	311	0
Total	**49,237**	**0**
Recognised as follows in the balance sheet:		
Non-current liabilities	**49,120**	**0**
Current liabilities	**117**	**0**
Total	**49,237**	**0**
Fair value of debt (see note 4.6)		

Debts relating to finance leases

DKKm	Minimum payments		Present value	
	2018	2017	2018	2017
Maturing within 1 year	12	0	11	0
Maturing between 1 and 3 years	16	0	15	0
Maturing between 3 and 5 years	11	0	9	0
Maturing after 5 years	74	0	37	0
Total	**113**	**0**	**72**	**0**

Debts relating to finance leases concerned primarily lease agreements regarding property and IT equipment. See also note 3.2.

4.2 Loans and derivatives (continued)

Euro Medium Term Notes (EMTNs), Senior Facility Agreement (SFA) loan, Senior Notes and Shareholder loans

	2022	2023	2023	2023	2025	2029	2029	Total
Maturity	Mar 2022	Feb 2023	Jun 2023	Jun 2023	Jun 2025	Apr 2029	Apr 2029	
Fixed/floating rate	Fixed	Fixed	Fixed	Fixed	Floating	Fixed	Fixed	
Coupon	3.750%	5.625%	9,375%	7.00%	2,75% floor	8.81%	8.15%	
Currency	EUR	GBP	USD	EUR	EUR	DKK	DKK	
Type	EMTN Bond	EMTN Bond	Senior Notes	Senior Notes	SFA loan	SHL loan	SHL loan	
Nominal value (DKKm)	3,733	3,529	2,672	7,838	14,185	14,997	1,456	48,410
Nominal value (Currency)	500	425	410	1,050	1,900	14,997	1,456	-
Nominal value including cross currency swaps (EURm)[1]	500	508	350	1,050	1,900	-	-	4,308
– Of which nominal value swapped to or with floating interest rate (EURm)[2]	0	150	0	0	725	-	-	875
– Of which nominal value swapped to or with fixed interest rate (EURm)[2]	500	358	350	1,050	1,175	-	-	3,433

[1] The nominal value of the GBP 425m Feb-2023 EMTN bond is fully swapped to EUR 508m using cross currency swaps and the USD 410m Senior Note is fully swapped to EUR using a FX swap.
[2] 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 925m used for hedging of long-term SFA loan matures Jun-2020 and nominal EUR 250m matures in later periods.

§ 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. Fair value hedged loans are measured at fair value excluding the effect of changes in own credit risk.

Other financial liabilities are measured at amortised cost.

Finance leases
Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. At inception, the cost of the finance leases is measured at the lower of the assets' fair value and the present value of future minimum lease payments. The corresponding rental obligations are included in loans. Each lease payment is allocated between the liability and the finance charges so as to achieve a constant interest rate on the outstanding finance balance.

Financial instruments
On initial recognition, financial derivatives are recognised in the balance sheet at fair value and subsequently remeasured at fair value in the balance sheet and in the income statement. Depending on the type of instrument, different recognised measurement methods are applied for derivative financial instruments.

4.2 Loans and derivatives (continued)

On 30 June 2018 DKTH decided to stop using the hedge accounting rules in accordance to IAS 39. As a result of this, values recognised in other comprehensive income or fair value adjustments on loans at 30 June 2018 were fixed and will be reversed to the income statement over the lifetime of the underlying hedged item. Before 30 June 2018, the following recognition methods applied. Fair value changes of financial derivatives are recognised in the income statement. However, in case of changes in the fair value of financial derivatives designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income. Any ineffective portion of the hedge is recognised in the income statement. Changes in the fair value of derivative financial instruments that qualify as hedges of fair value are recognised in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged interest-rate risk.

Unrealised gains/losses relating to hedging of future cash flows are recognised in other comprehensive income under a separate reserve.

4.3 Financial risks

Worth noting

DKTH Group is exposed to financial market and credit risks when buying and selling goods and services denominated in foreign currencies as well as due to its investing and financing activities. As a consequence of DKTH Group's capital structure and financing, the Group faces interest-rate and exchange-rate risks. DKTH's Group Treasury identifies, monitors and manages these risks through policies and procedures that are revised on an annual basis, if necessary, and approved by the Board of Directors.

Interest-rate risks

DKTH Group is exposed to interest-rate risks in the euro area, as 66% of the nominal gross debt is denominated in or swapped to EUR. The last 34% is in DKK.

The interest-rate risk emerges from fluctuations in market interest rates, which affect the market value of financial instruments and financial income and expenses.

The TDC Groups interest rate risk is described in the annual report 2018 for TDC Group, see note 4.3. The two Senior Notes and Shareholder loans are both fully fixed and the first reset risk is in 4.5 years as the Senior Notes matures in June 2023.

Exchange-rate risks

DKTH Group is exposed primarily to exchange-rate risks from USD, GBP and EUR. Both the GBP and USD bonds have been swapped to EUR.

The USD exchange-rate exposure relating to payables and receivables mainly comes from *roaming* and *interconnection* agreements with foreign operators as well as equipment and handset suppliers.

