TDC Holding A/S

Annual report 2021

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TDCH group in brief

About TDCH group
TDCH group's (TDC Holding group) mission is to build and support an innovative, open model to ensure all of Denmark connects to the new digital opportunities.

To achieve our mission, we have two stand-alone companies, Nuuday and TDC NET.

Nuuday's business model produces reliable high-quality solutions for almost six million customers across consumer and business segments through a strong brand portfolio comprised of Demarks leading telecommunications brands. Our brands provide Danish consumers and businesses with high- speed broadband and best-in-class mobile connectivity, flexible TV & streaming propositions, and a broad suite of advanced business solutions including cyber-security, unified communications and digital collaboration.

TDC NET's business model takes responsibility for ensuring the continued development and building of fast mobile and fixed connections that support Denmark's continued progress, because societies with strong infrastructure do better – both socially and economically.

As an end-to-end infrastructure provider, TDC NET owns and operates all critical assets necessary for operating the mobile and fixed networks in order to service retail service providers.

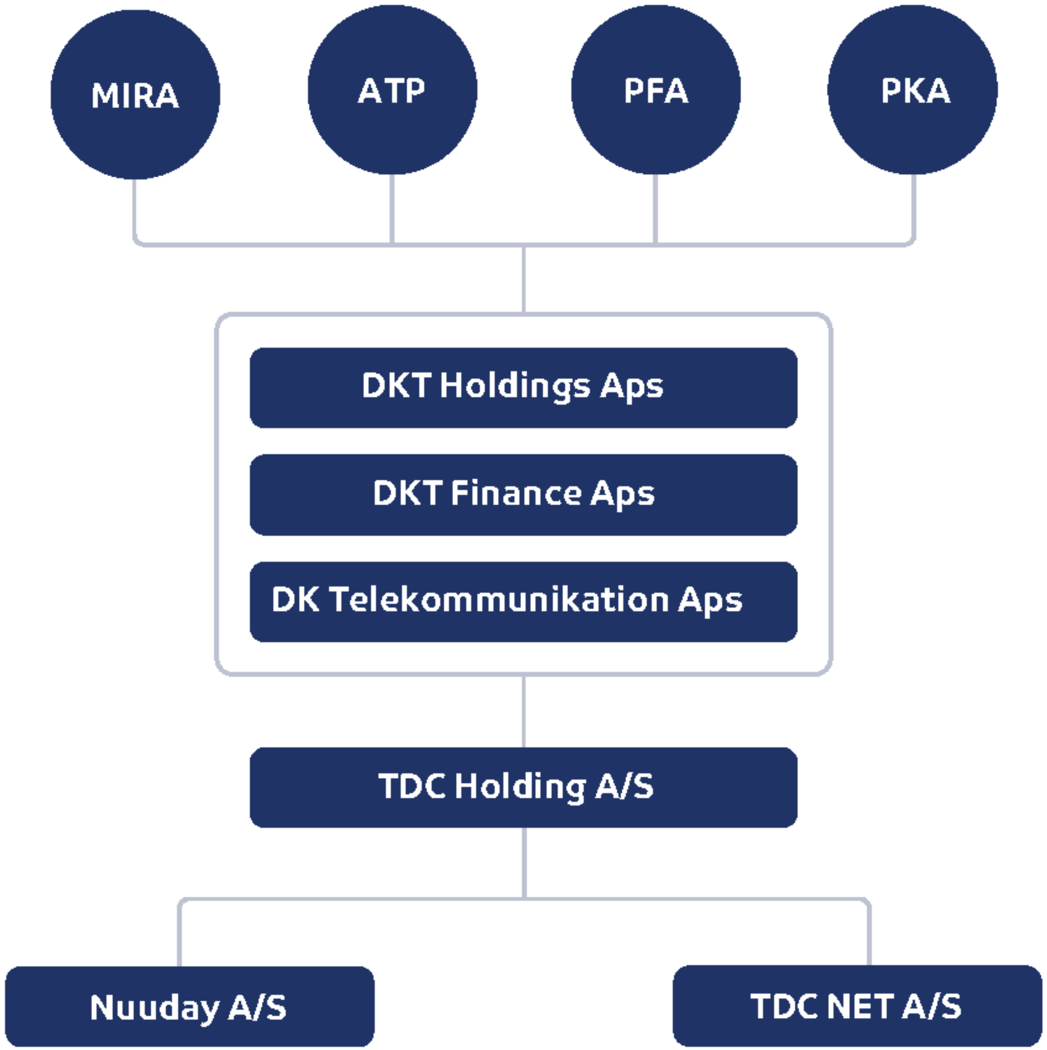
Legal structure of TDCH group

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

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

TDC Holding A/S (formerly TDC A/S) was legally separated on 11 June 2019. From the legal separation, two new business units emerged; Nuuday A/S and TDC Net A/S, which are subsidiaries 100% owned by TDC Holding A/S.

Previously, TDC Holding A/S' purpose was to govern, advise and deliver shared services to Nuuday A/S and TDC NET A/S. During the second half of 2021 Group Functions, i.e. HR, Finance, Legal, Security, etc., including all employees, were transferred to Nuuday and TDC NET, respectively. Certain facility management activities and TDC Pension Fund remains in TDC Holding A/S.



Key events

TDCH group

On 10 June 2021, TDCH initiated the final phase of the separation to establish TDC NET and Nuuday as stand-alone companies. During the remainder of the year all employees in the shared group functions were transferred to either TDC NET
or Nuuday.

Furthermore, on 8 December 2021, new boards were appointed for TDC NET and Nuuday. At the same time group management resigned. Henrik Clausen continues as Chairman of the Board of TDC NET, while Michael Parton became Chairman of the Board of Nuuday.

Finally, TDC A/S changed its name to TDC Holding A/S.

Hereby the separation of the group was completed and TDC Holding A/S is a holding company with Nuuday A/S and TDC NET A/S operating as stand-alone companies.

On January 31 2022, TDC NET entered into in aggregate EUR 3.3bn of committed new bank facilities and established a new secured infrastructure financing platform. In addition, Nuuday entered into a revolving credit facility with a syndicate of banks. The standalone financing in TDC NET is following the completion of the separation of the group into the two stand-alone companies, TDC NET and Nuuday.

The proceeds from the new bank facilities at TDC NET were subsequently used to repay repay existing loans at TDC Holding, including the EUR 1.9bn Term Loan B and outstanding drawings under the EUR 845m revolving credit facilities. The EUR 500m 5% March 2022 senior unsecured notes were redeemed at maturity, while the GBP 425m 6.875% 2023 senior unsecured notes will remain outstanding until maturity.

The COVID-19 pandemic continued to pose challenges during 2021. TDCH group maintained continuity in all business-critical operations, with preventive measures being implemented to minimise risk and ensure stable operations. The effects of COVID-19 on TDC Group's financial performance have related mainly to reduced roaming profits for Nuuday and a productivity slowdown at TDC NET. TDCH group has not received subsidies other than postponed VAT and employee tax payments via the temporary liquidity support package from the Danish State.

The accounting policies of the parent company, TDC Holding A/S, have been changed in relation to investments in subsidiaries. The company has chosen to use the cost method for measuring the investments in subsidiaries. Previously, the equity method was used for measuring investments in subsidiaries. See note 1.1. to the Parent company financial statements for more information.

TDC NET

During 2021, TDC NET sustained strong progress in deployment of fibre. TDC NET rolled out fibre to 106,000 additional addresses, hereby expanding the fibre footprint to al-most 500,000 addresses by the end of year.

For the 7th year in a row, TDC NET's mobile network was in April 2021 hailed as Denmark's best mobile network following tests carried out by the Danish Technological Institute.

Also in April 2021, according to Tutela's Excellent Consistent Quality metric, TDC NET was recognized for delivering the best mobile experience in the world.

Nuuday

On 15 June 2021, Jon James was appointed as new CEO of Nuuday as of June 15, 2021. He succeeded Michael Moyell Juul.

During 2021, a new management team has been appointed, who have accelerated Nuudays transformation journey of becoming a lean, digital, and customer-centric service provider. The appointment of a new CXO and CTO have further strengthened the focus on CX and IT. The strategic direction is taking Nuuday towards future-proofed offerings with high quality digital customer experiences. The transformation journey will continue throughout 2022 and going forward.

In order to increase its coverage of high-speed fibre across Denmark, during 2021, Nuuday went live on three additional utility partners, Norlys, Nord Energi and Fibia.

Five-year overview

	2021	2020	2019	2018	2017
Income statements (DKKm)					
Revenue	16,002	16,089	17,044	17,356	17,386
Gross profit	11,088	11,463	12,099	12,457	12,636
EBITDA	**6,427**	**6,420**	**6,524**	**6,691**	**6,920**
Operating profit/(loss) (EBIT)	**1,816**	**1,292**	**1,166**	**1,745**	**2,455**
Profit before income taxes	675	236	171	385	1,873
Profit for the year from continuing operations	396	151	180	8	1,392
Profit for the year from discontinued operations[1]	-	-	-	5,714	149
Profit for the year	**396**	**151**	**180**	**5,722**	**1,541**
Income statements, excluding special items					
Operating profit (EBIT)	**2,240**	**1,484**	**1,360**	**2,603**	**2,676**
Profit before income taxes	1,050	428	363	1,243	2,094
Profit for the year from continuing operations	**712**	**306**	**336**	**773**	**1,556**
Profit for the year	712	306	336	1,207	1,686
Balance sheets (DKKbn)					
Total assets	**58.9**	**55.8**	**56.9**	**50.9**	**63.1**
Net interest-bearing debt (*NIBD*)	27.4	26.6	27.2	19.6	20.1
Hybrid capital	-	-	-	-	5.6
Total equity	17.2	15.3	15.3	15.5	25.6
Average number of shares outstanding (million)	806.0	806.0	806.0	805.7	802.6
Capital expenditure (DKKm)	**(4,399)**	**(5,547)**	**(4.801)**	**(3,501)**	**(3,804)**
Statements of cash flow (DKKm)					
Operating activities	5,392	5,441	5,221	4,569	5,683
Investing activities	(4.474)	(4,714)	(5,130)	(3,983)	(3,476)
Financing activities	(538)	(1,856)	(765)	(17,757)	(2,944)
Total cash flow from continuing operations	**380**	**(1,129)**	**(674)**	**(17,171)**	**(737)**
Total cash flow in discontinued operations[1]	-	-	(3)	17,645	856
Total cash flow	**380**	**(1,129)**	**(677)**	**474**	**119**
Equity free cash flow	**344**	**408**	**(114)**	**620**	**1,598**

Key financial ratios	2021	2020	2019	2018	2017
Financial ratios					
Gross margin (%)	69.3	71.2	71.0	71.8	72.7
EBITDA margin (%)	40.2	39.9	38.3	38.6	39.8
Adjusted NIBD/EBITDA[2] (x)	3.6	3.5	3.4	2.9	2.8
Gross profit (DKKm)					
Landline voice	841	960	1,087	1,266	1,476
Mobile services	4,236	4,228	4,300	4,216	4,007
Internet and network	4,061	4,181	4,317	4,282	4,354
TV	1,457	1,518	1,730	1,969	2,135
Employees					
FTEs (end-of-year)	6,659	7,032	7,498	7,126	7,362

1 Norway (divested Q3 2018) are presented as discontinued operations. Other divestments are included in the respective accounting items during the ownership.
2 Calculated without spectrum licence liabilities as well as the additional lease liabilities due to the adoption of IFRS 16 and the resulting EBITDA effect. The EBITDA effect of IFRS 16 amounted to DKK 421m for the last twelve months. Including spectrum licence liabilities and IFRS 16 the NIBD/EBITDA ratio amounted to 4.3 at 31 December 2021.

Financial review

2021 guidance follow-up

Our 2021 guidance assumed a slightly lower to flat EBITDA development.

TDCH group delivered on the guided parameter as the group continued to improve its commercial and financial performance throughout 2021 with an increase in EBITDA of 0.1% YoY.

Revenue

In 2021, TDCH group's revenue decreased by 0.5% or DKK 87m to DKK 16,002m compared with 2020. The decrease was driven mainly by the mature services within internet & network, TV and landline voice, and was partly offset by growth in mobility services.

Gross profit

TDCH group's gross profit decreased by 3.3% or DKK 375m to DKK 11,088m in 2021. The decline was driven primarily by the legacy technologies in internet & network, the continued decline in land-line voice and cost increases on content.

Operating expenses

In 2021, operating expenses decreased by 7.6% or DKK 382m to DKK 4,661m. The improved op-erating expenses were fuelled by cost savings across TDCH group.

EBITDA

In 2021, EBITDA increased by 0.1% or DKK 7m to DKK 6,427m. The continued decline in mature services was offset by cost savings.

Capital expenditure

Capital expenditure totalled DKK 4,399m in 2021, down by 20.7% or DKK 1,148m compared with last year. The lower spending throughout 2021 was largely affected by the YoY impact of the high investment level related to completion of the mobile network 5G swap in 2020. In addition, fibre rollout costs were lower than in 2020.

Key figures (DKKm)	2021	2020	Change in %
Income statements			
Revenue	16,002	16,089	(0.5)
Gross profit	11,088	11,463	(3.3)
Operational expenses	(4,661)	(5,043)	(7.6)
EBITDA	6,427	6,420	0.1
Profit for the period excluding special items	712	306	132.7
			-
Profit for the period	396	151	162.3
			-
Total comprehensive income	2,708	850	-
Capital expenditure, excluding mobile licences	(4,399)	(5,547)	(20.7)
Mobile licences	(671)	-	-
Key financial ratios			
Gross margin, %	69.3	71.2	-
EBITDA margin, %	40.2	39.9	-

Cash flow

Total cash flow increased by DKK 1,509m to DKK 380m.

Cash flow from operating activities in 2021 declined by DKK 49m to DKK 5,392m. The decrease was driven primarily by net working capital (DKK 353m) explained mainly by the COVID-19 support package build-up in 2020 and partial repayment in 2021. Also higher net interest paid (DKK 159m) contributed to the decrease driven primarily by different timing. The decrease in cash flow was partly offset by lower income tax paid (DKK 437m) due to refund in 2021 of excess tax payments related to 2019 as well as a larger distribution from the TDC Pension Fund compared with 2020 (DKK 73m before tax).

The DKK 240m decrease in cash outflow from investing activities, down to DKK 4,474m, was driven primarily by divestment of Cloudeon A/S and repayment of subordinated loan provided to TDC Pensionskasse.

The cash outflow from financing activities in 2021 decreased by DKK 1,318m to DKK 538m, driven mainly by change in short-term bank loans.

Profit for the year

Excluding special items, profit for the year increased by DKK 406m to DKK 712m. The increase in profit for the year excluding special items are largely driven by reduced depreciation, amortisation and write-downs offset by increase in income taxes and financial expenses.

Profit for the year (including special items) increased by DKK 245m to DKK 396m due largely to adjustment of the gain from the divestment of TDC's Norwegian business in 2018 following a dispute with the Norwegian tax authorities.

Comprehensive income

Total comprehensive income increased by DKK 1,858m to DKK 2,708m. The DKK 245m increase in profit for the year was accompanied by a positive development in defined benefit plans (DKK 1,605m after tax).

Net interest-bearing debt

During 2021, net interest-bearing debt excluding the impact from IFRS 16 and spectrum licence liabilities increased by DKK 349m to DKK 21,351m. The increase was due primarily to the dividend payment of DKK 735m to DK Telekommunikation ApS mainly to cover interest payments on senior notes in DKT Finance ApS. This was partly offset by positive equity free cash flow of DKK 344m.

2022 guidance

2022 guidance assumes slightly lower to flat EBITDA.

Cash flow and net interest-bearing debt (DKKm)		2021	2020	Change in %
Cash flow from operating activities		5,392	5,441	(1.8)
Investment in property, plant and equipment		(3,390)	(3,233)	4.9
Investment in intangible assets		(1,341)	(1,502)	(10.7)
Lease repayments		(317)	(298)	6.4
Equity free cash flow		**344**	**408**	**(28.2)**
Total cash flow from operating activities		5,392	5,441	(1.8)
Total cash flow from investing activities		(4,474)	(4,714)	(5.1)
Total cash flow from financing activities		(538)	(1,856)	(73.8)
Total cash flow		**380**	**(1,129)**	**(133.7)**
Adjusted net interest-bearing debt (NIBD)[1]		(21,351)	(21,002)	1.7
Net interest-bearing debt (NIBD)		(27,392)	(26,612)	2.9
Adjusted NIBD/EBITDA[2]	x	3.6	3.5	-

[1] Excluding the impact from IFRS 16 and spectrum licence liabilities.
[2] Calculated without spectrum licence liabilities as well as the additional lease liabilities due to the adoption of IFRS 16 and the resulting EBITDA effect. The EBITDA effect of IFRS 16 amounted to DKK 421m for the last twelve months. Including spectrum licence liabilities and IFRS 16 the NIBD/EBITDA ratio amounted to 4.3 at 31 December 2021.

Risk management

TDCH group faces both internal and external risks in the short, medium and long term. Risk management is an integrated, structured, and dynamic aspect of Nuuday and TDC NET's business operations and planning. The most essential risks and uncertainties that impact TDCH group's operations are described in the following pages.

Internal control and risk management system for financial reporting

TDCH's internal control and risk management systems for financial reporting are designed to provide assurance that internal and external financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and further requirements in the Danish Financial Statements Act, as well as the assurance that true and fair financial statements without material misstatements and irregularities are presented.

For TDCH's detailed statutory reporting for 2021 on internal control and risk management systems for financial reporting, see tdcgroup.com/en/who-we-are/corporate-govern-ance-tdcgroup.

Risk management - Nuuday

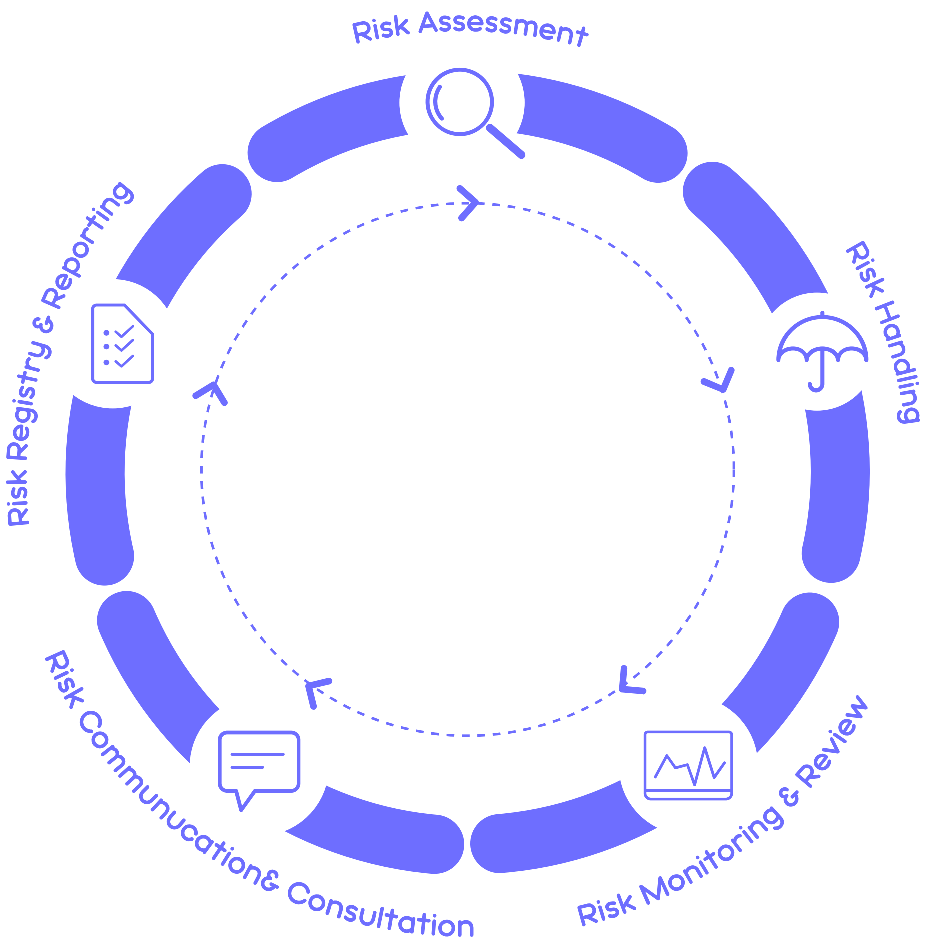
Risk management approach
Nuuday's risk management strategy involves addressing internal and external risks to ensure adequate short- and long-term responses. Nuuday has identified several risks that could influence the business, and strategic initiatives have been initiated to actively mitigate these risks.

Risk management is conducted in a systematic and structured manner, and Nuuday is constantly maturing its approach. The methodology and process are based on a hybrid of internationally recognised standards such as ISO, COSO, and NIST.

Nuuday has also opened a portal allowing any individual in the company to report a risk, to ensure that anyone who encounters a possible risk can flag it, with a proposed likelihood and impact score, to the entity owner. An individual responsible for a given entity is then able to conduct risk assessments, assign response tasks and mitigation efforts, and review the response to ensure the risks are within the defined risk appetite.

The risk information collected is consolidated and presented to the Nuuday executive management on a quarterly basis. Any risks that fall outside the defined appetite are presented for approval. The Nuuday Audit Committee receives a consolidated risk overview and status as well as information about the most critical risks on a quarterly basis. For each risk identified, responsibilities are assigned, and progress is monitored and evaluated.

The following pages describe some of Nuuday's principal risks. These do not encompass the entire Nuuday risk register.



Commercial factors

Description

Nuuday faces increasing pressure in both B2C and B2C markets. Risks of new competitors taking market share or infrastructure pricing increases can affect all of Nuuday's brands.

In the B2C mobile & broadband market, demand for high-speed internet is increasing and demand for landline telephony services is continuing to decline, so where Nuuday cannot provide alternatives, there is a risk of losing customers.

In Telmore and YouSee, there are risks related to the rights and pricing of entertainment (music, movies, sports, television) content.

Other key risks include delays in hardware delivery. inability to attract new customers, impaired customer experience and loyalty, loss of competitiveness and/or competitive leadership within the markets where Nuuday operates.

Potential impact

Increased competition with continuing price pressure could result in failure to execute sustainable pricing in the B2C and B2B markets.

Delays in the roll-out of high-speed internet from infrastructure providers could cause issues with product delivery and affect growth ambitions.

On TV, increasing price pressure from streaming providers coupled with increasing content costs – especially related to premium sports – could result in an acceleration in existing downward trends, including customers 'shaving' or 'cutting' the cord on their TV subscription.

Mitigation initiatives

In mobile, Nuuday will continue to strengthen its areas of differentiation, such as network quality and 5G, while offering highly competitive and attractive propositions across all consumer brands, to address the entirety of the consumer and business mobile market.

In broadband, Nuuday works actively with network partners to ensure timely integration that meets the standards expected by our customers. We actively pursue a strategy of securing that our customers always have the best possible product. Supporting the migration of customers from low to high-speed infrastructure is the core of that strategy.

YouSee works actively on optimising products and pricing to ensure that the traditional TV packages remain relevant for as many customers as possible. However, at the same time, we recognise that traditional TV packages will lose share to more flexible, digital entertainment solutions over time. Consequently, YouSee invests in developing attractive next-generation entertainment products to cater for the rapidly growing combi-viewer segment that values both streaming and TV channel content.

Nuuday also recognises that, especially at YouSee, the greatest opportunity to mitigate product-specific threats is to actively pursue a full household strategy, securing that YouSee's customers are incentivised to and benefit from purchasing multiple services and products from YouSee.

Description	Potential impact	Mitigation initiatives

Network quality and security factors

Description

Risks of network breach or outage are significant to Nuuday because customers, and Danish society in general, rely on secure and high-quality networks and services.

With unique national responsibilities as Denmark's leading telco, both for consumer and business, it is paramount that Nuuday continues address key risks such as cyber security attacks, particularly in light of today's enhanced threat landscape.

Additionally, there can be risks stemming from human errors (e.g. leaked information), malicious activity (e.g. ransomware or state-sponsored actors), natural phenomena (e.g. floods), or system failures (e.g. hardware malfunctions).

Other key risks includes those presented by new technologies, legacy technologies, technical debt, vendors & outsourcing, scalability, and lifecycle management.

Potential impact

Cyber security threats can compromise the processing, confidentiality, integrity, availability, stability, capacity, performance, continuity and/or the resilience of the information technologies Nuuday uses.

Inadequate security measures can lead to network issues and affect operations and services. The loss of confidentiality, integrity, or availability of information in Nuuday's assets could also impact customers, society, and Nuuday's reputation.

Any event that fails to meet Nuuday customers' quality and security expectations can impact customer retention.

Mitigation initiatives

- Investing in security and operations of network infrastructure
- Optimising processes and structures
- Business-wide crisis management
- Detailed monitoring of customer satisfaction and expectation fulfilment
- Close dialogue with Danish authorities and customers to ensure data protection and confidentiality
- Quality control of vendors
- Focused efforts on network resilience through risk and incident management

Description	Potential impact	Mitigation initiatives
Political, legal and financial factors		
Regulatory measures, political decisions, and economic factors can affect Nuuday's business in various ways. Market regulations, regulated pricing, data regulation such as the GDPR can require adaptation for Nuuday to continue to meet its strategic objectives. Nuuday closely follows changes to regulations and legislation to ensure that increased compliance requirements are addressed. In the context of data privacy, recent changes to data processing regulations are significantly affecting the entire IT industry. Generally speaking, as data storage outside the EU has become contractually cumbersome and scrutinised, it is a less attractive option. Data integrity, security and customer privacy is of outmost importance, and Nuuday remains vigilant regarding its responsibility to protect data from loss, misuse, unauthorised disclosure or damage. Regulatory challenges remain concerning new and faster ways of working and connecting (e.g. cloud), but the age of digitalisation is leading to more complex and data-driven business models.	New government policies or decisions by authorities or courts can potentially affect Nuuday's ability to carry out its business and/or fulfil operational targets. Where decreases in sector profit occur due to regulatory changes, investment incentives may be reduced. Changes to acceptable data transfer and storage practices can have an indirect financial impact due to additional legal consulting, contractual changes, and vendor due diligence. They can also directly impact financials, as storage within the EU/EEA tends to be more expensive. Specific cases of operational and external issues have the potential to negatively impact Nuuday's public image and cause short-term detractions from the Nuuday brands. Breaches of Danish or EU legislation can potentially lead to significant fines.	• Focus on contributions to Danish society via communication campaigns about Nuuday's strategy and initiatives • Continuous and proactive dialogues with politicians, regulatory authorities, and stakeholders • Participate in industry-specific regulatory working groups • Monitor the political and legal developments in Nuuday's markets • Continue systematic vendor due diligence process to optimise the process and expediate future partnership agreements

Description	Potential impact	Mitigation initiatives
Transition and transformation factors		
A major legal and organisational change was completed in 2021 with employees from TDC Group being transferred to Nuuday or TDC Net. The next phase involves a transformation of our IT, which is directly tied to multiple ambitions across the organisation, including a goal to be truly digital. This digital transformation is key in engaging customers, increasing productivity and guaranteeing high-quality services in the future IT landscape.	With such substantial changes to the organisational structure, there is a risk of employees leaving Nuuday due to uncertainty, general transformation fatigue or more favourable opportunities elsewhere in the market. When focusing key employee resources on building and supporting the IT transformation, day-to-day operations and smaller development tasks can be affected, including the development of new products and services.	• Pay close attention to required change management efforts to ensure Nuuday employees understand the overall direction and have confidence in the overall journey • Continue to work with the feedback from MyVoice/Bradley surveys to strengthen satisfaction, motivation, loyalty and our culture • Ensure suitable resources to allow for product changes and innovation to meet short-term business targets • Ensure targets and expectations are clear to all employees • Reinforce a culture of ongoing feedback and focus on continuous development

Risk management - TDC NET

As a critical infrastructure provider, TDC NET is exposed to multiple risks and uncertainties that could threaten the business and strategic objectives. TDC NET works proactively with risk management and has sought inspiration from internationally recognised standards such as ISO, COSO and NIST. TDC NET aims to integrate risk management into its business operations and long-term planning.

Risk management approach

The risk management framework deployed at TDC NET enables a consistent approach to identifying, assessing, documenting and responding to risks. Risks are assessed based on their potential financial impact and probability and are captured in risk registers in each function.

Risks are consolidated centrally and reviewed by the Management team, and mitigation strategies are established and executed for key risks.

The overall risk exposure and status of the mitigating activities are submitted and reviewed by the Audit Committee and Board of Directors biannually. The following section outlines the key risks facing TDC NET and the mitigating strategies deployed.

Commercial risks

TDC NET operates in competitive markets and need to continuously be aware of developments within the market to ensure its competitive position. If unable to compete successfully, TDC NET can lose market share and customers to competitors.

TDC NET continuously monitor the level of churn from legacy technologies to newer technologies to assure a prudent strategy for decommissioning legacy products and services. If TDC NET is not adjusting at a rate which follows the decreasing demand, it could incur costs that outweigh the business potential if continuing to offer the legacy products and services. Conversely, if TDC NET is adjusting at a rate which is faster than the decreasing demand, TDC NET may forego existing business.

To mitigate this and effectively anticipate or react to technological developments, TDC NET monitors commercial developments, the telecommunication market, and customer behaviour to match demand and ensure developments for service offerings, product portfolios, and market performances.

TDC NET has dependencies related to its service providers because TDC NETs revenues are customer driven. With Nuuday's significant customer concentration on both fixed connections and mobile networks, TDC NET faces revenue exposure related to Nuuday.

Network overbuild has been generally limited in Denmark and is expected to remain unlikely in the short-term. However, TDC NET could be exposed to the risk of overbuilding concerning its fixed network. Similarly, if the rate of overbuild from TDC NET's competitors increases, it could expose TDC NET to the risk of its end-customers not connecting to the established network, potentially leading to lost revenue for TDC NET.

TDC NET mitigates this by focusing on market positioning and ensuring fast fixed connects as well as the best mobile network in Denmark to retain and attract service providers.

Operational risks

TDC NET is expanding its mobile and fixed networks and relies on several suppliers for network equipment, software and build-out. TDC NET is, therefore, exposed to risks related to supply shortages and underlying supplier risk that could negatively affect the speed of expanding the network. Likewise, unfavourable weather conditions could affect the timeline of TDC NET's fibre roll-out by making the deployment of additional equipment related to fixed networks more time consuming or expensive.

To mitigate periodic supply shortages or any other shortage of vendor capacity related to the fixed and mobile networks, efforts are made to expand TDC NET's own work base for resources (such as digging and technician resources). A larger mobile equipment storage facility has been established to proactively ensure sufficient flexible overcapacity. Moreover, unfavourable weather conditions are anticipated and included in fibre roll-out planning.

TDC NET's success and strategy depends largely on TDC NET's ability to attract and retain key personnel. The competition for qualified personnel is intense and there is limited availability of persons with the required knowledge of the telecoms industry and relevant experience in Denmark. TDC NET focuses on retaining the services of its key personnel and invests in attracting suitable and qualified talents and Network Champions.

The telecommunication industry is affected by global economic and political events. These could lead to economic downturns impacting TDC NET's operations through price increases related to power, fossil fuels and inflation rates, which cann potentially impact capital expenditures and operating expenses associated with equipment purchases, employee salaries, etc.

Furthermore, a significant portion of TDC NET's mobile site portfolio is on leased land or real estate owned by third parties, for example on rooftops. If these sites cease to be available, TDC NET could experience difficulties in securing alternative sites, which would significantly affect TDC NET's operations and build-out of its mobile network. Therefore, TDC NET has built a 5-10-year irrevocability in the lease agreements and proactively initiates site lease renegotiations before expiration if sites are viewed as being at risk of lease agreement termination.

Climate risks are a core focus, as the changing climate affects TDC NET's operations in multiple areas. A direct effect of climate change relates to changing weather conditions, such as, for example, the increased frequency of extreme weather events. Such events can directly impact TDC NET's physical locations, if, for example, flooding occurs, as these could damage TDC NET's equipment and facilities, thereby disrupting daily operations.

Moreover, as TDC NET relies on a vast number of suppliers and subcontractors outside Denmark, TDC NET could be exposed to risks related to forced labour, discrimination, harassment, or other of human rights. If any TDC NET employees or partners and companies in the supply chain are exposed to these risks, it would harm TDC NET's reputation and business operations.

TDC NET ensures that human rights are preserved across the supply chain by requiring intensive actions such as commitment to the Code of Conduct for both employees and suppliers as well as by allocating resources to conduct audits at supplier locations to provide the necessary overview.

Risks related to security, IT and telecommunication systems

As TDC NET relies on complex technical infrastructure and IT systems to operate its business and delivers critical services to its customers, failure of the network and telecommunication systems could disrupt both operations and TDC NET's telecommunications services. Therefore, TDC NET invests continuously in network infrastructure, security and optimising processes and structures.

TDC NET also focuses on network resilience through risk management and incident management, as the security, IT, and telecommunications systems in general may be vulnerable to interruptions or other types of failures or compromising circumstances resulting from unintentional, intentional, and coincidental events. The occurrence of one or more of these events could impair TDC NET's ability to adequately provide its services and may lead to losses, diversion of management resources, and reputational damage. Furthermore, as TDC NET provides critical national telecommunications infrastructure, any occurrence of such events could also have broad implications on a national scale.

However, TDC NET mitigates such implications by ensuring successful rollout of fibre and 5G infrastructure programmes across Denmark.

Financial risks

As of 31 January 2022, TDC NET has obtained a commitment of long-term bank financing of EUR 3.3bn (combined term loan and credit facilities) to fund part of TDC NET operations. Debt instruments and global factors in general impact on interest rate risks, credit risks, liquidity risks and exchange rate risks. These risk types, in relation to TDC NET, are discussed further the Consolidated financial statements.

Given that TDC NET's business is capital intensive, several investments and capital outlays are required, particularly in relation to fibre roll-out, continuous development of the mobile network, and updates to telecommunication and IT systems to sustain operations and future ambitions. The liquidity position of TDC NET depends on the cash flow from its business operations to support these investments. The cash flows include capital expenditures as well as access to financing and credit facilities, so any adverse changes to the cash flows are considered risks to TDC NET's business operations and could occur for several reasons some of which are outside TDC NET's control. In general, TDC NET applies prudent treasury management to ensure stable financial risks. TDC NET also regularly monitors its financial exposures and follows an active hedge strategy.

Regulatory and legal risks

As a provider in the wholesale market for fixed broadband in Denmark, TDC NET is subject to regulation in areas of Denmark where TDC NET is considered to have a strong market position. As a result, TDC NET may be required to provide access to its fixed broadband networks. That obligation is not expected to be imposed on TDC NET further than those commitments the company has already undertaken with the Danish Business Authority.

Given TDC NET's position as a provider of electronic communications services, TDC NET is also subject to certain sector-specific regulations e.g. the obligation to provide universal service, handle emergency communications and broadcast emergency calls via the mobile network.

As a provider of critical telecommunications infrastructure, TDC NET is subject to Danish security regulations related to, e.g. governing foreign direct investments and supplier security, which could expose TDC NET and its investors, suppliers and customers to certain legal requirements. These requirements could be prior to approval by the Danish Business Authority for certain transactions that are deemed foreign direct investments in TDC NET. Similarly, the Danish Center for Cybersecurity could impose certain restrictions on agreements and arrangements in relation to TDC NET's infrastructure, including prohibiting TDC NET from contracting with certain foreign suppliers. Therefore, to remain informed on the political and regulatory landscape, TDC NET monitors the political and legal developments in the markets and maintains proactive and continuous close dialogue with politicians, regulators and market stakeholders.

Other legal disputes and possible reputational damage could arise from consumers filing complaints concerning TDC NET's data retention procedures being incompatible with applicable data privacy rules. However, TDC NET has implemented the EU General Data Protection Regulation (GDPR), and all employees receive training in security and privacy awareness policies.

TDC NET recognises that climate change can present both risks and opportunities to businesses today and impacts on TDC NET's market position through the regulatory landscape, for example, when climate laws are implemented. If regulators impose carbon taxation, limits on fossil fuel consumption, or create harmonised criteria for identifying green products and services in the market, these changes will also influence TDC NET's operations. In addition, though TDC NET operates solely in Denmark, which, according to the Transparency International's annual CPI report, is identified as the least corrupt country in the world, TDC NET could be subject to corruption and bribery via its global supply chain. If any issues are detected in the supply chain, this could directly impact on TDC NET's integrity and reputation and create legal disputes.

For more information on TDC NET's continuously work to assess and manage sustainability risks, please read the Risk Management Section in TDC NET's Sustainability Report and the response report TDC NET submits to CDP. From 2021, climate risks in TDC NET are assessed according to the recommendations from the Task Force on

Climate Related Financial Disclosures (TCFD) as TDC NET views climate change management as a vital factor for business continuity and prosperity.

ESG

The TDCH group's mission is to build and support an innovative, open model to ensure all of Denmark connects to the new digital opportunities (see also 'TDCH group in brief').