4.3 Financial risks (continued)

Due to DKTH Group's capital structure, the exposure from financial activities in EUR is significant, as 66% of the nominal gross debt (including derivatives) is denominated in EUR. However, due to the fixed EUR/DKK exchange-rate policy of Danmarks Nationalbank (the Danish central bank), DKTH Group does not consider its positions in EUR to constitute a significant risk. The last 34% of the nominal debt is in DKK. The Group's EUR exposure was DKK 31,9bn in 2018 (2017: 0bn).

The monitoring of the exchange-rate risks is described in TDC Groups annual report 2018, see note 4.3.

Credit risks

DKTH Group is exposed to credit risks principally as a provider of telecommunications services in Denmark and abroad, and as counterparty in financial contracts. The credit risk arising from supplying telecommunications services is handled by the individual business lines, whereas the credit risks in relation to financial contracts are handled centrally by Group Treasury. Credit risks arising in relation to financial contracts are governed by the financial strategy that defines a maximum exposure for each counterparty. The maxima are based primarily on the lowest credit ratings of the counterparties from either Standard & Poor's (S&P) or Moody's Investor Services (Moody's).

The credit risk is described in TDC Groups annual report 2018, see note 4.3.

Liquidity risks

TDC Group has no short-term refinancing risk as the next debt maturity is in March 2022.

The committed Super Senior Revolving Credit Facilities and committed Revolving Credit Facilities under the Senior Facility Agreement (SFA) totalling EUR 600m (or DKK 4,480m), the available cash and cash generated by the business activities, are deemed sufficient to maintain current operations, to complete projects underway and to finance stated objectives and plans.

Undrawn credit lines

At year-end 2018, DKTH Group had undrawn committed credit lines totalling DKK 4,480m provided by a group of banks.

Net investments in foreign subsidiaries, joint ventures and associates

DKKm

	2018 Carrying amount	2017 Carrying amount
SEK	271	0
EUR	3	0
NOK	0	0
Total at 31 December	**274**	**0**

4.4 Credit ratings and net interest-bearing debt

Worth noting

Credit rating

DKTH Group is rated by three international rating agencies: S&P's, Moody's and Fitch.

DKTH Group financing contains cross-default provisions and change of control clauses.

DKTH Group's company ratings at 31 December 2018

Rating	Corporate rating	Senior Notes
S&P	B+	B-
Moody's	B1	B3
Fitch	BB-	B+

Net interest-bearing debt

DKKm

2018		Included in cash flows from		Non-cash changes				
	At 1 January, 2018	Investing activities	Financing activities	Acquisitions /disposals	Amortisation of borrowing costs	Currency translation adjustment	Fair value adjustments	At 31 December, 2018
Long-term loans incl. short-term part	0	(141)	26,494	22,021	(34)	424	473	49,237
Short-term loans	0	0	(222)	222	0	0	0	0
Interest-bearing payables	0	0	0	2	0	0	0	2
Corrections for derivatives and reversals of fixed fair values on loans due to hedge accounting[1]	0	0	285	111	0	(207)	11	200
Total interest-bearing debt	**0**	**(141)**	**26,557**	**22,356**	**(34)**	**217**	**484**	**49,439**
Interest-bearing receivables and investments	0							(156)
Cash	0							(2,381)
Net interest-bearing debt	**0**							**46,902**

[1] Currency adjustment effect from derivatives that hedge long term loans and fixed hedge accounting effects that will be reversed to the income statement over the lifetime of the underlying hedged long term loans.

2017		Included in cash flows from		Non-cash changes				
	At 1 January, 2017	Investing activities	Financing activities	Acquisitions	New leases and debt re. mobile licences	Currency translation adjustment	Fair value adjustments	At 31 December, 2017
Long-term loans incl. short-term part	0	0	0	0	0	0	0	0
Short-term loans	0	0	0	0	0	0	0	0
Interest-bearing payables	0	0	0	0	0	0	0	0
Corrections for hedge accounting effects	0	0	0	0	0	0	0	0
Total interest-bearing debt	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Interest-bearing receivables and investments	0							0
Cash	0							0
Net interest-bearing debt	**0**							**0**

4.5 Financial income and expenses

DKKm

	2018	2017
Interest income	5	0
Interest expenses	(2,916)	0
Net interest	**(2,911)**	0
Currency translation adjustments	(498)	0
Fair value adjustments	(12)	0
Interest, currency translation adjustments and fair value adjustments	**(3,421)**	**0**
Profit/(loss) from joint ventures and associates	(1)	0
Interest on pension assets	72	0
Total	**(3,350)**	**0**

Interest, currency translation adjustments and fair value adjustments

DKKm

	2018			
	Net interest	Currency translation adjustments	Fair value adjustments	Total
Shareholder loans	(988)	0	0	(988)
Senior Facility Agreement (SFA) loans	(457)	149	(499)	(807)
Senior Notes	(377)	(16)	(15)	(408)
Euro Medium Term Notes (EMTNs), European Investment Bank and other bank loans	(152)	0	(10)	(162)
Bridge facility incl. fees	(679)	(193)	0	(872)
Other	(125)	(46)	(13)	(184)
Total	**(2,778)**	**(106)**	**(537)**	**(3,421)**

	2017			
	Net interest	Currency translation adjustments	Fair value adjustments	Total
Euro Medium Term Notes (EMTNs), European Investment Bank and other bank loans	0	0	0	0
Other	0	0	0	0
Total	**0**	**0**	**0**	**0**

From 30 June and onwards DKTH no longer applies hedge accounting under IAS 39. As a consequence, 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, see the table below for a specification.