Following the completion of the separation of the group into the two stand-alone companies, Nuuday and TDC NET, there are no longer ESG (human rights, employee matters, environment/climate, anti-corruption) policies at group level. However, the management of TDC Holding A/S oversees the two companies' sustainability ambitions and ethical values in relation to the matters mentioned above.

As the group's activities take place in the two subsidiaries, Nuuday and TDC NET, this is where ESG policies, practices and performance have an impact. In addition, the most significant ESG risks are identified and managed in Nuuday and TDC NET. See also the 'Risk management' section.

The following pages comprise a summary of ESG and risk management in Nuuday and TDC NET, respectively.

Statement on the underrepresented gender in management

TDCH has set a target to have one representative of the underrepresented gender on the Board of Directors by 2023. Currently, status is that all 6 members of the Board of Directors are men. The recruitment of board members in December 2021 was based primarily on individual competencies and qualifications. Accordingly, the 2023 target is not yet achieved.

There are separate targets for the relevant subsidiaries that are reported in the respective ESG reports.

Due to the completion of the separation of the group, and that TDC Holding A/S has less than 50 employees, there is no longer a policy on gender balance in the management at group level. However, separate policies on gender balance in management exist in the relevant subsidiaries that are reported in the respective ESG reports.

Statement on data ethics policy

Due to the completion of the separation of the group, there is no longer a data ethics policy at group level in force. However, Nuuday and TDC NET have taken the previous TDC Group data ethics policy and implemented it into the respective organisations to fit the specific business activities and use of data in the two companies. This is described in the respective sustainability reports, cf. below.

EU taxonomy regulation art 8 reporting

The activities in Nuuday and TDC NET are continuously being assed as part of the business and the environmental impact hereof. This year, business activities have been screened against the EU Taxonomy Regulation's prioritized sectors, and the climate related objectives, and assessed as far as possible in terms of the referable impact on revenue, operational expenses and capital expenditure (KPIs):

- Revenue: 0.1%
- Operational expenses: 0.4%
- Capital expenditure: 0.9%

In 2021 our reporting involves only the eligibility of our activities in TDC NET related to data centers (activity 8.1 "Data Processing, hosting and related activities" in EU Taxonomy appendix of climate mitigation). Currently, taxonomy regulation does not include criteria for the economic activity "Provision and operation of a network infra-structure for telecommunications", which is the core part of our business and a key enabler to global reductions of environmental impacts and a transition to a more sustainable future. Digital solutions are required for achieving EU Green Deal's sustainability goals and this has not been sufficiently captured in the taxonomy guidance.

We currently lobby and work together with our peers in Europe, mainly through our engagement in ETNO (European Telecommunications Network Operators Association), to ensure that such criteria exist in future versions of the regulation.

At the same time, EU Taxonomy covers activities that are relevant to us and our business, for example transportation related activities (especially as we are planning to transition our fleet to green) and also our investment related to our investment in solar parks. With the data that are currently available to us, and in light of the evolving interpretation of taxonomy definitions and categories, for 2021 it has not been possible to conclude a solid eligibility assessment of such activities. We have therefore chosen a conservative approach, including these activities as zero percent in all three KPIs.

We have defined the capital expenditure percentage in the context of EU Taxonomy as the percentage of the complete capital expenditure of TDCH group that is attributed to the data centers and the operational expenses percentage as the part of the overall operational expenses that is attributed to operation and maintenance of the data centers. As operational expenses is defined differently in the context of EU Taxonomy is different than how operational expenses is defined at TDCH group, some costs, such as overhead and power and rent are excluded from the calculation. In the case of capital expenditures, the costs related to infrastructure investments on design, planning, architecture, hardware (servers) and third party support agreements are included. The revenue indicator is associated with the income based on existing contract for use of the data centre services.

We have already started to prepare the alignment assessment for next year and we will also work with peers in order to ensure harmonized reporting on activities for next year, based on aligned views on the interpretation of the taxonomy text and requirements.

Business activities in Nuuday are being assessed in terms of taxonomy eligibility. However, it has not been possible to finalise the assessment based on the 2021 data to a level which is found robust enough to report. The necessary assessment, including possible alignment, data gathering, and calculation will be continued in 2022 to ensure a more comprehensive reporting foundation feasible for publication.

It is noted that the EU Taxonomy Regulation will keep evolving and TDCH will continue to consider its impact as well as future reporting obligations.

ESG - Nuuday

At Nuuday, we believe in running our business in a sustainable manner because we want to take responsibility for the impact we have on society. We do this by taking a strategic approach and focusing our sustainability efforts on three key areas: children's digital life, climate and environment, and responsible operations.

In 2021, we continued our journey to become one of the most sustainable telcos in the world. and we were recognised by the leading global rating platform EcoVadis as a global top 1% performer on sustainability earning a platinum rating.

We managed to make good progress on our climate and environment agenda fuelled by a new ambitious target to become carbon neutral in scope 3 by 2030. As a token of approval of our efforts we saw our CO2-targets approved by the Science Based Target initiative as 1 of only 22 Danish companies.

2021 was also a year where we expanded our collaboration with partners, not least Børns Vilkår (Children's Welfare), with whom we launched a new digital tool, "The Family Screen Check", driving a responsible approach to children's exposure to digital communication. Through the Coding Class initiative, we also saw great progress doubling the number of pupils who are exposed to coding and programming while developing solutions to real world challenges.

Another highlight is the adoption of a new Nuuday Diversity, Equity, Inclusion & Belonging Strategy including leadership training, and targets for gender representation in Management, while management launched a process to further develop Nuuday's emphasis on mental well-being among our employees.

For a full account of Nuuday's activities and achievements throughout 2021 within the areas of sustainability, see Nuuday's 2021 Sustainability Report at Nuuday.dk/sustainability.

Nuuday's Sustainability Report addresses the reporting requirements under sections 99, 99b and 99d of the Danish Financial Statements Act.

It also serves as Nuuday's Communication on Progress to the UN Global Compact that Nuuday is a proud member of.

Sustainability framework

Climate and environment:

Through ambitious carbon emissions reduction targets covering scopes 1, 2 and 3, we try to alleviate the negative impact our operations have on society by pursuing the goal of becoming carbon neutral.

Children's digital life:

Through partnerships and activities, we involve ourselves in the surrounding community and take a responsible approach to children's exposure to digital communication.

Responsible operations:

Through distinct programmes on a set of issues covering safety, security, diversity, procurement, and other streams, we strive to run our company in a responsible manner when dealing with suppliers, employees and stakeholders

ESG - TDC NET

TDC NET takes leadership of changing society for the better, both as a safe and attractive workplace, but also as a truly sustainable company. The ambition deeply rooted in TDC NET's purpose, is to leave a positive footprint on society, people and the world.

Caring for people

TDC NET wishes to maintain an attractive and safe workplace and therefore works continuously on developing cultural maturity within health & safety (H&S) as well as on strengthening diversity and inclusion (D&I), talent and leadership in a hybrid workplace. TDC NET is committed to creating an inclusive culture where people flourish and can fulfil their potential, regardless of ethnicity, gender, sexual orientation, religion, disability or age. In terms of H&S area, there is a strong focus on reducing the number of reported injuries and on continuing to increase awareness and improve governance.

Caring for society

TDC NET provides futureproof digital infrastructure in Denmark, with the aim of building the most reliable, resilient, and sustainable network. Denmark holds first place in connectivity among EU member states and TDC NET plays an important role in this area.

Caring for the world

TDC NET aims to lead the race towards net zero climate impact and takes actions to limit climate change. The ambition is to reach net zero emissions in own operations (scopes 1-2) by 2028 and across the value chain (scopes 1-3) by 2030. TDC NET has already taken action by signing Power Purchase Agreements covering 60% of its total energy consumption with renewables.

TDC NET has engaged in a supplier engagement programme has also been initiated. In the years ahead, the ambition is to cover the remaining 40% of energy consumption with renewables. Hence, TDC NET will continue the active engagement with suppliers to reach net zero emission goal by 2030.

Sustainability strategy

At TDC NET, sustainability is an integrated part of the corporate network champions strategy. The sustainability strategy is developed based on material issues, strategic business priorities, values and core competencies.

The strategy consists of five elements, each aligned with the United Nations Sustainable Development Goals, which consist of ambitions, targets and initiatives to make a positive contribution to society and the environment. TDC NET has a clear focus on delivering results and making an impact, which is ensured by driving the execution in collaboration with the business while anchoring decisions with the Management Team and the Board of Directors.

Strategic priorities

TDC NET’s purpose of connecting Denmark for everyone is linked closely to the wider ambition of leaving a positive footprint on the society where the company takes an active part.

See TDC NET's 2021 Sustainability Report for further details on commitments and concrete actions towards a sustainable future.

Our sustainability priorities

Futureproof digital infrastructure

Deliver the most **reliable, resilient and sustainable** digital infrastructure to Denmark

TARGETS
Towards a million homes to be passed by fibre in 2025 and nationwide 5G coverage in 2021.

SDG 9
Build resilient and sustainable infrastructure

Climate action

Lead the **race to net zero climate impact** from our business

TARGETS
100% renewable energy in operations by 2028.

CO_2 net zero on scope 1&2 by 2028 and scope 3 by 2030.

SDG 7 & 13
Ensure affordable & clean energy & climate actions

Health & Saftey

Become one of the **safest places to work** by 2025

TARGETS
Reduce injuries by 50% in 2025 compared with 2019.

Aim for vision zero and the mind set that every injury can be prevented.

SDG 8
Promote safe & secure working environments for all

Diversity & Inclusion

Ensure **inclusive culture, equal opportunities** and **diverse workforce**

TARGET
Move towards a more equal gender balance, targeting a minimum of 30% women in leadership by 2025.

SDG 5
Ensure equal opportunities for leadership at all levels

Digital trust

Protect **network integrity, personal data** and **the right to privacy**

TARGETS
99% of employees complete GDPR e-learning course.

SDG 12 & 16
Promote responsible consumption & justice in societies

Investor Information

Investor communication

The company's Investor Relations site, investor.tdc.com, provides access to information on TDCH group's debt, financial information, financial reports, announcements, financial calendar and contact details for Investor Relations. The site also provides investors with webcasts, presentations and analyst conference calls.

Investor contacts

Investor enquiries regarding the Company's debt instruments should be made to Investor Relations:

Henrik Hjortshøj-Nielsen
Head of Treasury and Investor Relations
investorrelations@tdc.dk

TDC Holding Investor Relations Teglholmsgade 1
DK-0900 Copenhagen C Denmark
Tel: +45 2129 8991

Financial calendar 2022

6 May	Interim financial statements Q1 2022
12 August	Interim financial statements Q2 2022
9 November	Interim financial statements Q3 2022
31 December	End of financial year 2022

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Financial statements

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Income statement

(DKKm)	Note	2021	2020
Revenue	2.1,2.2	16,002	16,089
Cost of sales	2.3	(4,914)	(4,626)
Gross profit		**11,088**	**11,463**
External expenses	2.4	(1,886)	(2,044)
Personnel expenses	2.5	(2,959)	(3,172)
Other income	2.2	184	173
Operating profit before depreciation, amortisation and special items (EBITDA)		**6,427**	**6,420**
Depreciation, amortisation and impairment losses	2.6	(4,187)	(4,936)
Special items	2.7	(424)	(192)
Operating profit (EBIT)		**1,816**	**1,292**
Financial income and expenses	4.5	(1,141)	(1,056)
Profit before income taxes		**675**	**236**
Income taxes	2.8	(279)	(85)
Profit for the year		**396**	**151**

Statement of comprehensive income

(DKKm)	Note	2021	2020
Profit for the year		396	151
Items that may subsequently be reclassified to the income statement:			
Reversal of currency translation adjustments, foreign enterprises		-	(7)
Change in fair value adjustments of cash flow hedges transferred to financial expenses		45	44
Items that cannot subsequently be reclassified to the income statement:			
Remeasurement of defined benefit pension plans	3.7	2,907	849
Income tax relating to remeasurement of defined benefit pension plans	2.8	(640)	(187)
Other comprehensive income		2,312	699
Total comprehensive income		**2,708**	**850**

Balance sheet

Assets (DKKm)	**Note**	**2021**	**2020**
Non-current assets			
Intangible assets	3.1	24,652	24,498
Property, plant and equipment	3.2	16,870	15,964
Lease assets	3.3	3,195	3,433
Joint ventures, associates and other investments		8	56
Pension assets	3.7	10,562	8,028
Other receivables		43	200
Prepaid expenses		18	23
Total non-current assets		**55,348**	**52,202**
Current assets			
Inventories		252	200
Trade receivables	3.4	1,444	1,656
Other receivables		20	61
Contract assets	3.5	395	378
Amounts owed by joint ventures and associates		-	1
Income tax receivable	2.8	-	174
Derivative financial instruments	4.6	88	45
Prepaid expenses		539	689
Cash		811	434
Total current assets		**3,549**	**3,638**
Total assets		**58,897**	**55,840**

Equity and liabilities (DKKm)	**Note**	**2021**	**2020**
Equity			
Share capital	4.1	812	812
Other reserves		(51)	(96)
Retained earnings		16,466	14,538
Total equity		**17,227**	**15,254**
Non-current liabilities			
Deferred tax liabilities	2.8	3,996	3,386
Provisions	3.6	415	403
Lease liabilities	3.3	3,657	3,818
Loans	4.2,4.6	19,624	22,690
Other payables		383	381
Total non-current liabilities		**28,075**	**30,678**
Current liabilities			
Loans	4.2,4.6	3,911	30
Lease liabilities	3.3	475	489
Short-term bank loans	4.2,4.6	570	5
Trade payables		4,036	4,722
Other payables		1,871	1,936
Contract liabilities	3.5	2,382	2,398
Income tax payable		104	-
Derivative financial instruments	4.6	50	270
Provisions	3.6	196	58
Total current liabilities		**13,595**	**9,908**
Total liabilities		**41,670**	**40,586**
Total equity and liabilities		**58,897**	**55,840**

Statement of cash flows

(DKKm)	Note	2021	2020
Operating activities			
Operating profit before depreciation, amortisation and special items (EBITDA)		6,427	6,420
Adjustment for non-cash items	5.1	144	218
Pension contributions	3.7	270	197
Payments related to provisions	3.6	(22)	(24)
Special items	2.7	(216)	(234)
Change in working capital	5.2	(60)	293
Interest received	4.5	328	324
Interest paid	4.5	(1,448)	(1,285)
Income tax paid	2.8	(31)	(468)
Total cash flow from operating activities		**5,392**	**5,441**
Investing activities			
Investment in enterprises		-	(6)
Investment in property, plant and equipment	3.2	(3,390)	(3,233)
Investment in intangible assets	3.1	(1,341)	(1,502)
Investment in other non-current assets		(5)	(3)
Divestment of joint ventures and associates		97	-
Sale of other non-current assets		8	36
Payment received regarding settlement of loan to TDC Pensionskasse		149	-
Change of loans to joint ventures and associates		8	(6)
Total cash flow from investing activities		**(4,474)**	**(4,714)**

(DKKm)	Note	2021	2020
Financing activities			
Lease repayments		(317)	(298)
Cost related to long-term loans		(51)	-
Change in short-term bank loans		565	(676)
Other changes in non-controlling interests		-	(7)
Dividends paid		(735)	(875)
Total cash flow from financing activities		**(538)**	**(1,856)**
Total cash flow		**380**	**(1,129)**
Cash and cash equivalents (beginning of period)		434	1,577
Effect of exchange-rate changes on cash and cash equivalents		(3)	(14)
Cash and cash equivalents at 31 December		**811**	**434**

Statement of changes in equity

(DKKm)	Attributable to shareholders of TDC Holding A/S[1]						
	Share capital	Reserve for currency translation adjustment	Reserve for cash flow hedges	Retained earnings	Total	Non-controlling interests	Total
Equity at 1 January 2020	812	7	(140)	14,605	15,284	2	15,286
Profit for the year	-	-	-	151	151	-	151
Reversal of currency translation adjustments, foreign enterprises	-	(7)	-	-	(7)	-	(7)
Change in fair value adjustments of cash flow hedges transferred to financial expenses	-	-	44	-	44	-	44
Remeasurement effects of defined benefit pension plans	-	-	-	849	849	-	849
Income tax relating to remeasurement effects of defined benefit pension plans	-	-	-	(187)	(187)	-	(187)
Total comprehensive income	-	(7)	44	813	850	-	850
Distributed dividends	-	-	-	(875)	(875)	-	(875)
Decrease in non-controlling interest	-	-	-	(5)	(5)	(2)	(7)
Total transactions with shareholders	-	-	-	(880)	(880)	(2)	(882)
Equity at 31 December 2020	**812**	**-**	**(96)**	**14,538**	**15,254**	**-**	**15,254**
Profit for the year	-	-		396	396	-	396
Change in fair value adjustments of cash flow hedges transferred to financial expenses	-	-	45	-	45	-	45
Remeasurement effects related to defined benefit pension plans	-	-	-	2,907	2,907	-	2,907
Income tax relating to remeasurement effects from defined benefit pension plans	-	-	-	(640)	(640)	-	(640)
Total comprehensive income	-	-	45	2,663	2,708	-	2,708
Distributed dividends	-	-	-	(735)	(735)	-	(735)
Total transactions with shareholders	-	-	-	(735)	(735)	-	(735)
Equity at 31 December 2021	**812**	**-**	**(51)**	**16,466**	**17,227**	**-**	**17,227**

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

Section 1

Basis of preparation

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

1. In this section

1.1 | Accounting policies

TDCH group's consolidated financial statements for 2021 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and further disclosure requirements in the Danish Financial Statements Act.

The consolidated financial statements are based on the historical cost convention, except for financial assets and liabilities that are initially measured at fair value adjusted for transaction costs if they are not subsequent measured at fair value through the income statement. Trade receivables are measured at their transaction price.

When preparing the consolidated financial statements, Management makes assumptions that affect the reported amount of assets and liabilities at the balance sheet date, and the reported income and expenses for the accounting period. The accounting estimates and judgements considered critical to the preparation of the consolidated financial statements are shown in note 1.2.

The accounting policies are unchanged compared with the policies applied in the Annual Report 2020.

Consolidation policies

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

The consolidated financial statements have been prepared on the basis of the financial statements of TDC Holding A/S and its consolidated companies, 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 companies have been eliminated.