Comments

Financial income and expenses represented an expense of DKK 3,350m in 2018. The interest expenses in 2018 primarily relates to long term loans (DKK 1,974m) and fees and interest expenses relating to Bridge facility (DKK 679m).

In addition, the full redemption of the USD SFA loan, a redemption of the EUR 800m SFA loan and a full redemption of 2027 EMTNs resulted in a loss in 2018 (DKK 472m). Furthermore, currency translation adjustments relating to Bridge financing resulted in a loss (DKK 193m), which was partly offset by a gain (DKK 180m) related to the USD 1,418m SFA loan established on 28 June 2018 and pre-hedged from 11 June.

4.5 Financial income and expenses (continued)

Net financials recognised in other comprehensive income

DKKm	2018	2017
Currency translation adjustment, foreign enterprises	171	0
Reversal of currency translation adjustment related to disposal of foreign enterprises	(150)	0
Exchange-rate adjustments of foreign enterprises	**21**	**0**
Change in fair value adjustments of cash flow hedges	(10)	0
Change in fair value adjustments of cash flow hedges transferred to financial expenses	(6)	0
Value adjustments of hedging instruments	**(16)**	**0**

Cash flow from net interest

DKKm	2018	2017
Interest received	163	0
Interest paid	(1,740)	0
Net interest paid	**(1,577)**	**0**

4.6 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).

Maturity profiles of expected cash flows[1]

DKKm

Financial assets and liabilities measured at fair value through profit or loss	< 1 year	1-3 years	3-5 years	> 5 years	Total	Fair value	Carrying amount
Assets[2]:							
Derivatives							
Inflow	5,444	143	89	18			
Outflow	(5,277)	(12)	(14)	(9)			
Total derivatives assets	**167**	**131**	**75**	**9**	**382**	**399**	**399**
Liabilities:							
Derivatives							
Inflow	2,863	400	3,943	15			
Outflow	(2,935)	(543)	(4,275)	(17)			
Total derivatives liabilities	**(72)**	**(143)**	**(332)**	**(2)**	**(549)**	**(763)**	**(763)**
Total derivatives	**95**	**(12)**	**(257)**	**7**	**(167)**	**(364)**	**(364)**
Financial liabilities measured at amortised cost							
Shareholder loan	0	0	0	(16,453)	(16,453)	(16,453)	(16,453)
Senior Facility Agreement (SFA) loan	0	0	0	(14,185)	(14,185)	(14,185)	(14,140)
Senior notes	0	0	(10,510)	0	(10,510)	(11,031)	(10,346)
Euro Medium Term Notes (EMTNs)	0	0	(7,262)	0	(7,262)	(8,018)	(7,915)
Debt relating to finance leases	(12)	(16)	(11)	(74)	(113)	(72)	(72)
Other loans	(108)	(123)	(60)	(30)	(321)	(311)	(311)
Total loans	(120)	(139)	(17,843)	(30.742)	(48,844)	(50,070)	(49,237)
Shareholder loan, SFA, Senior notes and EMTN, interest[3]	(2,969)	(5,932)	(5,794)	(9,295)	(23,990)	(1,330)	(1,330)
Trade and other payables[4]	(2,630)	0	0	0	(2,630)	(2,630)	(2,630)
Total financial liabilities measured at amortised cost	**(5,719)**	**(6,071)**	**(23,637)**	**(40,037)**	**(75,464)**	**(54,030)**	**(53,197)**
Total 2018	**(5,624)**	**(6,083)**	**(23,894)**	**(40,030)**	**(75,631)**	**(54,394)**	**(53,561)**
Total 2017	**0**	**0**	**0**	**0**	**0**	**0**	**0**

1 All cash flows are undiscounted. The table reflects only the cash flow from financial liabilities and derivatives recognised as financial assets. Other cash flow from financial assets is not disclosed.
2 Both assets and liabilities measured at fair value through profit or loss are disclosed in the above table because some of the derivatives are used for hedging financial liabilities measured at amortised cost, see table.
3 Fair value and carrying amount value consist of accrued interest on Shareholder loans, SFA loan, Senior Notes and EMTNs at 31 December 2018.
4 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.

Cash flow

This section provides information on the Group'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, 3.6 Provisions, note 3.8 Pension assets and pension obligations as well as note 4.5 Financial income and expenses. A review of Equity free cash flow is provided in the section Our performance in the Management's review.

5.1 Adjustment for non-cash items

DKKm

	2018	2017
Pension costs regarding defined benefit plans	82	0
Share-based remuneration	(4)	0
(Gain)/loss on disposal of property, plant and equipment, net	(11)	0
Other adjustments	23	0
Total	**90**	**0**

5.2 Change in working capital

DKKm

	2018	2017
Change in inventories	72	0
Change in receivables	(207)	0
Change in contract assets	70	0
Change in trade payables	443	0
Change in contract liabilities	472	0
Change in prepaid expenses	81	0
Change in other items, net	257	0
Total	**1,188**	**0**

§ 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, realised currency translation adjustments as well as income taxes paid. Interest received and paid includes settlement of interest-hedging instruments.