1.2 | Critical accounting estimates and judgements

The preparation of TDC Holding 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 and judgements or complexity and are outlined in more detail in the related notes on:

Notes		Critical accounting estimates and judgements	Estimates /judgements
2.2	Revenue	Assessment of principal or agent	Judgement
		Assessment of contracts involving complex sale of goods and services	Estimate/ Judgement
2.7	Special items	Assessment of special events or transactions	Judgement
3.1	Intangible assets	Assumptions for useful lives	Estimate
		Assumptions used for impairment testing	Estimate/ Judgement
3.3	Lease assets	Assumptions related to write-down of lease assets re. vacant tenancies	Estimate
		Assumptions related to extension options	Judgement
3.7	Defined benefit plans	Assumptions for discount rates, wage inflation and mortality	Estimate

1.3 | New accounting standards

TDCH group has adopted the new standards, amendments to standards and interpretations that are effective for the financial year 2021. None of the changes have affected recognition or measurement in the financial statements nor are they expected to have any future impact.

IASB has approved a number of new accounting standards and changes to standards that are not yet effective. TDCH group has evaluated the standards and as none of them are expected to be relevant to the Group they are not expected to impact on the financial statements.

Section 2

Profit for the year

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

2. In this section

2.1 | Segment reporting

Worth noting

TDC Holding group consists of the three operating segments: Nuuday, TDC NET and Group Functions.

Nuuday develops and markets the best communications and entertainment services, including the development of new innovative products and digital solutions.

TDC NET designs, builds, and runs Denmark's best broadband and mobile networks and delivers highly qualified technical support to customers and the networks.

During the second half of 2021 Group Functions, i.e. HR, Finance, Legal, Security, etc., including all employees, were transferred to Nuuday and TDC NET, respectively. Certain property services and the TDC Pension Fund remains in Group Functions.

For further information, see TDCH group in brief.

Accounting policies

Operating segments are reported in a manner consistent with the internal management and reporting structure.

Profit before depreciation, amortisation and special items (EBITDA) represents the profit earned by each segment. The operating segments are managed primarily on the basis of EBITDA.

Segment results are accounted for in the same way as in the consolidated financial statements.

Segment income and segment expenses are those items that, in our internal management reporting, are directly attributable to individual segments. Intersegment transactions are made on market terms.

2.1 | Segment reporting (continued)

Activities (DKKm)	Nuuday 2021	Nuuday 2020	TDC NET 2021	TDC NET 2020	Group Functions 2021	Group Functions 2020
External revenue	14,597	14,709	1,401	1,373	4	7
Revenue across segments	60	47	5,273	5,455	-	-
Total revenue	**14,657**	**14,756**	**6,674**	**6,828**	**4**	**7**
Cost of sales	(9,664)	(9,438)	(318)	(381)	-	(1)
Gross profit	**4,993**	**5,318**	**6,356**	**6,447**	**4**	**6**
Operating expenses	(3,226)	(3,433)	(2,118)	(2,261)	(745)	(901)
Other income and expenses	56	51	260	248	1,201	1,347
EBITDA	**1,823**	**1,936**	**4,498**	**4,434**	**460**	**452**

	Eliminations 2021	Eliminations 2020	TDCH Group 2021	TDCH Group 2020
External revenue	-	-	16,002	16,089
Revenue across segments	(5,333)	(5,502)	-	-
Total revenue	**(5,333)**	**(5,502)**	**16,002**	**16,089**
Cost of sales	5,068	5,194	(4,914)	(4,626)
Gross profit	**(265)**	**(308)**	**11,088**	**11,463**
Operating expenses	1,244	1,379	(4,845)	(5,216)
Other income and expenses	(1,333)	(1,473)	184	173
EBITDA	**(354)**	**(402)**	**6,427**	**6,420**

Reconciliation of EBITDA to profit before income taxes (DKKm)	2021	2020
Total EBITDA from reportable segments	6,427	6,420
Unallocated:		
Depreciation, amortisation and impairment losses	(4,187)	(4,936)
Special items	(424)	(192)
Financial income and expenses	(1,141)	(1,056)
Consolidated profit before income taxes	**675**	**236**

2.2 | Revenue

External revenue specified by services (DKKm)	Nuuday Consumer 2021	Nuuday Consumer 2020	Nuuday Business 2021	Nuuday Business 2020	Nuuday Other 2021	Nuuday Other 2020	Nuuday total 2021	Nuuday total 2020
Landline voice	363	419	432	508	4	-	799	927
Mobile services	3,107	3,004	1,169	1,173	619	550	4,895	4,727
Internet & network	2,399	2,492	1,066	1,114	2	-	3,467	3,606
TV	3,368	3,402	20	24	43	43	3,431	3,469
Other services	852	810	1,150	1,163	3	7	2,005	1,980
External revenue, total	**10,089**	**10,127**	**3,837**	**3,982**	**671**	**600**	**14,597**	**14,709**

	TDC NET 2021	TDC NET 2020	Group functions 2021	Group functions 2020	Total 2021	Total 2020
Landline voice	116	113	-	-	915	1,040
Mobile services	80	74	-	-	4,975	4,801
Internet & network	875	872	-	-	4,342	4,478
TV	-	6	-	-	3,431	3,475
Other services	330	308	4	7	2,339	2,295
External revenue, total	**1,401**	**1,373**	**4**	**7**	**16,002**	**16,089**

2.2 | Revenue (continued)

(DKKm)	2021	2020
Sales of goods recognised at a point in time	1,356	1,376
Sales of services recognised over time	14,646	14,713
Total	**16,002**	**16,089**

The revenue is from domestic operations.

Critical accounting estimates and judgements

Revenue recognition for a telecom operator is a complex area of accounting that requires management estimates and judgements.

Recognition of revenue depends on whether the Group acts as a principal in a transaction or an agent representing another company. Whether the Group is considered to be the principal or agent in a transaction depends on an analysis of both the form and substance of the customer agreement. When the Group acts as the principal, revenue is recognised at the agreed value, whereas when the Group acts as an agent, revenue is recognised as the commission the Group receives for arranging the agreement.

Judgements of whether the Group acts as a principal or as an agent impact on the amounts of recognised revenue and operating expenses, but do not impact on net profit for the year or cash flows. Judgements of whether the Group acts as a principal are used primarily in transactions covering content.

When the Group concludes contracts involving complex sale of goods and services, management judgements are required to determine whether goods and services shall be recognised together or as separate goods 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 after deduction 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.

Consumer sells to households and the contracts are primarily perpetual, with the same service provided until the customer terminates the contract. Some of the contracts include a non-cancellation period of six months. Consumer also has contracts with antenna associations 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, e.g., 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 calls are made
- sales related to prepaid services are deferred, and revenues are recognised at the time of use
- revenues from leased lines are recognised over the rental period
- revenues from the sale of equipment are recognised on delivery. Revenues from the equipment maintenance are recognised over the contract period

Revenue arrangements with multiple deliverables are recognised as separate units of accounting, independent of any contingent element related to the delivery of additional items or other performance conditions. 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 based on expected cost plus a margin. Discounts on bundled sales are allocated to each element in the contract.

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

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

Revenues are recognised gross when TDCH group acts as the principal in a transaction. For content-based services and the resale of services from content providers where TDCH 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 rental income, 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)	2021	2020
Mobile services	(740)	(573)
Landline voice	(74)	(81)
Internet & network	(280)	(297)
TV	(1,974)	(1,956)
Other services	(1,846)	(1,719)
Total	**(4,914)**	**(4,626)**

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.

2.4 | External expenses

(DKKm)	2021	2020
Marketing and advertising	(226)	(215)
Subscriber acquisition and retention, cf. note 3.5	(163)	(141)
Properties	(422)	(371)
IT	(332)	(381)
Temps and personnel-related expenses	(119)	(141)
Other	(624)	(795)
Total	**(1,886)**	**(2,044)**

Accounting policies

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

2.5 | Personnel expenses

(DKKm)	2021	2020
Wages and salaries (including short-term and long-term bonuses)	(3,773)	(3,954)
Pensions:		
• defined benefit plans	(82)	(96)
• defined contribution plans	(293)	(310)
Social security	(80)	(74)
Total	**(4,228)**	**(4,434)**
Of which capitalised as tangible and intangible assets[1]	1,269	1,262
Total personnel expenses recognised in the income statement	**(2,959)**	**(3,172)**

[1] Primarily software and network infrastructure.

Remuneration for the key management and the Board of Directors[3] (DKKm)	2021	2020
Base salary (incl. benefits)	20.2	22.3
Cash bonus	15.4	16.4
Retention allowance[1]	-	8.8
Pensions	3.7	3.7
Long-term incentive programme	3.3	4.3
Management incentive programme (cf. note 6.1)	2.1	1.8
	44,7	57.3
Redundancy compensation[2]	33.9	0.0
Key management in total	78.6	57.3
Fee to the Board of Directors	5.8	5.8
Total	**84.4**	**63.1**

[1] In addition to the retention element, the allowance is linked to reaching a number of strategic targets in the execution of the Groups' new strategy.
[2] Redundancy compensation in 2021 comprised the three members of TDCH group Executive Committee who retired in Q4 2021 as well as the former CEO of Nuuday who retired in Q221. The Redundancy compensations are in accordance with the employment contracts and the total amount is roughly evenly distributed on the 4 members.
[3] During 2021, the remuneration to the key management (excluding redundancy compensation) comprised 4.7 members on average (2020: 5.0 members).

Comments

The key management consists of the Executive Committee as well as Andreas Pfisterer (CEO of TDC NET) and Jon James (CEO of Nuuday).

Remuneration for the Executive Committee amounted to DKK 54.4m (2020: DKK 36.5m) of which DKK 2.5m are pensions and DKK 3.6m are other long-term benefits.

2.5 | Personnel expenses (continued)

Number of full-time employee equivalents[1]	2021	2020
1 January	7,032	7,498
Redundancy programmes	(324)	(405)
Acquisitions and divestments	-	42
Insourcing	92	23
Hirings and resignations	(141)	(126)
31 December	**6,659**	**7,032**
Former Danish civil servants	56	65
Employees entitled to pension from TDCH group's pension fund	677	711
Other employees	5,926	6,256
31 December	**6,659**	**7,032**
Average number of full-time employee equivalents, TDCH group[2]	**6,759**	**7,260**

1 The reported number of full-time employee is not including students, graduates, employees in 'flexible job' or job rotation (200 in 2021 and 210 in 2020).
2 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 (44 in 2021 and 76 in 2020).

§ 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 3.7.

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.

2.6 | Depreciation, amortisation and impairment losses

(DKKm)	2021	2020
Amortisation of intangible assets, cf. note 3.1	(1,708)	(1,794)
Depreciation of property, plant and equipment, cf. note 3.2	(2,080)	(2,743)
Depreciation of lease assets, cf. note 3.3	(380)	(394)
Impairment losses, cf. notes 3.1 and 3.2	(47)	(42)
Of which capitalised as tangible and intangible assets	28	37
Total	**(4,187)**	**(4,936)**

Comments

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

2.7 | Special items

(DKKm)	2021	2020
Costs related to redundancy programmes	(179)	(172)
Other restructuring costs, etc.	(76)	-
Distribution of excess capital from TDC Pension Fund to its members	(44)	(35)
Profit/(loss) on sale of enterprises	(103)	1
Loss on sale of enterprises	-	(2)
Profit on sale of other investments	-	21
Loss from rulings	(16)	(2)
Adjustment of purchase price re. acquisition of enterprises	-	(2)
Costs related to acquisition of enterprises	(6)	(1)
Special items before income taxes	**(424)**	**(192)**
Income taxes related to special items	59	37
Special items related to joint ventures and associates	49	-
Total special items	**(316)**	**(155)**

Cash flow from special items (DKKm)	2021	2020
Redundancy programmes	(146)	(161)
Rulings	(15)	(2)
Other	(55)	(71)
Total	**(216)**	**(234)**

Comments

The loss on sale of enterprises of DKK 103m in 2021 comprises an adjustment of the gain from the divestment of TDCH's Norwegian business in 2018 following a dispute with the Norwegian tax authorities. Special items related to joint ventures and associates comprises a gain from the divestment of Cloudeon.

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

	2021			2020		
Special items bridge (DKKm)	**Reported income statement**	**Special items**	**Adjusted income statement**	**Reported income statement**	**Special items**	**Adjusted income statement**
Revenue	16,002	-	16,002	16,089	-	16,089
Cost of sales	(4,914)	-	(4,914)	(4,626)	-	(4,626)
Gross profit	11,088	-	11,088	11,463	-	11,463
External expenses	(1,886)	(93)	(1,979)	(2,044)	(14)	(2,058)
Personnel expenses	(2,959)	(228)	(3,187)	(3,172)	(196)	(3,368)
Other income	184	(103)	81	173	18	191
Operating profit before depreciation and amortisation	6,427	(424)	6,003	6,420	(192)	6,228
Depreciation, amortisation and impairment losses	(4,187)	-	(4,187)	(4,936)	-	(4,936)
Special items	(424)	424	-	(192)	192	-
Operating profit	1,816	-	1,816	1,292	-	1,292
Financial income and expenses	(1,141)	-	(1,141)	(1,056)	-	(1,056)
Profit before income taxes	**675**	**-**	**675**	**236**	**-**	**236**

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 recurring. This is consistent with the way that financial performance is measured by Management and reported to the Board of Directors, and facilitates meaningful analysis of the Group's operating results.

Accounting policies

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

2.8 | Income taxes

Worth noting

A large part of TDCH 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 merger of TDC A/S and the former parent company NTC ApS in 2009 and the resulting adoption of NTC's purchase price allocation.

	2021			2020		
Income taxes (DKKm)	**Income taxes expensed**	**Income tax payable/ (receivable)**	**Deferred tax liabilities/ (assets)**	**Income taxes expensed**	**Income tax payable/ (receivable)**	**Deferred tax liabilities/ (assets)**
At 1 January	-	(174)	3,386	-	2	3,406
Income taxes for the year	(256)	306	(50)	(95)	290	(195)
Adjustment of tax for previous years	(23)	3	20	10	2	(12)
Tax relating to remeasurement effects from defined benefit plans	-	-	640	-	-	187
Income tax paid	-	(31)	-	-	(468)	-
Total	**(279)**	**104**	**3,996**	**(85)**	**(174)**	**3,386**
Shown in the balance sheet as:						
Tax payable/deferred tax liabilities		104	3,996		-	3,386
Tax receivable/deferred tax assets		-	-		(174)	-
Total		**104**	**3,996**		**(174)**	**3,386**
Income taxes are specified as follows:						
Income excluding special items	(338)			(122)		
Special items	59			37		
Total	**(279)**			**(85)**		

2.8 | Income taxes (continued)

Deferred tax (DKKm)	2021			2020
	Deferred tax assets	**Deferred tax liabilities**	**Total**[1]	
Intangible assets	-	64	64	73
Other	(3)	-	(3)	20
Current	**(3)**	**64**	**61)**	**93**
Intangible assets	-	2,171	2,171	2,118
Property, plant and equipment	(338)	-	(338)	(376)
Lease assets and liabilities	(206)	-	(206)	(194)
Pension assets and pension liabilities	-	2,324	2,324	1,766
Tax value of tax-loss carryforwards	(12)	-	(12)	(12)
Other	(4)	-	(4)	(9)
Non-current	**(560)**	**4,495**	**3,935**	**3,293**
Deferred tax at 31 December	**(563)**	**4,559**	**3,996**	**3,386**

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

TDC Holding A/S participates in joint taxation with all its Danish subsidiaries and with DK Telekommunikation ApS, DKT Finance ApS and DKT Holdings ApS, of which the latter 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.

2.8 | Income taxes (continued)

Effective tax rate (DKKm)	**2021** DKKm	**2021** %	**2020** DKKm	**2020** %
Danish corporate income tax rate	(231)	22.0	(94)	22.0
Limitation on the tax deductibility of interest expenses	(84)	8.0	(41)	9.6
Adjustment of tax for previous years	(22)	2.1	14	(3.3)
Other	(1)	0.1	(1)	0.2
Effective tax excluding special items	**(338)**	**32.2**	**(122)**	**28.5**
Special items	59	9.1	37	7.5
Effective tax including special items	**(279)**	**41.3**	**(85)**	**36.0**

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

§ 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 TDCH 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-losses carried forwards are recognised when it is likely that these will be utilised in the foreseeable future.

Deferred tax is adjusted concerning elimination of unrealised intra-group profit and losses.

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

Deferred tax assets and liabilities are offset in the consolidated balance sheet.

Section 3

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. In this section

3.1 | Intangible assets

(DKKm)	2021 Goodwill	2021 Customer relationships	2021 Brands	2021 Rights and software, etc.	2021 Total	2020 Goodwill	2020 Customer relationships	2020 Brands	2020 Rights and software, etc.	2020 Total
Cost at 1 January	16,234	14,428	5,461	16,390	52,513	16,231	14,428	5,461	15,572	51,692
Additions relating to the acquisition of enterprises	-	-	-	-	-	3	-	-	-	3
Additions	-	-	-	1,895	1,895	-	-	-	1,409	1,409
Assets disposed of or fully amortised	-	(6)	-	(973)	(979)	-	-	-	(591)	(591)
Cost at 31 December	**16,234**	**14,422**	**5,461**	**17,312**	**53,429**	**16,234**	**14,428**	**5,461**	**16,390**	**52,513**
Amortisation and impairment losses at 1 January	(3,692)	(12,538)	(118)	(11,667)	(28,015)	(3,692)	(12,155)	(114)	(10,828)	(26,789)
Amortisation	-	(341)	(4)	(1,363)	(1,708)	-	(383)	(4)	(1,407)	(1,794)
Impairment losses for the year	-	-	-	(32)	(32)	-	-	-	(23)	(23)
Assets disposed of or fully amortised	-	6	-	972	978	-	-	-	591	591
Amortisation and impairment losses at 31 December	**(3,692)**	**(12,873)**	**(122)**	**(12,090)**	**(28,777)**	**(3,692)**	**(12,538)**	**(118)**	**(11,667)**	**(28,015)**
Carrying amount at 31 December	**12,542**	**1,549**	**5,339**	**5,222**	**24,652**	**12,542**	**1,890**	**5,343**	**4,723**	**24,498**

Worth noting

TDCH group's intangible assets relate largely to goodwill, customer relations and brands stemming from the merger of TDC A/S and the former parent company NTC ApS in 2009 and the resulting adoption of NTC's purchase price allocation.

Cash flow (DKKm)	**2021**	**2020**
Additions, cf. table above	(1,895)	(1,409)
Instalments regarding mobile licences	(109)	(93)
Non-cash part of acquisition of mobile licences	663	-
Cash flow from investment in intangible assets	**(1,341)**	**(1,502)**

3.1 | Intangible assets (continued)

Comments

Impairment of intangible assets, etc. totalled DKK 32m (2020: DKK 23m) of which DKK 5m related to right to use assets and DKK 7m to termination of various software projects in Nuuday. The remaining 20m related to termination of various software projects in TDC Net DKK 5m and in Group functions DKK 15m.

Assets with indefinite useful lives other than goodwill related to the TDC brand and were unchanged at DKK 5,339m compared with 2020.

The carrying amount of software amounted to DKK 2,489m (2020: DKK 2,477m). Of this DKK 162m relates to software in process. The addition of internally developed software totalled DKK 586m (2020: DKK 601m).

The carrying amount of Danish spectrum mobile licences included in rights, software etc., amounted to DKK 2,583m (2020: DKK 2,061m) and is shown in the next table. Of this DKK 400m relates to licences not yet in use.

Spectrum licences (DKKm)

Spectrum (MHz)	Bandwidth (MHz)	Licence expiry
700	2 x 15 + 1 x 20	2040
800	2 x 20	2034
900	2 x 10	2034
1500	45	2042
1800	2 x 20	2032
2100	2 x 20	2042
2300	100	2041
2600	2 x 20	2030
3500	130	2042
26000	1250	2042

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 in a critical accounting estimate.

Impairment testing of intangible assets

Intangible assets comprise a significant portion of TDCH 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 to calculate cash-flow projections, discount rates and terminal growth rates.

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.

The assumptions used for the impairment testing of goodwill are shown in the section Impairment testing of goodwill and intangible assets with indefinite useful lives.

3.1 | Intangible assets (continued)

Impairment testing of goodwill and intangible assets with indefinite useful lives

The carrying amount of goodwill is tested for impairment annually and if events or changes in circumstances indicate impairment. The annual tests were carried out at 1 October 2021 and at 1 October 2020, respectively.

Impairment testing is an integral part of TDCH group's budget and planning process, which is based on long-term business plans with projection until 2030. The discount rates applied reflect specific risks relating to the individual cash-generating unit. The recoverable amount is based on the value in use determined on expected cash flows based on long-term business plans approved by Management. The business plans approved by Management follow the operating segments as described in note 2.1.

Projections for the terminal period are based on general expectations and risks, taking into account the general growth expectations for the telecoms industry in Denmark. We apply a negative real growth rate (1.0% perpetuity growth factor) reflecting expectations of relatively saturated markets.

The long-term business plans are based on current trends. The budget period includes cash flow effects from completed restructurings combined with effects of strategic initiatives aimed at improving or maintaining trend lines.

For the impairment testing of goodwill, TDCH group uses a pre-tax discount rate for each cash-generating unit. In determining the discount rate, a risk premium on the risk-free interest rate is fixed at a level reflecting Management's expectations of the spread for future financing.

Goodwill relates to Nuuday and TDC NET. The assumptions for calculating the value in use for these significant goodwill amounts are given below.

Key assumptions for calculating the value in use for the significant[1] goodwill amounts

(DKKm)	Nuuday	TDC NET
Carrying amount of goodwill at 31 December 2021 (DKKm)	5,562	6,980
Carrying amount of goodwill at 31 December 2020 (DKKm)	5,562	6,980
Market-based growth rate applied to extrapolated projected future cash flows for the period following 2030	1.0%	1.0%
Applied pre-tax discount rate at 1 October 2021	7.6%	5.3%
Applied pre-tax discount rate at 1 October 2020	7.4%	6.3%

[1] Representing 100% of the total carrying amount in 2021.

Assumptions regarding recoverable amounts and projected earnings

Nuuday

Any reasonably possible changes in the key assumptions are not expected to cause the carrying amount of goodwill to exceed the recoverable value. Projections are based on the assumption of positive EBITDA growth in the long-term business plan based on the following assumptions:

- Landline voice decline from continuation of higher churn and partly offset by improved product mix and higher *ARPU*.
- Growth in mobility services from higher *RGU*s and *ARPU* partly offset by the ambition to continue to have superior networks
- Declining broadband gross profit trend due to decreasing *RGU*s, however offset in the long run by increased *ARPU*s as customers migrate to high-speed technologies (e.g. *Fibre* and *Coax*)
- TV gross profit decline due to *RGU*-pressure and increased content cost. Focus on future-proof TV technology such as such as "Bland Selv TV", supporting higher ARPUs due to enhanced product mix
- Opex savings driven by initiatives generated in an extensive savings programme with reductions of external Opex and personnel cost

The impairment test is sensitive to possible changes in the key assumptions, which may result in future impairments. If the WACC applied as discounting factor in the calculations increases/decreases by 1.0% and all other things being equal, the value in use would increase/decrease to DKK 2.5bn and 3.5bn, respectively. A decrease of the value in use would not cause the carrying amount of goodwill to exceed the recoverable value. The impairment test has been prepared on the basis that the company continues to operate in the current set-up.

TDC NET

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

- Steady growth in mobility services gross profit
- Increased gross profit from highspeed broadband, stemming from TDC NETs growing fibre footprint, continued large coax customer base, and increased ARPU from higher average speed on products
- Customer base for legacy products such as landline, TV and DSL assumed to decrease at higher rates than historically
- Opex savings driven by initiatives generated in an extensive savings programme with reductions of both external and personnel expenses
- Capex decrease from 2021 level, due to cost optimisation of the fibre roll-out, as well as optimization of maintenance capex

3.1 | Intangible assets (continued)

Accounting policies

Goodwill and brands with indefinite useful lives are recognised at cost less accumulated impairment losses. 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. Impairment 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 (5% to 33%) corresponding to the expected pattern of consumption of the expected future economic benefits.

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

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

The main amortisation periods are as follows:

Brands	3-5 years
Mobile licences	16-22 years
Software.	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)	2021 Land and buildings	2021 Network infra-structure	2021 Equipment	2021 Assets under construction	2021 Total	2020 Land and buildings	2020 Network infra-structure	2020 Equipment	2020 Assets under construction	2020 Total
Cost at 1 January	519	41,521	2,430	954	45,424	435	38,805	2,425	990	42,655
Transfers (to)/from other items	-	544	65	(609)	-	76	939	14	(1,029)	-
Transfers from leased assets	-	13	3	-	16	-	-	-	-	-
Additions relating to the acquisition of enterprises	-	-	-	-	-	-	-	2	-	2
Additions	-	2,306	215	479	3,000	8	2,768	203	993	3,972
Assets disposed of	(2)	(442)	(67)	-	(511)	-	(991)	(214)	-	(1,205)
Cost at 31 December	**517**	**43,942**	**2,646**	**824**	**47,929**	**519**	**41,521**	**2,430**	**954**	**45,424**
Depreciation and impairment losses at 1 January	(157)	(27,235)	(1,729)	(339)	(29,460)	(47)	(25,707)	(1,816)	(333)	(27,903)
Transfers (to)/from other items	-	31	(31)	-	0	(104)	-	104	-	-
Transfers from leased assets	-	(11)	(1)	-	(12)	-	-	-	-	-
Depreciation	(6)	(1,815)	(259)	-	(2,080)	(6)	(2,506)	(231)	-	(2,743)
Impairment losses for the year	-	(10)	(1)	(4)	(15)	-	(13)	-	(6)	(19)
Assets disposed of	-	442	66	-	508	-	991	214	-	1,205
Depreciation and impairment at 31 December	**(163)**	**(28,598)**	**(1,955)**	**(343)**	**(31,059)**	**(157)**	**(27,235)**	**(1,729)**	**(339)**	**(29,460)**
Carrying amount at 31 December	**354**	**15,344**	**691**	**481**	**16,870**	**362**	**14,286**	**701**	**615**	**15,964**

Comments

In 2021, impairment losses totalled DKK 15m (2020: DKK 19m) and related to assets operated by TDC NET and Nuuday.

Cash flow (DKKm)	2021	2020
Additions, cf. table above	(3,000)	(3,972)
Non-cash additions regarding decommissioning obligations	11	60
Change in additions not yet paid	(429)	642
Capitalised depreciations cf. note 2.6	28	37
Cash flow from investment in property, plant and equipment	**(3,390)**	**(3,233)**

3.2 |Property, plant and equipment (continued)

Accounting policies

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

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

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

The depreciation base is measured at cost less residual value and any impairment. 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.

Buildings	20 years
Network infrastructure:	
mobile networks	20 years
copper	20 years
coax	20 years
fibre	30 years
exchange equipment	3-15 years
other network equipment	3-20 years
Equipment (computers, tools and office equipment)	3-15 years

The useful lives and residual values of the assets are reviewed regularly. If the residual value exceeds the carrying amount of an asset, depreciation is discontinued.

Property, plant and equipment that have been disposed of or scrapped are eliminated from accumulated cost and accumulated depreciation. Gains and losses arising from sale of property, plant and equipment are measured as the difference between the sales price less selling expenses and the carrying amount at the time of sale. The resulting gain or loss is recognised in the income statement under other income or other expenses.

Software that is an integral part of telephone exchange installations, for example, is presented together with the related assets. Useful lives are estimated individually.

Installation materials to be used in construction of assets 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.

3.3 | Lease assets and liabilities

Lease assets (DKKm)	2021 Land and buildings	Network infrastructure	Vehicles and equipment	Total	2020 Land and buildings	Network infrastructure	Vehicles and equipment	Total
Carrying amount at 1 January	3,268	15	150	3,433	4,276	21	175	4,472
Additions	60	-	114	174	95	-	72	167
Transfer to property, plant and equipment	-	(2)	(2)	(4)	-	-	-	-
Lease reassessments	-	-	-	-	(804)	-	-	(804)
Disposals	(23)	-	(5)	(28)	-	-	(8)	(8)
Depreciation	(292)	(3)	(85)	(380)	(299)	(6)	(89)	(394)
Carrying amount at 31 December	**3,013**	**10**	**172**	**3,195**	**3,268**	**15**	**150**	**3,433**

Lease liabilities (DKKm)	2021	2020
Recognised in the balance sheet at present value:	4,132	4,307
Of which presented as current	(475)	(489)
Total non-current	**3,657**	**3,818**
Maturing between 1 and 3 years	816	818
Maturing between 3 and 5 years	703	687
Maturing between 5 and 10 years	1,203	1,262
Maturing between 10 and 20 years	935	1,051
Total non-current	**3,657**	**3,818**

Amounts recognised in the income statement (DKKm)	2021	2020
Expense relating to short-term leases	(83)	(82)
Expense relating to leases of low-value assets	(1)	(1)
Income from sublease	109	92
Depreciation charge of lease assets, cf. above	(380)	(394)
Interest expense (included in financing costs)	(191)	(238)

Comments

The Group leases various offices, exchanges, mobile sites, retail stores, vehicles and equipment. Rental contracts are typically made for fixed periods of 3 to 15 years but may have extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The total cash outflow for leases in 2021 was DKK 508m (2020: DKK 536m). The amount is excluding short-term leases and leases of low-value assets.

At 31 December 2021, the future sublease payment amounted to DKK 397m (2020: DKK 237m).

Lease reassessments

TDCH is continuously aiming at decommissioning legacy networks as a measure to obtain costs savings in numerous areas, such as rent, power, maintenance, workforce, etc. The most recent business plans from 2020 for decommissioning legacy networks imply a reduced need for leasing square meters for technical equipment. Accordingly, it is no longer considered to be necessary to exercise certain extension options in TDCs lease agreements. Previously it was considered necessary to use certain extension options until 2047, i.e. beyond the lease termination in 2037-2041. The reassessed business plans have resulted in a DKK 804m reduction in the lease assets and the lease liabilities.

3.3 | Lease assets and liabilities (continued)

Critical accounting estimates and judgements

Impairment tests of lease assets require management to make significant estimates related to vacant tenancies. Management has estimated the expected sublease income net of operating cost. For each category of lease assets (offices, exchanges, etc.) and in consideration of the geographical location, the probability of obtaining income from sublease and expected sublet rent rates is estimated. The most critical assumptions used in determining the write-down relate to the probability of sublease and expected sublet rent rates that will be impacted by e.g. changed market conditions for subletting.

The Group has 173,023 square metres of leased tenancies no longer used by the Group (2020: 162,458). Of this, 116,918 square metres were sublet (2020: 95,831). The leases terminate in 2041 at the latest.

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.

Significant judgements are involved when assessing the future capacity needs for leases and as such the use of extension options.

Accounting policies

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, which is the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the lease asset in a similar economic environment with similar terms, security and conditions.

The incremental borrowing rates are based on our existing credit facilities and observable market data.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the lease asset.

Lease payments are allocated between instalments and financing costs. The financing costs are charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Lease assets are measured at cost less accumulated depreciation and write-downs for impairment. Cost comprises the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- decommissioning costs.

Lease assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the lease asset is depreciated over the underlying asset's useful life cf. note 3.2.

Impairment tests on lease assets are performed at least annually and, if necessary, when circumstances indicate their carrying amounts may not be recoverable. Write-downs of lease assets related to vacant tenancies are based on expectations concerning timing and scope, future cost level, etc. The calculation of the write-downs comprises rent and operating costs for the contract period minus the expected rental income from subleases.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are expensed as incurred. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

3.4 | Trade receivables

(DKKm)	2021	2020
Trade receivables	1,630	1,860
Expected credit losses	(186)	(204)
Trade receivables, net	**1,444**	**1,656**
Expected credit losses at 1 January	(204)	(228)
Expected credit losses recognised	(46)	(69)
Realised credit losses	38	70
Reversed expected credit losses	26	23
Expected credit losses at 31 December	**(186)**	**(204)**

Trade receivables (DKKm)	**Not yet due**	**Less than 1 month past due**	**More than 1 month past due**	**More than 3 months past due**	**More than 6 months past due**	**Total**
2021						
Expected loss rate	1%	2%	3%	11%	75%	11%
Gross carrying amount	1,135	166	61	44	224	1,630
Expected credit losses	(8)	(4)	(2)	(5)	(167)	(186)
2020						
Expected loss rate	-	1%	8%	30%	80%	11%
Gross carrying amount	1,371	156	73	31	229	1,860
Expected credit losses	(5)	(1)	(6)	(9)	(183)	(204)

Comments

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

Of the receivables classified as current assets, DKK 0m falls due after more than one year (2020: DKK 5m).

The impact from COVID-19 has been taken into consideration when estimating the allowances for doubtful debts, but the increase in losses is not expected to be significant.

Accounting policies

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

TDCH group applies the simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables, contract assets and lease receivables. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

3.5 | Contract assets and liabilities

(DKKm)	2021	2020
Assets recognised from costs to obtain a contract (SAC)	204	212
Assets recognised from costs to fulfil a contract	139	109
Work in progress for the account of third parties	52	57
Total contract assets	**395**	**378**
Deferred subscription income	2,326	2,310
Other deferred income	39	43
Work in progress for the account of third parties, liabilities	17	45
Total contract liabilities	**2,382**	**2,398**

Comments

Of the deferred subscription income, DKK 38m (2020: DKK 38m) will be recognised as income after more than one year.

Revenue recognised in 2021 that was included in deferred subscription income at the beginning of the period amounted to DKK 2,272m (2020: DKK 2,358m).

Costs recognised in 2021 that were included in assets recognised from costs to obtain a contract (SAC) at the beginning of the period amounted to DKK 132m (2020: DKK 148m). Assets to fulfil a contract at the beginning of the period DKK 25m (2020 DKK 18m) was recognised as costs in 2021.

Of the assets recognised from costs to obtain a contract (SAC), DKK 82m (2020: DKK 79m) and DKK 103m (2020: DKK 80m) of costs to fulfil a contract will be recognised as costs after more than one year.

Accounting policies

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.

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

3.6 | Provisions

(DKKm)	2021 Decom-missioning obligations	Restructuring obligations	Other provisions	Total	2020
Provisions at 1 January	304	73	84	461	411
Provisions made	16	184	124	324	195
Change in present value	(2)	-	-	(2)	51
Provisions used (payments)	(2)	(155)	(8)	(165)	(196)
Reversal of unused provisions	-	-	(8)	(8)	-
Currency translation adjustments	-	-	1	1	-
Provisions at 31 December	**316**	**102**	**193**	**611**	**461**
Of which recognised through special items in the income statement	**-**	**95**	**111**	**207**	**73**
Recognised as follows in the balance sheet:					
Non-current liabilities	316	18	81	415	403
Current liabilities	-	84	112	196	58
Total	**316**	**102**	**193**	**611**	**461**

Specification of how payments regarding provisions are recognised in the statements of cash flow (DKKm)	2021	2020
Payments related to provisions	(22)	(24)
Cash flow related to special items	(143)	(166)
Investment in enterprises	-	(6)
Total	**(165)**	**(196)**

3.6 | Provisions (continued)

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. 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.

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 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 below.

Average redundancy cost per full-time employee equivalent[1] (DKK thousands)	**2021**	**2020**
Non-civil servants	388	307
Former Danish civil servants	1,118	2,112
Employees with civil-servant status	865	660
Weighted average per full-time employee equivalent	446	379
Number of redundancies	318	436

[1] Excluding corporate management.

Accounting policies

Provisions are recognised when the Group has a legal or constructive obligation arising from past events, it is probable that economic benefits must be sacrificed to settle it, and the amount can be estimated reliably.

Provisions for restructuring, etc. are recognised when a final decision thereon has been made before or on the balance sheet date and has been announced to the parties involved, provided that the amount can be measured reliably. Provisions for restructuring are based on a defined plan, which means that the restructuring commences immediately after the decision has been made.

When the Group is under an obligation to demolish an asset or re-establish the site where the asset was used, a liability corresponding to the present value of estimated future costs is recognised and an equal amount is capitalised as part of the initial carrying amount of the asset. Subsequent changes in such a decommissioning liability that results from a change in the current best estimate of cash flows required to settle the obligation or from a change in the discount rate are added to (or deducted from) the amount recognised for the related asset. However, to the extent that such a treatment would result in a negative asset, the effect of the change is recognised as profit or loss for the year.

Provisions are measured at Management's best estimate of the amount at which the liability is expected to be settled. Provisions are discounted if the effect is material to the measurement of the liability.

3.7 | Pension assets and pension obligations

Worth noting

In a defined contribution plan, TDCH 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, TDCH group needs to address this through increased levels of contribution. The Group has a defined benefit plan in TDC Pension Fund. 712 of TDCH group's employees are covered by the defined benefit plan, while all other employees are covered by defined contribution plans. TDCH group makes contributions to TDC Pension Fund, which is not consolidated in these financial statements, but is reflected in the balance sheet under pension assets. TDC Pension Fund can under certain circumstances distribute excess capital to TDCH group triggering a payment to members of the pension fund as well. TDCH group's pension assets and pension obligations are outlined in more detail in the following.

Defined benefit plan

Under conditions similar to those provided by the Danish Civil Servants' Pension Plan, 712 of TDCH group's employees (2020: 796) were entitled to pensions from the pension fund related to the Group. Of these, 21 (2020: 70) employees were seconded to external parties in connection with outsourcing tasks or divesting operations. In addition, 7,514 (2020: 7,637) 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 TDCH group.