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, and purchases and sales of securities that are not recognised as cash and cash equivalents. Cash flows 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 operating, investing and financing activities of discontinued operations is presented in separate lines in the statement of cash flow with comparative figures.

Cash flow from financing activities comprises changes in interest-bearing debt, financial lease instalments, purchase of treasury shares 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 the financial statements.

5.3 Investment in enterprises

Acquisitions in 2018

Enterprises and activities acquired	Segment	Date of recognition	Proportion acquired
TDC A/S	-	4 May 2018	100%
CC Factory ApS	Business	17 September 2018	100%
Hiper A/S	Consumer	30 November 2018	100%

TDC A/S

	Fair value at the time of acquisition
Intangible assets (excl. goodwill)	17,400
Property, plant and equipment	14,644
Pension assets	6,816
Other non-current assets	324
Inventories	255
Receivables (gross contractual amounts receivable: DKK 5,817m)	5,582
Other current assets	1,205
Subsidiary held-for-sale	12,907
Cash	532
Deferred tax	(4,944)
Provisions	(1,079)
Long-term loans (incl. current maturities)	(22,013)
Short-term loans	(222)
Trade and other payables	(4,537)
Income tax payable	(71)
Contract liabilities and other liabilities	(2,948)
Acquired net assets	**23,851**
Goodwill (non-tax deductible)	22,249
Non-controlling interest (at fair value)	(9,276)
Acquisition costs	**36,824**
Cash in acquired enterprises	(532)
Net cash flow on acquisitions	**36,292**

The initial accounting for the acquisition of TDC is provisional as the valuation of property, plant and equipment as well as software (and thereby goodwill) has not been completed. Consequently, the fair values shown in the table are only provisional. Goodwill related to the acquisition was provisionally calculated to DKK 22,249m on recognition of identifiable assets and liabilities at fair value. Goodwill represents the value of current employees and know-how.

Since the acquisition, TDC Group has contributed DKK 11,581m to revenue and DKK (361)m to profit/(loss) for the year.

Calculated as though the acquisition took place at 1 January 2018, TDC Group would have contributed DKK 17,356m to revenue and DKK (1,574)m to profit/(loss) for the year.

Costs of DKK 291m related to the acquisition of TDC Group are recognised as special items.

Other acquisitions

	Fair value at the time of acquisition
Intangible assets	104
Property, plant and equipment	38
Inventories	4
Receivables	28
Cash	2
Deferred tax	(10)
Long-term loans	(8)
Income tax payable	(2)
Trade and other payables	(42)
Acquired net assets	**114**
Goodwill	190
Acquisition costs	**304**
Cash in acquired enterprises	(2)
Payments in relation to acquisitions in previous years	15
Net cash flow on acquisitions	**317**

[1] Including immaterial adjustments regarding previous years' acquisitions.

At the date of acquisition, the cost of the assets and liabilities acquired was DKK 115m. Following adjustment of net assets to fair value, goodwill was measured at DKK 190m. Goodwill represents the value of current employees and know-how as well as expected synergies arising from the business combinations.

5.3 Investment in enterprises (continued)

Critical accounting judgements

The most significant assets acquired in a business combination generally comprise goodwill, customer relationship and property, plants and equipment. As no active market exists for the majority of acquired assets and liabilities, in particular in respect of acquired intangible assets, management makes estimates of the fair value. The method applied on customer relationships is based on the present value of future cash flows calculated based on profitability of the revenue, churn rates or other expected cash flows related to the specific asset. The valuation of brands is based on royalty rates paid in the market for similar brands and the valuation of spectrum licenses is based on prices paid in auctions for spectrum licences in similar markets. Estimates of fair value may be associated with uncertainty.

§ Accounting policies

On acquisition of subsidiaries, joint ventures and associates, the purchase method is applied, and acquired assets, liabilities and contingent liabilities are measured on initial recognition at fair values on the date of acquisition. Identifiable intangible assets are recognised if they can be separated and the fair value can be reliably measured. Deferred tax on the revaluation made is recognised.

Any positive differences between the cost and fair value of the assets, liabilities and contingent liabilities acquired on acquisition of subsidiaries are recognised as goodwill in the balance sheet under intangible assets. The cost is stated at the fair value of shares, debt instruments as well as cash and cash equivalents. Goodwill is not amortised, but is tested annually for impairment. Negative goodwill is recognised in the income statement on the date of acquisition. Positive differences on acquisition of joint ventures and associates are recognised in the balance sheet under investments in joint ventures and associates.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected, adjustments made within twelve months of the acquisition date to the provisional fair value of acquired assets, liabilities and contingent liabilities or cost of the acquisition are adjusted to the initial goodwill. The adjustment is calculated as if it were recognised at the acquisition date and comparative figures are restated. Changes in estimates of the cost of the acquisition being contingent on future events are recognised in the income statement.

Acquired enterprises are recognised in the consolidated financial statements from the time of acquisition.

5.4 Cash flow from investing activities in discontinued operations

In 2018, DKTH Group divested Get and TDC Norway. These divestments have been presented as discontinued operation.

At the time of divestment, the carrying amount of assets and liabilities in discontinued operations consisted of the following:

The carrying amounts of assets and liabilities in discontinued operations at the time of divestment

DKKm	2018	2017
Intangible assets	15,301	0
Property, plant and equipment	3,347	0
Other non-current assets	3	0
Inventories	7	0
Receivables and contract assets	421	0
Cash	334	0
Provisions	(814)	0
Trade and other payables	(1,173)	0
Net assets	**17,426**	**0**
Non-controlling interest in discontinued operations	**3**	**0**
TDC's share of net assets	**17,429**	**0**
Gain relating to divestment of discontinued operations including tax	405	0
Cost of hedges relating to the disposal	(56)	0
Reversal of currency adjustments recognised in equity	(150)	0
Sales costs not paid yet/(reversal of provision for sales costs)	3	0
Cash and bank deposit in discontinued operations	(227)	0
Net cash flow on divestment	**17,404**	**0**
Cash flow from investing activities in discontinued operations excluding divestment	(287)	0
Net cash flow from investing activities in discontinued operations	**17,117**	**0**

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

Bonus programmes

Approximately 300 DKTH Group top managers participate in a short-term bonus programme called the Top Managers' Compensation Programme, and approximately 100 DKTH Group managers and specialists participate in a short-term bonus programme called the Managers' Compensation Programme.

The short-term bonus programmes have two performance criteria: *equity free cash flow* (*EF*CF) and customer satisfaction, weighted 50% each.

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 achieved when targets are met is called the on-target bonus.

For the Top Managers' Compensation Programme, the bonus percentage is fixed in the contract of employment with the individual employee and usually varies within a range of 10%-33% of basic salary. The bonus percentage is somewhat lower for the Managers' Compensation Programme. The bonus achieved can be maximum 200% of the on-target bonus.

The short-term bonus programme for the members of the Executive Committee is based on the same principles as those for other managers, with a bonus percentage of 50.

Performance Share Programme

Until May 2018, approximately 200 TDC Group managers, including the Executive Committee, participated in a Performance Share Programme that rewarded long-term performance. The programme was settled with cash payments due to the takeover of TDC by DK Telekommunikation ApS. The settlement of the programme is accounted for as an acceleration of vesting, and the amount that would otherwise have been recognised as expenses over the remainder of the vesting period has been recognised as special items. The cash payments to the participants have been recognised directly in equity.

All eligible participants were granted performance share units annually. Vested performance share units were converted into shares in TDC A/S. The value of performance share units granted was calculated as a percentage of participants' base salary depending on their tier level and individual performance. For the Executive Committee, the number of performance share units granted corresponded to 30% of base salary and, for other TDC Group managers, up to 25% of their base salary.

After three years, the performance share units would vest into TDC A/S shares, provided that satisfactory performance had been achieved.

For the Executive Committee, performance was measured by:

- growth in *equity free cash flow* (*EFCF*) weighted 50%
- *Total Shareholder Return* (*TSR*) weighted 50%

For other TDC Group managers, the performance was measured solely by growth in *equity free cash flow*.

Growth in *EFCF* was measured relative to the target *EFCF* annual growth over a three-year period. The vesting could be in the range of 0-200%.

TSR was calculated as share price movements plus dividends received over a stated period divided by the share price at the beginning of such period relative to a peer group of 13 telecommunications companies (BT, Deutsche Telekom, Elisa, KPN, Orange, Proximus, Swisscom, TDC, Telefonica Deutschland, Telekom Austria, Telenor, Telia and Vodafone).

The number of *TSR*-based performance share units was determined by the fair value per unit on the basis of a Monte Carlo simulation.

6.1 Incentive programmes (continued)

Share units

	2018				2017			
	Performance share units (EFCF-based)		Performance share units (TSR-based)		Performance share units (EFCF-based)		Performance share units (TSR based)	
	TDC Executive Committee	Other managers[1]	TDC Executive Committee	Other managers[1]	Executive Committee	Other managers[1]	Executive Committee	Other managers[1]
Outstanding at 1 January	0	0	0	0	0	0	0	0
Granted	0	0	0	0	0	0	0	0
Vested	0	0	0	0	0	0	0	0
Addition related to the acquisition of enterprises	273,208	2,667,077	363,998	1,472,845	0	0	0	0
Settled	(273,208)	(2,667,077)	(363,998)	(1,472,845)	0	0	0	0
Outstanding at 31 December	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

[1] Incl. retired Executive Committee members.

§ Accounting policies

Share-based remuneration

DKTH Group operates share-based incentive programmes, under which DKTH Group grants the programmes and receives services from employees. The fair value of employee services received is recognised in the income statement under personnel expenses. The total expense is recognised over the period from the start of employees providing services (under the Performance Share Programme, employees provided services in advance of the grant date) until the end of the vesting period, which is the period during which all the specified vesting conditions are to be satisfied. The Performance Share Programme is an equity-settled programme.