With effect from 2019, TDC Pension Fund can under certain circumstances distribute excess capital to TDCH group triggering a payment to members of the pension fund as well. The members of the pension fund receive 7.5% of a potential future distribution from TDC Pension Fund. Pensioners receive the distribution as part of the current pension payments, while employees in service receive a supplement to their future pension benefits. The pension members share of distribution are expensed when incurred and recognised in special items. In 2021, TDC Pensions Fund distributed DKK 318m (2020: DKK 235m) of which TDCH group received DKK 274m (2020: DKK 200m).

Ordinary monthly contributions to the pension fund are made corresponding to a percentage of wages. The ordinary contributions were 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 stem from 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 TDCH group's financial results. Uncompensated risk related to nominal interest rates and inflation has been hedged.

In 2011, the Danish FSA introduced the longevity benchmark for statutory purposes, and the fund's actuary has since on a yearly basis conducted de tailed longevity statistical analysis that has generally 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 5.9bn (2020: DKK 3.6bn). The equity of the pension fund amounted to approx. DKK 7.0bn (2020: DKK 4.6bn). The equity differs from the pension assets recognised in accordance with IFRS (DKK 10.6bn) 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.

3.7 | Pension assets and pension obligations (continued)

Assets and obligations (DKKm)	**2021**	**2020**
Specification of pension assets		
Fair value of plan assets	34,379	31,982
Defined benefit obligation	(23,817)	(23,954)
Pension assets recognised in the balance sheet	**10,562**	**8,028**
Change in defined benefit obligation		
Defined benefit obligation at 1 January	(23,954)	(23,967)
Service cost	(72)	(85)
Administrative expenses	(10)	(11)
Interest cost on the defined benefit obligation	(82)	(180)
Termination benefits	(14)	(17)
Past service cost – distribution of excess capital	(9)	(5)
Remeasurement effect:		
Demographic experience	383	207
Financial assumptions	(1,135)	(955)
Benefit paid	1,076	1,059
Projected benefit obligations at 31 December	**(23,817)**	**(23,954)**
Change in fair value of plan assets		
Fair value of plan assets at 1 January	31,982	31,430
Interest income on plan assets	110	237
Actual return on plan assets greater/(less) than discount rate (remeasurement effect)	3,659	1,597
Distribution of excess capital	(309)	(230)
TDC's contribution	13	7
Benefit paid	(1,076)	(1,059)
Fair value of plan assets at 31 December	**34,379**	**31,982**
Change in pension assets		
Pension assets at 1 January	8,028	7,463
Pension (costs)/income	(68)	(56)
Remeasurement effects	2,907	849
Distribution of excess capital	(318)	(235)
TDC's contribution (see also table below)	13	7
Pension assets recognised in the balance sheet at 31 December	**10,562**	**8,028**

Asset allocation by asset categories at 31 December (DKKm)	**2021**	**2020**
Assets with quoted prices:		
Government and mortgage bonds (incl. hedges and repos)	14,254	10,906
High-yield bonds	6,126	5,269
Investment grade bonds	2,857	3,890
Emerging markets-debt	2,284	3,199
Property	2,381	2,743
Equities	1,304	108
Cash	154	182
Other	(176)	834
Assets without quoted prices:		
High-yield bonds	639	719
Investment grade bonds	2,504	1,822
Property	2,052	1,760
Equities	-	550
Fair value of plan assets	**34,379**	**31,982**

Assumptions used to determine defined benefit obligations (balance sheet) (%)	**2021**	**2020**
Discount rate	0.96	0.35
General price/wage inflation	2.13	1.19

Assumptions used to determine pension (costs)/income (%)	**2022**	**2021**	**2020**
Discount rate	0.96	0.35	0.77
General price/wage inflation	2.13	1.19	1.30

3.7 | 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 TDCH group's pension costs, the assumed discount rate was 0.35% (0.77% in 2020) and inflation was 1.19% (1.30% in 2020). The assumptions for 2022 reflect a discount rate increase to 0.96% and an increase of the assumed inflation rate to 2.13%.

In 2022, with these changed assumptions, pension costs from the domestic defined benefit plan are expected to amount to DKK 19m (2021: cost of DKK 54m), assuming all other factors remain unchanged. The Group's contribution are expected to amount to DKK 7m (2021: DKK 7m).

The remeasurement effects in 2021 of DKK 2,907m covered primarily a gain related to the plan assets (DKK 3,659m) as the actual return was higher than the expected return[1] and a loss related to the benefit obligation (DKK 752m) resulting from the increasing inflation rate (from 1.19% to 2.13%), which was partly offset by the increasing discount rate (from 0.35% to 0.96%).

In 2020, the remeasurement effects of DKK 849m covered primarily a gain related to the plan assets (DKK 1,597m) as the actual return was higher than the expected return[1] and a loss related to the benefit obligation (DKK 748m) resulting from the decreasing discount rate (from 0.77% to 0.35%), was partly offset by the decreasing inflation rate (from 1.30% to 1.19%).

The mortality assumptions are based on a yearly mortality study, which analyses the actual mortality experience of the TDCH 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 beside shows the estimated impact of some of the risks to which TDCH 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.

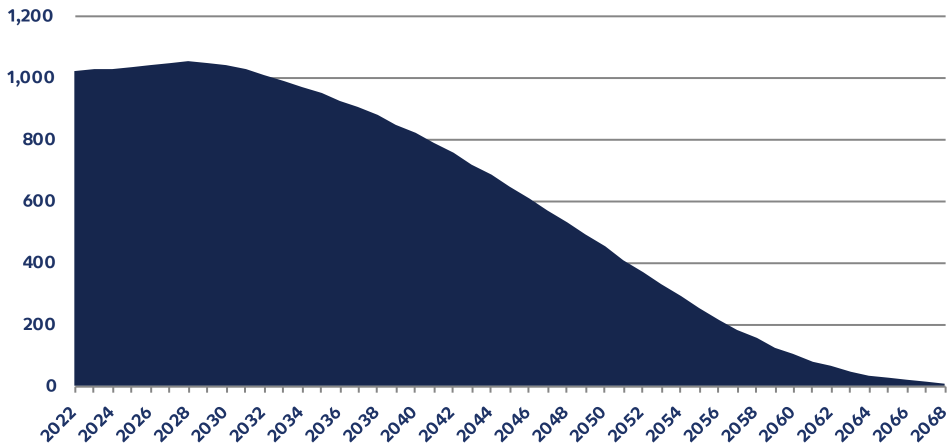
Pension (costs)/income (DKKm)	**Expected 2022**	**2021**	**2020**
Service costs	(72)	(72)	(85)
Administrative expenses	(10)	(10)	(11)
Personnel expenses (included in EBITDA)	(82)	(82)	(96)
Interest on pension assets	101	28	57
Pension (costs)/income	**19**	**(54)**	**(39)**
Domestic redundancy programmes recognised in special items		(14)	(17)
Members' part of distribution of excess capital		(44)	(35)
Total pension (costs)/income recognised in the income statement		**(112)**	**(91)**

Sensitivity analysis (DKKm)	**2021**	**2020**
Reported defined benefit obligation	23,817	23,954
Discount rate sensitivity	**0.96%**	**0.35%**
Assumption -0.5%	25,536	25,692
Assumption +0.5%	22,272	22,394
General price/wage inflation sensitivity	**2.13%**	**1.19%**
Assumption +0.25%	24,675	24,824
Assumption -0.25%	22,299	23,125
Mortality sensitivity		
Assumption +1 year longevity	24,941	25,027
Assumption -1 year longevity	22,712	22,897

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.

3.7 | Pension assets and pension obligations (continued)

Projected benefit payments[1] DKKm



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

Other information

Ultimately, 478 members of the defined benefit plans will have part of their pension payments reimbursed by the Danish government (2020: 491 members).

The related benefit obligations of DKK 389m (2020: DKK 384m) 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, TDCH 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 obligation does not take into account potential distributions of excess capital which is under TDC's control. 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.

Past service costs are recognised as an expense when a plan amendment or curtailment occurs.

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.

Section 4

Capital structure and financing costs

This section includes disclosures related to 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. In this section

4.1 |Equity

Comments

The total authorised number of shares is 812,000,000 with a par value of DKK 1 per share (unchanged in 2021 and 2020). All issued shares have been fully paid up.

During 2021, total equity increased by DKK 1,973m to DKK 17,227m due mainly to remeasurement effects related to defined benefit pension plans after tax (DKK 2,267m) offset by distributed interim dividends (DKK 735m) to DK Telekommunikation ApS.

During 2020, total equity decreased by DKK 32m to DKK 15,254m due mainly to distributed interim dividends (DKK 875m) to DK Telekommunikation ApS partly offset by the positive total comprehensive income (DKK 850m).

The parent company statement of changes in equity specifies which reserves are available for distribution. The distributable reserves amounted to DKK 33,534m at 31 December 2021 (2020: DKK 31,159m before proposed dividend). At the Annual General Meeting, the Board of Directors will not propose any dividend for the financial year 2021.

Dividend payments to DK Telekommunikation ApS during 2021 amounted to DKK 735m (2020: DKK 875m).

Accounting policies

Treasury shares

The cost of treasury shares is deducted from equity under retained earnings on the date of acquisition. Similarly, payments received in connection with the disposal of treasury shares are recognised directly in equity.

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.

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.

Treasury shares	**Shares** (number)	**Nominal value** (DKKm)	**% of share capital**
Holding at 1 January 2020	5,986,796	6	0.74
Used during the year	-	-	-
Holding at 1 January 2021	**5,986,796**	**6**	**0.74**
Used during the year	-	-	-
Holding at 31 December 2021	**5,986,796**	**6**	**0.74**

4.2 | Loans and derivatives

Worth noting

TDCH group is financed through the European bond market (EMTN) and the market for syndicated senior secured bank loans (Senior Facility Agreement or SFA). TDCH group also has a Revolving Credit Facility to support its daily liquidity management.

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

The Group's outstanding EMTN bonds have been issued in EUR and GBP with fixed interest rates. The GBP bonds have been swapped to fixed EUR nominal value and interest rates.

The Group's outstanding SFA loan has been issued in EUR with floating interest rates and is partly hedged to fixed interest rates due to requirements in the Senior Facility Agreement (SFA).

Derivatives are used for hedging interest and exchange-rate exposure only.

Loans (DKKm)	**2021**	**2020**
SFA loan[1]	14,105	14,107
EMTN[1]	7,466	7,252
Spectrum licence fee liabilities[1]	1,964	1,361
Short-term bank loans	570	5
Total	**24,105**	**22,725**
Recognised as follows in the balance sheet:		
Non-current liabilities	19,624	22,690
Current liabilities	4,481	35
Total	**24,105**	**22,725**

[1] For maturity profiles of expected cash outflows and fair value of debt, see note 4.6.

Comments

Events after the balance sheet date:

- On 31 January 2022, TDC NET entered into a committed long-term banking facility of EUR 3.3bn on a new secured infra-structure financing platform of which EUR 0.5bn is liquidity facilities.
- On 3 February 2022 an interim dividend of DKK 8,750m was distributed to TDC Holding A/S from TDC NET. In addition, the proceeds from the closing under the new financing for TDC NET were used to prepay existing senior secured indebtedness at TDC Holding A/S, including the EUR 1.9bn Term Loan B and outstanding drawings under the EUR 845m revolving credit facilities. The EUR 500m 5% March 2022 senior unsecured notes will be redeemed at maturity, while the GBP 425m 6.875% 2023 senior unsecured notes will remain outstanding until maturity.

4.2 | Loans and derivatives (continued)

Euro Medium Term Notes (EMTNs) and Senior Facility Agreement (SFA) loan	2022	2023	2024	2025	Total
Maturity	Mar 2022	Feb 2023	Jan 2024	Jun 2025	
Fixed/floating rate	Fixed	Fixed	Floating	Floating	
Coupon	5%	6.875%	Margin + floored Euribor[1]	Margin + floored Euribor[1]	
Currency	EUR	GBP	DKK	EUR	
Type	EMTN Bond	EMTN Bond	RCF	SFA loan	
Nominal value (DKKm)	3,718	3,754	565	14,130	22,167
Nominal value (currency)	500	425	565	1,900	
– Of which nominal value swapped to EUR or DKK (currency)[2]	200	425	-	-	
Nominal value of debt incl. currency hedging in DKKm	3,723	3,718	565	14,130	22,136
– Of which nominal value swapped to or with floating interest rate (EURm)[3]	100	-	76	1,775	1,951
– Of which nominal value swapped to or with fixed interest rate (EURm)[3]	400	500	-	125	1,025

[1] The SFA Loan have Euribor floor at zero and a margin of 3.00% per 31-12-2021. DKK 565m of RCF has a margin of 2.30%.
[2] EUR exposures are not considered a significant risk due to the fixed EUR/DKK exchange rate policy.
[3] The maturity of interest rate swaps used for hedging long-term EMTN bonds matches the maturity of the underlying EMTN bonds. The fixed GBP interest is swapped to fixed EUR. EUR 125m used for hedging long-term SFA loan matures in March 2022.

§ Accounting policies

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

Other financial liabilities are measured at amortised cost.

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.

4.3 | Financial risks

Worth noting

TDCH 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 the cash flow from investing in the business and financing activities. As a consequence of TDCH group's capital structure and financing, the Group faces interest-rate and exchange-rate risks. TDCH's Group Treasury identifies, monitors and manages these risks through policies and procedures that are revised and approved by the Board of Directors on annual basis.

TDCH group's financial strategy defines maxima/minima for interest-rate, exchange-rate and counterparty risks as well as maxima/minima for a range of other variables. Together with market values of financial assets and liabilities, these exposures are calculated and monitored daily and reported monthly to top management.

Interest-rate risks

TDCH group is exposed to interest-rate risks in the euro area, as 100% of the nominal gross debt is denominated in or swapped to EUR or 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.

Throughout 2021, the Group monitored and managed its interest-rate risks using several variables in line with the Group's financial policy targets.

The following variables are monitored:

- BPV (basis point value or DKK change in the value of the financial portfolio for a one basis-point change in interest rates) within limits
- The duration (interest-rate sensitivity) of TDCH group's financial assets shall not exceed 0.25 years
- TDCH's cash flow at risk (statistical measure based on historical data) shall not exceed DKK 100m

Monitored interest-rate risk variables (average)	**Maxima/ minima**	**Average 2021**	**Average 2020**
Share of floating interest-rate debt		58%	54%
Actual financial portfolio BPV (DKKm)		3.39	5.1
Max. BPV of the financial portfolio (DKKm)[1]		4.7	11.0
Duration of financial assets (years)	Max. 0.25	-	-
Cash flow at Risk	Max. 100m	27.9	11.6

[1] At 31 December 2021, a +/- 1 percentage point parallel shift in the interest-rate curve would impact profit for the year by approx. DKK 101/-37m due to changes in fair value adjustments and paid interest (2020: -59/-8m). Numbers are significantly higher compared to 2020 because of the forthcoming maturity of the EMTN '22, which increases the overall rate sensitivity. A negative 1 percentage point parallel shift will not impact the receivable interest on the SFA loan due to a 3.00% floor. The impact on equity is estimated to be immaterial in both years.

4.3 | Financial risks (continued)

Exchange-rate risks

TDCH group is exposed primarily to exchange-rate risks from USD, GBP and EUR. The GBP bonds have been swapped to EUR.

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

Due to TDCH group's capital structure, the exposure from financial activities in EUR is significant, as 90% of the nominal gross debt (including derivatives) is denominated in EUR. However, due to the fixed EUR/DKK exchange-rate policy of the Danish government (in place since 1982), the EUR-position does not constitute a significant risk. The last 10% of the nominal debt is in DKK. The Group's EUR exposure was DKK 20.1 bn at year-end 2021 (2020: DKK 19.9bn).

Throughout 2021, TDCH group monitored and managed its exchange-rate risks using several variables in accordance with the Group's financial strategy to protect mainly the Group's financial policy targets. The following variables are monitored:

- Total open gross position, including payables and receivables, cash accounts, financing (including derivatives) and marketable securities in other currencies than DKK and EUR must not exceed DKK 500m
- Forecasted cash flows in other currencies than EUR and DKK are broadly hedged on ongoing basis. Financial policy allows for up to DKK 35m in VaR from foreign currency and is measured and tested on a monthly basis. VaR is a measure of the maximum potential loss (caused by changes in market exchange rates) with 90% certainty within a certain time frame.

In addition to the above variables, the financial strategy includes a range of exchange-rate hedging policies that e.g. stipulate the guiding rule that EUR positions of TDCH group companies with local currencies in DKK or EUR are not to be hedged.

Credit risks

TDCH group is exposed to credit risks principally as a provider of telecommunications services in Denmark and as counterparty in financial contracts. The credit risk arising from supplying telecommunications services is handled by subsidiaries, 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).

Financial transactions with a potential financial exposure for TDCH group are entered into only with counterparties holding the long-term credit rating of at least BBB+ from Standard & Poor's or Baa1 from Moody's. Each counterparty credit line is determined by the counterparty's credit rating and is of a size that spreads the credit risks of total credit lines over several counterparties. However, should one of the Group's counterparties default, the Group might incur a loss.
At 31 December 2021, TDCH only had positive counterparty exposures towards either global or domestic systemically important financial institutions.

TDCH group's maximum credit risks, including both commercial and financial contracts, amounted to DKK 2,254 m at 31 December 2021 (2020: DKK 2,253m).

Monitored exchange-rate risk variables (end-of-period) (DKKm)	Maxima	Average 2021	Average 2020
Value at Risk (VaR)	35	12.7	15
Total open gross position in other currencies than DKK and EUR[1]	500	44.2	68

[1] Including payables and receivables, cash accounts and financing (including derivatives).

Liquidity risks

TDCH group has short-term refinancing risk as TDC Holding A/S' 2022 EMTN matures in March 2022. These refinancing risks were mitigated in Jan-22 through entering into committed long term bank facilities.

The committed Revolving Credit Facilities provided by a group of banks under the Senior Facility Agreement (SFA) totaled EUR 845m (or DKK 6,284 m) at 31 December 2021 including an additional EUR 345m RCF raised in 2021.

Undrawn credit lines

At year-end 2021, TDCH group had undrawn committed credit lines totaling DKK 5,708m under the SFA.

4.4 | Credit ratings and net interest-bearing debt

Worth noting

Credit rating

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

The senior secured credit facilities borrowed by TDCH contain change-of-control provisions customary for this type of financing. Further, the senior secured credit facilities contain customary cross-default provisions in relation to certain other indebtedness of DK Telekommunikation, TDCH and its subsidiaries.

The EMTN notes issued by TDCH contain change-of-control provisions customary for this type of financing. Further, the EMTN notes contain customary cross-default provisions in relation to certain other indebtedness of TDCH and its principal subsidiaries.

Comments

In 2021, net interest-bearing debt increased by DKK 780m. The increase was due to dividend payment of DKK 735m to DK Telekommunikation Aps and the non-cash part of the acquisition of new spectrum licences of DKK 663m partly offset by a positive net cash flow from operating and investing activities of DKK 918m

Net interest-bearing debt decreased in 2020 by DKK 592m. DKK 804m of the decrease was due to the reassessment of lease liabilities, cf. note 3.3. The decrease was also impacted by a positive net cash flow from operating and investing activities of DKK 727m and dividend payment of DKK 875m to DK Telekommunikation ApS

TDCH group's company ratings at 31 December 2021	Corporate rating	Senior unsecured debt	Senior secured debt	Outlook
Rating				
S&P	B	B+	B+	Stable
Moody's		B1	B1	Stable
Fitch		BB+	BB+	Stable

4.4 | Credit ratings and net interest-bearing debt (continued)

Net interest-bearing debt (DKKm)

2021	At 1 January 2021	Included in cash flows from: Investing activities	Included in cash flows from: Financing activities	Non-cash changes: Debt from new licenses and leases	Non-cash changes: Currency translation adjustment	Non-cash changes: Other[2]	At 31 December 2021
Loans incl. short-term part	22,725	(109)	565	663	213	48	24,105
Lease liabilities incl. short term part	4,307	-	(317)	174	-	(32)	4,132
Interest-bearing payables	2	-	-	-	-	-	2
Corrections for derivatives and reversals of fixed fair values on loans due to hedge accounting[1]	173	-	-	-	(227)	21	(33)
Total interest-bearing debt	**27,207**	**(109)**	**248**	**837**	**(14)**	**37**	**28,206**
Interest-bearing receivables and investments	(161)						(3)
Cash	(434)						(811)
Net interest-bearing debt	**26,612**						**27,392**
Hereof impact of IFRS 16	(4,249)						(4,077)
Net interest-bearing debt excl. impact of IFRS 16	**22,363**						**23,315**

2020	At 1 January 2020	Included in cash flows from: Investing activities	Included in cash flows from: Financing activities	Non-cash changes: Debt from new licences and leases	Non-cash changes: Currency translation adjustment	Non-cash changes: Other[2]	At 31 December 2020
Loans incl. short-term part	23,748	(93)	(676)	-	(291)	37	22,725
Lease liabilities incl. short term part	5,242	-	(298)	167	-	(804)	4,307
Interest-bearing payables	2	-	-	-	-	-	2
Corrections for derivatives and reversals of fixed fair values on loans due to hedge accounting[1]	(58)	-	-	-	210	21	173
Total interest-bearing debt	**28,934**	**(93)**	**(974)**	**167**	**(81)**	**(746)**	**27,207**
Interest-bearing receivables and investments	(153)						(161)
Cash	(1,577)						(434)
Net interest-bearing debt	**27,204**						**26,612**
Hereof impact of IFRS 16	(5,177)						(4,249)
Net interest-bearing debt excl. impact of IFRS 16	**22,027**						**22,363**

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.
2 Includes amortisation of borrowing costs, lease reassessment and fair value adjustment.

4.5 |Financial income and expenses

(DKKm)	2021	2020
Interest income	30	31
Interest expenses	(1,275)	(1,220)
Net interest	**(1,245)**	**(1,189)**
Currency translation adjustments	(219)	286
Fair value adjustments	247	(208)
Interest, currency translation adjustments and fair value adjustments	**(1,217)**	**(1,111)**
Profit/(loss) from joint ventures and associates	49	(2)
Interest on pension assets	27	57
Total	**(1,141)**	**(1,056)**

In TDC´s internal reporting, currency translation adjustments and interest from derivatives are reported as such, as specified in the adjacent table.

(DKKm)	Net interest	Currency translation adjustments	Fair value adjustments	Total
2021				
Senior Facility Agreement (SFA) loans	(444)	11	1	(432)
Euro Medium Term Notes (EMTNs)	(395)	5	(43)	(433)
Lease liabilities	(191)	-	-	(191)
Other	(171)	(6)	16	(161)
Total	**(1,201)**	**10**	**(26)**	**(1,217)**
2020				
Senior Facility Agreement (SFA) loans	(441)	57	5	(379)
Euro Medium Term Notes (EMTNs)	(389)	24	(11)	(376)
Lease liabilities	(238)	-	-	(238)
Other	(93)	(6)	(19)	(118)
Total	**(1,161)**	**75**	**(25)**	**(1,111)**

Comments

Interest, currency translation adjustments and fair value adjustments represented an expense of DKK 1,217m in 2021. The increase of DKK 106m compared with 2020 was driven primarily by:

- Interest: Primarily higher commitment fees and interest relating to RCF (Revolving Credit Facility) and Spectrum licence fee liabilities. Lower interest relating to lease liabilities in 2021, due to the reduced leasing liabilities in Q4 2020 following the reassessment of future needs for leasing square meters of floor space for technical equipment.
- Currency adjustments: During 2021, the EUR exchange rate decreased by less than in 2020, resulting in lower gains relating to EUR loans and GBP loans swapped to EUR compared with 2020

Cash flow from net interest (DKKm)	2021	2020
Interest received	328	324
Interest paid	(1,448)	(1,285)
Net interest paid	**(1,120)**	**(961)**
Specified as follows:		
Senior Facility Agreement (SFA) loans incl. hedges	(433)	(260)
Euro Medium Term Notes (EMTNs) incl. hedges	(401)	(406)
Lease liabilities	(191)	(238)
Other	(95)	(57)
Net interest paid	**(1,120)**	**(961)**

Net interest of DKK 1,120m paid in 2021 represented a DKK 159m increase compared with 2020 (DKK 961m), driven primarily by a transition from monthly payments to semi-annual payments on the SFA loan, higher interest as well as commitment fees relating to RCF (Revolving Credit Facility). This was partly offset by lower interest paid regarding lease liabilities, due to the reduced leasing liabilities in Q4 2020 following the reassessment of future needs for leasing square meters of floor space for technical equipment.

4.6 | Maturity profiles of financial instruments

(DKKm)	2021						
Maturity profiles of expected cash flows[1]	**< 1 year**	**1-3 years**	**3-5 years**	**> 5 years**	**Total**	**Fair value**	**Carrying amount**
Financial assets and liabilities measured at fair value through profit or loss							
Assets[2]:							
Derivatives							
Inflow	178	934	-	-	1,112		
Outflow	(143)	(869)	-	-	(1,012)		
Total derivatives assets	**35**	**65**	**-**	**-**	**100**	**88**	**88**
Liabilities:							
Derivatives							
Inflow	1.723	3,031	-	-	4,754		
Outflow	(1,720)	(3,043)	-	-	(4,763)		
Total derivatives liabilities	**3**	**(12)**	**-**	**-**	**(9)**	**(50)**	**(50)**
Total derivatives	**38**	**53**	**-**	**-**	**91**	**38**	**38**
Financial liabilities measured at amortised cost							
Senior Facility Agreement (SFA) loan	-	-	(14,130)	-	(14,130)	(14,130)	(14,105)
Euro Medium Term Notes (EMTNs)	(3,718)	(3,754)	-	-	(7,472)	(7,743)	(7,466)
Bank loans	(570)	-	-	-	(570)	(570)	(570)
Spectrum licence fee liabilities	(192)	(463)	(483)	(1,125)	(2,263)	(1,964)	(1,964)
Total loans	(4,480)	(4,217)	(14,613)	(1,125)	(24,435)	(24,407)	(24,105)
Lease liability	(479)	(891)	(842)	(3,447)	(5,659)	(4,132)	(4,132)
SFA and EMTN, interest[3]	(904)	(1,180)	(458)	-	(2,542)	(568)	(568)
Trade and other payables[4]	(2,095)	-	-	-	(2,095)	(2,095)	(2,095)
Total financial liabilities measured at amortised cost	**(7,958)**	**(6,288)**	**(15,913)**	**(4,572)**	**(34,731)**	**(31,202)**	**(30,900)**
Total 2021	**(7,920)**	**(6,235)**	**(15,913)**	**(4,572)**	**(34,640)**	**(31,164)**	**(30,862)**

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 SFA loan and EMTNs at 31 December 2021.
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.

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).

4.6 | Maturity profiles of financial instruments (continued)

(DKKm) 2020

Maturity profiles of expected cash flows[1]	< 1 year	1-3 years	3-5 years	> 5 years	Total	Fair value	Carrying amount
Financial assets and liabilities measured at fair value through profit or loss							
Assets[2]:							
Derivatives							
Inflow	142	2,548	-	-	2,690		
Outflow	(108)	(2,513)	-	-	(2,621)		
Total derivatives assets	**34**	**35**	**-**	**-**	**69**	**45**	**45**
Liabilities:							
Derivatives							
Inflow	579	3,001	-	-	3,580		
Outflow	(604)	(3,202)	-	-	(3,806)		
Total derivatives liabilities	**(25)**	**(201)**	**-**	**-**	**(226)**	**(270)**	**(270)**
Total derivatives	**9**	**(166)**	**-**	**-**	**(157)**	**(225)**	**(225)**
Financial liabilities measured at amortised cost							
Senior Facility Agreement (SFA) loan	-	-	(14,139)	-	(14,139)	(14,139)	(14,107)
Euro Medium Term Notes (EMTNs)	-	(7,249)	-	-	(7,249)	(7,776)	(7,252)
Bank loans	(5)	-	-	-	(5)	(5)	(5)
Spectrum licence fee liabilities	(30)	(384)	(354)	(810)	(1,578)	(1,361)	(1,361)
Total loans	(35)	(7,633)	(14,493)	(810)	(22,971)	(23,281)	(22,725)
Lease liability	(502)	(886)	(821)	(3,808)	(6,017)	(4,307)	(4,307)
SFA and EMTN, interest[3]	(875)	(1,590)	(920)	-	(3,385)	(559)	(559)
Trade and other payables[4]	(2,689)	-	-	-	(2,689)	(2,689)	(2,689)
Total financial liabilities measured at amortised cost	**(4,101)**	**(10,109)**	**(16,234)**	**(4,618)**	**(35,062)**	**(30,836)**	**(30,280)**
Total 2020	**(4,092)**	**(10,275)**	**(16,234)**	**(4,618)**	**(35,219)**	**(31,061)**	**(30,505)**

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 SFA loan and EMTNs at 31 December 2020.
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.

Comments

TDCH group generally accepts that vendors sell-off their receivables arising from the sales to the Group to a third party. TDCH group has established a supply chain financing programme where vendors can sell off their receivables from TDCH group at attractive terms, but at the bank's sole discretion. TDCH group is not directly or indirectly a party to these agreements. At 31 December, the Group is aware of approx. DKK 189m of trade payables that are part of such agreements.

Section 5

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 3.7 Pension assets and pension obligations as well as note 4.5 Financial income and expenses. A review of cash flow is provided in the section TDCH group performance 2021 in the Management's review.

5. In this section

Accounting policies

Cash flow from operating activities is presented using the indirect method and is based on profit before interest, taxes, depreciation, amortisation and special items adjusted for non-cash operating items, cash flow related to special items, changes in working capital, interest received and paid as well as income taxes paid. 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 flows from operating, investing and financing activities of discontinued operations are presented with comparative figures in separate lines in the statement of cash flow.

Cash flow from financing activities comprises changes in interest-bearing debt, lease instalments, purchase of treasury shares and dividends to shareholders.

Cash and cash equivalents covers cash and marketable securities with a remaining life not exceeding three months at the time of acquisition, and with an insignificant risk of changes in value.

The cash flow statement cannot be derived solely from information presented in the financial statements.

5.1 | Adjustment for non-cash items

(DKKm)	2021	2020
Pension costs regarding defined benefit plans	82	95
(Gain)/loss on disposal of property, plant and equipment, net	(5)	(3)
Other adjustments	67	126
Total	**144**	**218**

5.2 | Change in working capital

(DKKm)	2021	2020
Change in inventories	(53)	32
Change in receivables	254	342
Change in contract assets	(17)	17
Change in trade payables	(285)	(102)
Change in contract liabilities	(16)	(130)
Change in prepaid expenses	182	(43)
Change in other items, net	(125)	177
Total	**(60)**	**293**

Section 6

Other disclosures

This section contains statutory notes or notes that are presumed to be less important for understanding the Group's financial performance.

6. In this section

6.1 | Incentive programmes

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

Short-term incentive programmes (STI)
The short-term bonus programmes are closely linked to our strategy. The performance measures are focused on EBITDA, capex, fibre connection performance, dividend capacity and NPS, but with variance between Nuuday, TDC NET and Group Functions.

Bonus payments are calculated as the individual employee's basic salary multiplied by the bonus percentage multiplied by the degree of target fulfilment.

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

Long-Term Incentive Programme (LTI)
The LTI programme is cash based and its objectives are linked to the long-term strategy. The programme is revolving with grants given each year but with a 3-year vesting period, as the goals are principally set for a 3-year period. The objectives are EBITDA, cash flow, fibre connection performance, Health & Safety, dividend capacity and NPS, but with variance between Nuuday, TDC NET and Group Functions. The expenses are recognised over the 3-year vesting period.

Bonus payments are calculated as the individual employee's basic salary multiplied by an LTI percentage multiplied by the degree of target fulfilment.

The LTI percentage usually varies within a range of 12%-36%. The target fulfilment can be maximum 200%.

Management Incentive Programme (MIP)
In July 2020, TDCH group established a new cash-based incentive programme for the Executive Committee and certain key managers (in all 38 participants). Under the MIP, the participants are required to place a deposit to the TDCH group to qualify for a return. The payback amounts are based on the development in certain financial performance measures of the group as well as certain business and Health & Safety KPIs over the period until 2023. The investment programme covers the time period 2019-2023. The participants have 40% of the deposits at risk of being lost in downside scenarios and the expected range of payouts are at 2x-4x the participants' deposit. The participants' total deposits amount to DKK 46m and the expenses for 2021 relating to the programme amounted to DKK 5m. (2020: DKK 6m). At 31 December 2021 the total liabilities related to the management incentive programme amounted to DKK 57m.

6.2 | Related parties

Name of related party	Nature of relationship	Domicile
DKT Holdings ApS	Indirect ownership – ultimate parent	Copenhagen, Denmark
DKT Finance ApS	Indirect ownership	Copenhagen, Denmark
DK Telekommunikation ApS	Ownership - parent	Copenhagen, Denmark
TDC Pensionskasse	Pension fund	Copenhagen, Denmark

Related parties also include the Group's joint ventures and associates shown in note 6.7.

The Group has annual contributions paid to the pension fund, TDC Pensionskasse, see note 3.7.

The Group has property lease contracts with Arbejdsmarkedets Tillægspension (ATP) and PFA who are shareholders of TDC's ultimate parent company, DKT Holdings ApS. The lease payments amounted to DKK 231m (2020: DKK 231m). The property lease contracts are a significant part of the lease liabilities.

TDC Holding A/S delivers administrative services to DKT Holdings ApS, DKT Finance ApS and DK Telekommunikation ApS.

Remuneration for the Board of Directors and the Executive Committee is specified in note 2.5.

The Group has the following additional transactions and outstanding balances with related parties:

Related parties (DKKm)	2021	2020
TDC Pensionskasse		
Other income	3	2
Interest income of subordinated loan	1	1
Subordinated loan to TDC Pensionskasse	-	149
Other receivables	-	1
Joint ventures and associates		
Income	6	2
Expenses	(3)	(3)
Receivables	-	9

6.3 | Fees to auditors

Fees to auditors elected by the Annual General Meeting (DKKm)	2021	2020
Deloitte 2021 / PricewaterhouseCoopers 2020		
Statutory audit	**5**	**6**
Other assurance engagements	1	1
Tax advisory services	-	-
Other services	1	3
Total non-statutory audit services	**2**	**4**
Total	**7**	**10**

Fee for other services than statutory audit services rendered by Deloitte to the Group amounted to DKK 2m and consisted mainly of the auditor's statements to customers regarding services provided by the Group and advisory services.

6.4 | Other financial commitments

(DKKm)	2021	2020
Lease commitments for short-term and low-value leases		
Short-term leases	41	40
Low-value leases	2	2
Total	43	42
Capital and purchase commitments		
Investments in intangible assets	215	386
Investments in property, plant and equipment	415	538
Commitments related to outsourcing agreements	154	251
Other purchase commitments	1,356	1,117
Total	**2,140**	**2,292**
Specified as follows:		
Due not later than one year	834	996
Due later than one year but not later than five years	1,306	1,296
Total	**2,140**	**2,292**

Worth noting

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

6.5 | Pledges and contingencies

Pledges

Cash with a carrying amount of DKK 811m is pledged as security for the Senior Facility Agreement.

See also note 6.4 to the Parent company financial statements.

Contingent liabilities

TDCH 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 TDCH group's financial position.

6.6 | Events after the balance sheet date

On 31 January 2022, TDC NET entered into a committed long-term banking facility of EUR 3.3bn on a new secured infrastructure financing platform of which EUR 0.5bn is liquidity facilities. TDC NET is contemplating to supplement its bank-financing by issuing bonds in the European bond market.

At 3 February 2022 an interim dividend DKK 8,750m was distributed to TDC Holding A/S from TDC NET. In addition, the proceeds from the closing under the new financing for TDC NET will be used to prepay existing senior secured indebtedness at TDC Holding A/S, including the EUR 1.9bn Term Loan B and outstanding drawings under the EUR 845m revolving credit facilities. The EUR 500m 5% March 2022 senior unsecured notes will be redeemed at maturity, while the GBP 425m 6.875% 2023 senior unsecured notes will remain outstanding until maturity.

There have been no other events that materially affect the assessment of this Annual Report 2021 after the balance sheet date and up to today.

6.7 | Overview of group companies at 31 December 2021

Company name[1]	Domicile	Currency	Ownership share (%)
Nuuday			
Nuuday A/S	Copenhagen, Denmark	DKK	100
Hiper A/S	Copenhagen, Denmark	DKK	100
TDC Telco ApS	Taastrup, Denmark	DKK	100
4T af 1. oktober 2012 ApS[2]	Copenhagen, Denmark	DKK	25
TDC NET			
TDC NET Holding A/S	Copenhagen, Denmark	DKK	100
TDC NET A/S	Copenhagen, Denmark	DKK	100
TDC NET Finance B.V.[2]	Amsterdam, the Netherlands	EUR	100
Dansk Kabel TV A/S	Copenhagen, Denmark	DKK	100
DKTV Anlæg ApS	Vemmelev, Denmark	DKK	100
Fiberkysten A/S	Gilleleje, Denmark	DKK	60
OCH A/S[3]	Copenhagen, Denmark	DKK	25
Other			
Ejendomsselskabet Ellegårdvej 23A ApS	Copenhagen, Denmark	DKK	100

[1] In order to give readers a clear presentation, minor companies without activities 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 and TDCH III ApS.