6.2 Related parties

Name of related party	Nature of relationship	Domicile
DKTUK Limited, managed by Macquarie Infrastructure and Real Assets Europe Limited	Ownership	London, United Kingdom
ATP Infrastructure III K/S, managed by ATP Infrastructure III GP ApS, an entity owned by Arbejdsmarkedets Tillægspension (ATP)	Ownership	Hillerød, Denmark
PFA Ophelia InvestCo I 2018 K/S, managed by PFA Pension Forsikringsaktieselskab	Ownership	Copenhagen, Denmark
PKA Ophelia Holding K/S, managed by Pensionskassernes Administration	Ownership	Hellerup, Denmark
TDC Pensionskasse	Pension fund	Copenhagen, Denmark

The Group has one lease contract with the pension fund, TDC Pensionskasse. In addition, annual contributions are paid to the pension fund, see note 3.8. TDC A/S has issued a subordinated loan to the pension fund.

The Group has property lease contracts with Arbejdsmarkedets Tillægspension (ATP) and PFA Pension Forsikringsaktieselskab who are shareholders of the company. Related parties also included the Group's joint ventures and associates shown in note 6.8.

The Group has the following additional transactions and balances with related parties; income/(expenses), receivables/(debt):

Related parties

DKKm

	2018	2017
TDC Pensionskasse		
Rental expense	(2)	0
Investment advisory fees	11	0
Interest income of subordinated loan and other income	1	0
Debt regarding lease agreements and other payables	(2)	0
Subordinated loan	149	0
Other receivables	3	0
Joint ventures and associates		
Income	1	0
Expenses	(4)	0
Receivables	3	0

The company's shareholders have provided shareholder loans to the company. See note 4.2 for further information.

The members of for the Board of Directors and the Executive Committee do not receive remuneration. Vice Chairman of the Board of Directors of TDC, Michael Parton, provides consultancy services to DK Telekommunikation ApS. The DKT Holdings ApS Group's key management personnel comprise TDC's Board of Directors and Executive Committee. Total remuneration to key management personnel in 2018 amounts to DKK 174m.

6.3 Fees to auditors

Fees to auditors elected by the Annual General Meeting

DKKm	2018	2017
Statutory audit, PricewaterhouseCoopers	**6**	**0**
Other assurance engagements	3	0
Tax advisory services	1	0
Other services	3	0
Total non-statutory audit services, PricewaterhouseCoopers	**7**	**0**
Total, PricewaterhouseCoopers	**13**	**0**

Fee for other services than statutory audit services rendered by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab to the Group amounted to DKK 7m and consisted mainly of auditor's statements to customers regarding services provided by the Group and advisory services regarding the separating of TDC Group into two entities, acquisition of enterprises, IT, etc.

6.4 Other financial commitments

	2018	2017
Lease commitments for all operating leases[1]		
Properties and mobile sites	5,381	0
Machinery, equipment, computers, etc.	313	0
Total	**5,694**	**0**
Future sublease payments	(211)	0
Net commitments	**5,483**	**0**
Total lease commitments can be specified as follows:		
Due not later than 1 year	537	0
Due later than 1 year and not later than 5 years	1,529	0
Due later than 5 years	3,628	0
Total	**5,694**	**0**
Capital and purchase commitments		
Investments in intangible assets	523	0
Investments in property, plant and equipment	307	0
Commitments related to outsourcing agreements	382	0

1 Lease commitments include commitments on vacant tenancies for which a provision of DKK 657m has been recognised in the balance sheet (2017: DKK 0m), cf. note 3.6.

Worth noting

Commitments represent amounts DKTH Group has contractually committed to pay to third parties in the future. This gives an indication of future cash flows.

Lease agreements can commit DKTH Group to significant future expenditure. The table discloses DKTH Group's commitments to make such payments. Except for the provision for vacant tenancies (cf. note 3.6), such commitments are not recognised in the balance sheet.

DKTH Group sublets a number of the leased properties where such properties, or parts of such properties, are no longer required for use. The table discloses the commitments sub-lessors have made in respect of such arrangements. These commitments are not recognised in the balance sheet. However, they are included in the basis for determining the provision for vacant leases.

Comments

Some of the leases are expected to be transferred to new lessees instead of being subleased. This will reduce the commitments.

Operating leases, for which DKTH Group is the lessee, are related primarily to agreements on *fibre* networks, sea *cable*s, cars, property leases and mobile sites. The lease agreements will terminate in 2041 at the latest.

6.5 Pledges and contingencies

Pledges
Cash with a carrying amount of DKK 2,379m is pledged as security for the Senior Facility Agreement.

Contingent liabilities
DKTH Group 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 DKTH Group's financial position.

6.6 Events after the balance sheet date

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

Note 6.7 New accounting standards

At 21 February 2019, IASB had approved the following new accounting standards (IFRSs and IASs) and interpretations (IFRICs) that are effective for 2018 or later, and are judged relevant for DKTH:

- IFRS 16 Leases amends the rules for the lessee's accounting treatment of operating leases. In future, all operating leases (with a few exceptions) must therefore be recognised in the balance sheet as lease assets and corresponding lease liabilities. The lease expenses, which are currently recognised as a single amount (operating expenses), will in the future consist of two elements: depreciation and interest expenses.
  The standard will become effective from 2019, and DKTH Group will implement the standard when it becomes effective.
- IFRS 16 is expected to have some effect on the financial statements as DKTH Group has a number of operating leases that will be covered by the new standard. It is estimated that the change in accounting policy will increase EBITDA by approximately DKK 0.4-0.5bn, increase non-current assets by approximately DKK 4.7bn, increase net interest-bearing debt by approximately DKK 5.4bn and reduce provisions related to vacant tenancies by approximately DKK 0.7bn.

The IASB has approved further new standards and interpretations that are not relevant to the Group and will have no effect on the financial statements.

Note 6.8 Overview of Group companies at 31 December 2018

Company name[1]	Domicile	Currency	Ownership share (%)
Business			
TDC Mobil Center A/S	Odense, Denmark	DKK	100
TDC Erhvervscenter TS Kommunikation ApS	Odense, Denmark	DKK	100
TDC Erhvervscenter Holbæk ApS	Holbæk, Denmark	DKK	60
Mobilcenter Bagsværd A/S	Bagsværd, Denmark	DKK	80
CC Factory ApS	Brøndby, Denmark	DKK	100
Cloudeon A/S[2]	Søborg, Denmark	DKK	40
Wholesale			
OCH A/S[2]	Copenhagen, Denmark	DKK	25
4T af 1. oktober 2012 ApS[2]	Copenhagen, Denmark	DKK	25
Operations			
Dansk Kabel TV A/S	Copenhagen, Denmark	DKK	100
Consumer			
Contact Center Europe GmbH	Flensburg, Germany	EUR	100
Hiper A/S	Copenhagen, Denmark	DKK	100
TDC Telco ApS	Taastrup, Denmark	DKK	100
Ecosys A/S[2]	Silkeborg, Denmark	DKK	38
Bet25 A/S[2]	Silkeborg, Denmark	DKK	38
Other			
TDC A/S	Copenhagen, Denmark	DKK	100
DK Telekommunikation ApS	Copenhagen, Denmark	DKK	100
DKT Finance ApS	Copenhagen, Denmark	DKK	100
TDC Nordic AB	Stockholm, Sweden	SEK	100

[1] In order to give readers a clear presentation, seven minor enterprises are not listed separately in the overview. In pursuance of Section 6 of the Danish Financial Statements Act, the following subsidiaries have chosen not to prepare an annual report: Kaisai A/S, 4WEB A/S, TDCH III ApS, TDC N A/S and TDC O A/S.

[2] The enterprise is included under the equity method.

Parent Company financial statements

Income statement

DKKm

	Note	2018	2017
External expenses		(1)	0
Operating profit (EBIT)		(1)	0
Profit/(loss) from subsidiaries	4	(3,005)	0
Financial income		988	0
Financial expenses	5	(989)	0
Profit/(loss) before income taxes		(3,007)	0
Income taxes	2	0	0
Profit/(loss) for the year		**(3,007)**	0

Statement of comprehensive Income

DKKm

	Note	2018	2017
Profit/(loss) for the year		(3,007)	0
Items that may subsequently be reclassified to the income statement:			
Share of other comprehensive income in subsidiaries		(215)	0
Other comprehensive income/(loss)		(215)	0
Total comprehensive income/(loss)		**(3,222)**	0

Balance sheet

Assets

DKKm

	Note	2018	2017
Non-current assets			
Investments in subsidiaries	3	893	0
Receivables from group enterprises		16,450	0
Total non-current assets		**17,343**	**0**
Current assets			
Receivables from group enterprises		988	0
Cash		2	0
Total current assets		**990**	**0**
Total assets		**18,333**	**0**

Equity and liabilities

DKKm

	Note	2018	2017
Equity			
Share capital	6	0	0
Retained earnings		891	0
Total equity		**891**	**0**
Non-current liabilities			
Shareholder loans	7, 8	16,453	0
Total non-current liabilities		**16,453**	**0**
Current liabilities			
Trade and other payables		1	0
Other payables		988	0
Total current liabilities		**989**	**0**
Total liabilities		**17,442**	**0**
Total equity and liabilities		**18,333**	**0**

Statement of cash flow

DKKm

	Note	2018	2017
Operating profit (EBIT)		(1)	0
Change in working capital		1	0
Interest paid		(1)	0
Cash flow from operating activities		**(1)**	**0**
Investment in subsidiaries		(4,113)	0
Loan to subsidiary		(16,450)	0
Cash flow from investing activities		**(20,563)**	0
Proceeds from long-term loans		16,453	0
Capital contribution		4,113	0
Cash flow from financing activities		**20,566**	**0**
Total cash flow		**2**	**0**
Cash and cash equivalents at 1 January		0	0
Cash and cash equivalents at 31 December		**2**	**0**

Statement of changes in equity

DKKm

	Share capital	Retained earnings	Total
Equity at 31 December 2017	**0**	**0**	**0**
Profit for the year	-	(3,007)	(3,007)
Share of other comprehensive income in subsidiaries	-	(215)	(215)
Total comprehensive income	-	(3,222)	(3,222)
Capital contribution	0	4,113	4,113
Total transactions with owners	0	4,113	4,113
Equity at 31 December 2018	**0**	**891**	**891**

Notes

Note 1 Accounting policies

The Annual Report for 2018 for DKT Holdings ApS has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and further disclosure requirements in the Danish Financial Statements Act

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

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

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Foreign currency translation

The functional currency is Danish kroner. The functional currency is the currency applied in the primary economic environment where the company operates. Transactions in currencies other than the functional currency are transactions in foreign currencies. The financial statements are presented in Danish kroner (DKK).

Transactions in foreign currencies are translated at the transaction-date exchange rates. Foreign exchange gains and losses arising from differences between the transaction-date rates and the rates at the date of settlement are recognised as financial income and expenses in the income statement.

Cash, loans and other amounts receivable or payable in foreign currencies are translated into the functional currency at the official exchange rates quoted at year-end. Currency translation adjustments are recognised as financial income and expenses in the income statement.

Investments in subsidiaries

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

External expenses

External expenses comprise administration expenses etc.

Special items

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

Income taxes

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

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

Deferred tax is measured under the balance - sheet liability method on the basis of all temporary differences between the carrying amounts and the tax bases of assets and liabilities at the balance sheet date. However, deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or if it arises from initial recognition of an asset or liability in a transaction other than a business combination that affects neither accounting nor taxable profit/loss.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured on the basis of the tax rules and tax rates effective under the legislation in Denmark at the balance sheet date when the deferred tax is expected to be realised as current income tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement except for the effect of items recognised directly in other comprehensive income.

Loans

Loans are recognised initially at the proceeds received net of transaction expenses incurred. In subsequent periods, loans are measured at amortised cost so that the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Note 2 Income taxes

The effective tax rate for 2018 deviates significantly from the Danish corporate income tax rate of 22% due to the non-tax deductible loss from subsidiaries of DKK 3,005m and the Danish limitation on the tax deductibility of interest expenses.

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

Note 3 Investments in subsidiaries

DKKm	2018	2017
Accumulated cost at 1 January	0	0
Additions	4,113	0
Accumulated cost at 31 December	**4,113**	**0**
Accumulated write-downs at 1 January	0	0
Other adjustments through equity	(215)	0
Share of profit/(loss)	(3,005)	0
Accumulated write-downs at 31 December	**(3,220)**	**0**
Carrying amount at 31 December	**893**	**0**

Overview of subsidiaries at 31 December 2018

Company name[1]	Domicile	Currency	Ownership share (%)
Subsidiaries:			
DKT Finance ApS	Copenhagen, Denmark	DKK	100

Note 4 Financial income

DKKm

	2018	2017
Interest from group enterprises	988	0
Total	**988**	**0**

Note 5 Financial expenses

DKKm

	2018	2017
Interest expenses	(1)	0
Interest shareholder loans	(988)	0
Total	**(989)**	**0**

Note 6 Equity

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

Note 7 Loans and derivatives

Shareholder Loans

	2029	2029	Total
Maturity	Apr 2029	Apr 2029	
Fixed/floating rate	Fixed	Fixed	
Coupon	8.81%	8.15%	
Currency	DKK	DKK	
Type	Shareholder Loans	Shareholder Loans	
Nominal value (DKKm)	14,997	1,456	16,453

The Company does not have exposure to changes in interest rates as terms on loans and receivables from group enterprises matches each other. As the Shareholder Loans are denominated in DKK the Company does not have any currency exchange rate exposure.

The Company is exposed to credit risks on receivables from group enterprises and the maximum risk amounts to DKK 17,438m.

Note 8 Maturity profiles of financial instruments

Maturity profiles

The maturity analyses of financial assets and liabilities are disclosed by category and class and are allocated according to maturity period. All interest payments and repayments of financial liabilities are based on contractual agreements. The future cashflows will be financed by received interests and settlement on Shareholder Loans provided to DKT Finance ApS.

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							
Shareholder Loan	0	0	0	(16,453)	(16,453)	(16,453)	(16,453)
Shareholder Loan, interest[2]	(1,440)	(2,880)	(2,880)	(8,640)	(15,840)	(988)	(988)
Total 2018	**(1,440)**	**(2,880)**	**(2,880)**	**(25,093)**	**(32,293)**	**(17,441)**	**(17,441)**
Total 2017	**0**	**0**	**0**	**0**	**0**	**0**	**0**

1 All cash flows are undiscounted.
2 Fair value and carrying amount value consist of accrued interest on Shareholder Loans at 31 December 2018.

Note 9 Related parties

For information about the related parties of the Group, see note 6.2 to the consolidated financial statements.

Receivables from group enterprises and payables to group enterprises are shown in the balance sheet. Interest from/to group enterprises are shown in notes 4 and 5.

All transactions were made on an arm's length basis.

The members of for the Board of Directors and the Executive Committee do not receive remuneration.

Note 10 Pledges

Shares in subsidiaries with a carrying amount of DKK 893m and receivables from group enterprises with a carrying amount of DKK 16,450m are pledged as security for the subsidiary's long-term loans.

Note 11 Events after the balance sheet date

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

Disclaimer

Disclaimer
This report may include statements about DKTH group'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 DKTH group's results include: the competitive environment and the industry in which DKTH group 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 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 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.