[2] TDC Net Finance B.V. was established in connection with the refinancing of the TDC Net group with the purpose of potentially issuing EUR denominated debt instruments that are eligible for financing at ECB. The company is however currently without activities and there are no immediate plans for the use of the company. The company will be taxable in Denmark under the rules of *Place of Effective Management* and as such part of the Danish joint taxation.

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

Parent company financial statements

Income statement

(DKKm)	Note	2021	2020
Revenue	2.1	1,203	1,354
External expenses		(482)	(481)
Personnel expenses	2.2	(264)	(422)
Other income		1	-
Operating profit before depreciation, amortisation and special items (EBITDA)		**458**	**451**
Depreciation, amortisation and impairment losses		(410)	(365)
Special items	2.3	(205)	(30)
Operating profit (EBIT)		**(157)**	**56**
Financial income and expenses	4.3	1,012	(1,815)
Profit/loss before income taxes		**855**	**(1,759)**
Income taxes	2.4	38	43
Profit for the year		**893**	**(1,716)**

Statement of comprehensive income

(DKKm)	Note	2021	2020
Profit for the year		893	(1,716)
Items that may subsequently be reclassified to the income statement:			
Reversal of currency translation adjustments		-	(8)
Change in fair value adjustments of cash flow hedges transferred to financial expenses		45	44
Items that cannot subsequently be reclassified to the income statement:			
Remeasurement of the defined benefit plan		2,907	849
Income tax relating to remeasurement of defined benefit plan	2.4	(640)	(187)
Other comprehensive income		2,312	698
Total comprehensive income		**3,205**	**(1,018)**

Balance sheet

Assets (DKKm)	**Note**	**2021**	**2020**	**2019**
Non-current assets				
Intangible assets		-	84	33
Property, plant and equipment		244	232	206
Lease assets	3.1	2,793	2,996	3,907
Investments in subsidiaries	3.2	27,218	26,082	28,074
Other investments		2	3	14
Pension assets	3.3	10,562	8,028	7,463
Receivables from group companies	3.4	17,979	21,712	21,712
Other receivables		4	155	154
Prepaid expenses		18	23	33
Total non-current assets		**58,820**	**59,315**	**61,596**
Current assets				
Inventories		-	-	2
Trade receivables		4	32	18
Receivables from group companies	3.4	4,684	1,053	503
Other receivables		-	-	104
Income tax receivables	2.4	46	224	334
Derivative financial instruments	4.4	88	45	116
Prepaid expenses		80	29	31
Cash		798	429	1,551
Assets held for sale		148	-	-
Total current assets		**5,848**	**1,812**	**2,659**
Total assets		**64,668**	**61,127**	**64,255**

Equity and liabilities (DKKm)	**Note**	**2021**	**2020**	**2019**
Equity				
Share capital	4.1	812	812	812
Other reserves		63	(32)	(120)
Retained earnings		33,534	31,159	33,140
Total equity		**34,409**	**31,939**	**33,832**
Non-current liabilities				
Deferred tax liabilities	2.4	2,099	1,566	1,458
Provisions		10	24	22
Loans	4.2	17,850	21,359	21,653
Lease liabilities		3,305	3,436	4,293
Amounts owed to group companies		-	5	-
Other payables		24	40	12
Total non-current liabilities		**23,288**	**26,430**	**27,438**
Current liabilities				
Current maturity of long-term debt		3,721	-	-
Lease liabilities		387	399	397
Short-term bank loans		565	-	681
Trade payables		343	418	403
Contract liabilities		18	-	-
Payables to group companies		1,057	916	807
Other payables		694	748	538
Derivative financial instruments	4.4	50	270	142
Provisions		136	7	17
Total current liabilities		**6,971**	**2,758**	**2,985**
Total liabilities		**30,259**	**29,188**	**30,423**
Total equity and liabilities		**64,668**	**61,127**	**64,255**

Statement of cash flows

(DKKm)	Note	2021	2020
Operating activities			
Operating profit before depreciation, amortisation and special items (EBITDA)		458	451
Adjustment for non-cash items	5.1	44	105
Pension contributions		270	197
Payments related to provisions		(16)	(14)
Special items		(23)	(30)
Change in working capital	5.2	(152)	(695)
Interest received		1,284	901
Interest paid		(1,425)	(1,217)
Income tax Received/(paid)		109	74
Total cash flow from operating activities		**549**	**(228)**
Investing activities			
Investment in property, plant and equipment		(69)	(72)
Investment in intangible assets		(123)	(73)
Investment in other non-current assets		-	(2)
Sale of other non-current assets		6	33
Payment received regarding settlement of loan to TDC Pensionskasse		149	-
Dividends received from subsidiaries, joint ventures and associates		-	277
Total cash flow from investing activities		**(37)**	**163**

(DKKm)	Note	2021	2020
Financing activities			
Lease payments		(241)	(200)
Cost related to long-term loans		(51)	-
Change in short-term loans		565	(372)
Change in interest bearing receivables and payables		322	407
Dividends paid		(735)	(875)
Total cash flow from financing activities		**(140)**	**(1,040)**
Total cash flow		**372**	**(1,105)**
Cash and cash equivalents at 1 January		429	1,551
Effect of exchange-rate changes on cash and cash equivalents		(3)	(17)
Cash and cash equivalents at 31 December		**798**	**429**

Statement of changes in equity

(DKKm)	Share capital	Reserve for cash flow hedges	Reserve for capitalised development projects	Retained earnings	Total
Equity at 1 January 2020	812	(140)	20	14,592	15,284
Effect of change in accounting policies	-	-	-	18,548	18,548
Equity at 1 January 2020 after change in accounting policies	812	(140)	20	33,140	33,832
Profit for the year	-	-	44	(1,760)	(1,716)
Reversal of currency translation adjustments	-	-	-	(8)	(8)
Change in fair value adjustments of cash flow hedges transferred to financial expenses	-	44	-	-	44
Remeasurement of the defined benefit plan	-	-	-	849	849
Income tax relating to remeasurement of the defined benefit plan	-	-	-	(187)	(187)
Total comprehensive income	-	44	44	(1,106)	(1,018)
Distributed dividends	-	-	-	(875)	(875)
Total transactions with owners	-	-	-	(875)	(875)
Equity at 31 December 2020	**812**	**(96)**	**64**	**31,159**	**31,939**
Profit for the year	-	-	50	843	893
Change in fair value adjustments of cash flow hedges transferred to financial expenses	-	45	-		45
Remeasurement of the defined benefit plan	-	-	-	2,907	2,907
Income tax relating to remeasurement of the defined benefit plan	-	-	-	(640)	(640)
Total comprehensive income	-	45	50	3,110	3,205
Distributed dividends	-	-		(735)	(735)
Total transactions with owners	-	-	-	(735)	(735)
Equity at 31 December 2021	**812**	**(51)**	**114**	**33,534**	**34,409**

1.1 | Accounting policies

The financial statements 2021 of the parent company have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and further disclosure requirements in the Danish Financial Statements Act (reporting class D).

Changes to accounting policies

The accounting policies have been changed in relation to investments in subsidiaries. The company has chosen to use the cost method for measuring the investments in subsidiaries. Previously, the equity method was used for measuring investments in subsidiaries. Comparative figures for previous years have been restated.

Except for the change mentioned above, the accounting policies are unchanged compared with the policies applied in the Annual Report 2020.

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

Supplementary accounting policies for the parent company

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, the carrying amount is written down to the recoverable amount. Dividends received from investments in subsidiaries are recognised as income in the financial year when the dividends are distributed.

Reserve for capitalised development projects

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

Impact from changes to accounting policies (DKKm)	Previous accounting policy		Changed accounting policy		New accounting policy	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Profit from subsidiaries	639	152	(639)	(152)	-	-
Financial income and expenses	(124)	(100)	1,136	(1,715)	1,012	(1,815)
Profit for the year	**396**	**151**	**497**	**(1,867)**	**893**	**(1,716)**
Share of other comprehensive income in subsidiaries	-	(4)	-	4	-	-
Total comprehensive income	**2,708**	**845**	**497**	**(1,863)**	**3,205**	**(1,018)**
Investments in subsidiaries	10,036	9,397	17,182	16,685	27,218	26,082
Total assets	**47,486**	**44,442**	**17,182**	**16,685**	**64,668**	**61,127**
Total equity	**17,227**	**15,254**	**17,182**	**16,685**	**34,409**	**31,939**

1.2 | Critical accounting estimates and judgements

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

1.3 | New accounting standards

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

2.1 | Revenue

In 2021, TDC Holding A/S governed, advised and delivered shared services to its subsidiaries of DKK 1,081m (2020 DKK 1,240m).

2.2 | Personnel expenses

(DKKm)	2021	2020
Wages and salaries (including short-term and long-term bonuses)	(244)	(380)
Pensions:		
• defined benefit plans	(82)	(96)
• defined contribution plans	(20)	(29)
• pensions allocated to subsidiaries	86	90
Social security	(13)	(11)
Total	**(273)**	**(426)**
Of which capitalised as non-current assets	9	4
Total	**(264)**	**(422)**
Average number of full-time employee equivalents[1]	316	484

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

Remuneration for the Board of Directors and the Executive Committee is described in note 2.5 to the consolidated financial statements. Incentive programmes are described in note 6.1 to the consolidated financial statements.

2.3 | Special items

(DKKm)	2021	2020
Profit on sale of enterprises	(103)	1
Loss on sale of enterprises	-	(2)
Costs related to redundancy programmes	(44)	(17)
Other restructuring costs, etc.	(7)	2
Distribution of excess capital from TDC Pension Fund to its members	(44)	(35)
Profit on sale of other investments	-	21
Cost related to acquisition of enterprises	(6)	-
Loss from rulings	(1)	-
Special items before income taxes	**(205)**	**(30)**
Income taxes related to special items	12	2
Total special items	**(193)**	**(28)**

For more information on special items, see note 2.7 to the consolidated financial statements.

2.4 | Income taxes

Income taxes (DKKm)	2021 Income taxes cf. the income statement	2021 Income tax payable/ (receivable)	2021 Deferred tax liabilities/ (assets)	2020 Income taxes cf. the income statement	2020 Income tax payable/ (receivable)	2020 Deferred tax liabilities/ (assets)
At 1 January		(224)	1,566		(334)	1,458
Income taxes	48	62	(110)	39	31	(70)
Adjustment of tax for previous years	(10)	7	3	4	5	(9)
Tax relating to remeasurement effects from the defined benefit plan	-	-	640	-	-	187
Income tax paid		109			74	
Total	**38**	**(46)**	**2,099**	**43**	**(224)**	**1,566**
Income taxes are specified as follows:						
Income excluding special items	26			41		
Special items	12			2		
Total	**38**			**43**		

TDC Holding A/S participates in joint taxation with all its Danish subsidiaries and with DK Telekommunikation ApS, DKT Finance ApS and DKT Holdings ApS, which is the management company in the joint taxation.

The jointly taxed companies are jointly and severally liable for the total income taxes, taxes paid on account and outstanding residual tax (with additional payments and interest) relating to the joint taxation.

Effective tax rate (%)	2021	2020
Danish corporate income tax rate	22.0	22.0
Tax-free dividends from subsidiaries	-	3.5
Write-downs and reversal of write-downs of investments in subsidiaries	(23.6)	(25.3)
Other non-taxable income and non-tax deductible expenses	-	(0.1)
Adjustment of tax for previous years	0.9	0.5
Limitation on the tax deductibility of interest expenses	(1.8)	1.8
Effective tax rate excluding special items	**(2.5)**	**2.4**
Special items	(1.9)	0.0
Effective tax rate including special items	**(4.4)**	**2.4**

Deferred tax (DKKm)	2021	2020
Assets held for sale	29	-
Other	29	3
Current	**58**	**3**
Intangible assets	-	14
Property, plant and equipment	(76)	(70)
Lease assets and liabilities	(198)	(187)
Pension assets	2,324	1,766
Other	(9)	40
Non-current	**2,041**	**1,563**
Deferred tax at 31 December	**2,099**	**1,566**

3.1 | Lease assets and liabilities

Lease assets (DKKm)	2021 Land and buildings	2021 Vehicles and equipment	2021 Total	2020 Land and buildings	2020 Vehicles and equipment	2020 Total
Carrying amount at 1 January	2,846	150	2,996	3,732	175	3,907
Additions	11	114	125	129	72	201
Transfer to property, plant and equipment	-	(2)	(2)	-	-	-
Lease reassessments	-	-	-	(804)	-	(804)
Disposals	(28)	(5)	(33)	-	(8)	(8)
Depreciation	(208)	(85)	(293)	(211)	(89)	(300)
Carrying amount at 31 December	**2,621**	**172**	**2,793**	**2,846**	**150**	**2,996**

Lease liabilities (DKKm)	2021	2020
Recognised in the balance sheet at present value:		
Current	387	399
Non-current	3,305	3,436
Total	**3,692**	**3,835**
Maturing within 1 year	387	399
Maturing between 1 and 3 years	679	666
Maturing between 3 and 5 years	606	582
Maturing after 5 years	2,020	2,188
Total	**3,692**	**3,835**

Amounts recognised in the statement of profit and loss (DKKm)	2021	2020
Expense relating to short term leases	(9)	(4)
Income from sublease	444	425
Depreciation charge of lease assets, cf. above	(293)	(300)
Interest expense (included in finance cost)	(179)	(224)

For information about impairment tests of lease assets see note 3.3 to the consolidated financial statements.

The total cash outflow for leases in 2021 was DKK 420m (2020: DKK 424m), of which, DKK 179m (2020: DKK 224m) related to interest payments on lease liabilities.

For information about lease reassessments, see note 3.3 to the consolidated financial statements.

3.2 | Investments in subsidiaries

(DKKm)	2021	2020
Cost at 1 January	30,821	38,777
Disposals	-	(7,956)
Cost at 31 December	**30,821**	**30,821**
Value adjustments at 1 January	(4,739)	(10,703)
Write-downs for impairment	-	(1,992)
Reversal of write-downs for impairment	1,136	-
Disposals	-	7,956
Value adjustments at 31 December	**(3,603)**	**(4,739)**
Carrying amount at 31 December	**27,218**	**26,082**

The accounting policies have been changed in relation to investments in subsidiaries. The company has chosen to use the cost method for measuring the investments in subsidiaries. Previously, the equity method was used for measuring investments in subsidiaries.

Comparative figures for previous years have been restated. See note 1.1. to the Parent company financial statements for more information on the impact. The value adjustments of the investments in subsidiaries are based on impairment tests performed during 2020 and 2021, respectively.

Overview of subsidiaries at 31 December 2021

Company name[1]	Domicile	Currency	Ownership share (%)
Subsidiaries:			
Nuuday A/S	Copenhagen, Denmark	DKK	100
TDC NET A/S	Copenhagen, Denmark	DKK	100
TDC NET Holding A/S	Copenhagen, Denmark	DKK	100
Ejendomsselskabet Ellegårdvej 23A ApS	Copenhagen, Denmark	DKK	100

[1] Some minor subsidiaries without activities are not listed separately in the overview.

3.3 | Pension assets

For information on pension assets, see note 3.7 to the consolidated financial statements.

3.4 | Receivables from group companies

(DKKm)	2021	2020
Loans to subsidiaries	21,712	21,712
Receivables	951	1,053
Total	**22,663**	**22,765**
Recognised as follows:		
Non-current assets	17,979	21,712
Current assets	4,684	1,053
Total	**22,663**	**22,765**

Loans to subsidiaries[1]	2022	2022	2023	2023	2025	2025	Total
Maturity	Mar 2022	Mar 2022	Feb 2023	Feb 2023	Jun 2025	Jun 2025	
Fixed/floating rate	Fixed	Fixed	Fixed	Fixed	Floating	Floating	
Coupon	5%	5%	6.47%	6.47%	Margin + floored Euribor[2]	Margin + floored Euribor[2]	
Currency	DKK	DKK	DKK	DKK	DKK	DKK	
Counterpart	Nuuday	TDC NET	Nuuday	TDC NET	Nuuday	TDC NET	
Nominal value (DKKm)	1,547	2,186	1,573	2,220	5,880	8,306	21,712

1 Corresponding intra-group balances have been established between the parent company and Nuuday and TDC NET on conditions similar to the parent company's external loans, however with the exception that the intra-group loans are all in DKK.
2 The floating 2025 loans have a Euribor floor at zero and a margin of 3.00% per 31-12-2021.

4.1 | Equity

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

4.2 | Loans

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

4.3 | Financial income and expenses

(DKKm)	2021	2020
Interest income	46	48
Interest expenses	(1,175)	(1,181)
Interest income from group companies	942	907
Net interest	**(187)**	**(226)**
Currency translation adjustments	(212)	277
Fair value adjustments	247	(208)
Interest, currency translation adjustments and fair value adjustments	**(152)**	**(157)**
Interest on pension assets	28	57
Dividends from subsidiaries	-	277
Write-downs for impairment of subsidiaries	-	(1,992)
Reversal of write-downs for impairment of subsidiaries	1,136	-
Total	**1,012**	**(1,815)**

4.4 | Financial instruments

TDC's currency risks concern mainly financing and hedging. As financing and hedging are carried out by the parent company, note 4.3 to the consolidated financial statements also largely reflects the parent company's currency exposure.

The parent company manages the Groups external liquidity exposure, including the external long-term loans (SFA and EMTN). Corresponding intra-group balances have been established between the parent company and Nuuday and TDC NET on conditions similar to the parent company's external loans, however with the exception that the intra-group loans are all in DKK. Accordingly, TDCH groups' financial income and expenses (see note 4.5) largely reflects the parent company's financial income and expenses when adjusted for interest income from group companies totalling DKK 942m in 2021 (2020: DKK 907m).

For information on the parent company's capital management, see notes 4.4 and 4.5 to the consolidated financial statements.

5.1 | Adjustment for non-cash items

(DKKm)	2021	2020
Pension costs related to the defined benefit plan	82	95
(Gain)/loss on disposal of enterprises and property, plant and equipment, net	-	(2)
Other adjustments	(38)	12
Total	**44**	**105**

5.2 | Change in working capital

(DKKm)	2021	2020
Change in receivables	(54)	(323)
Change in trade payables	(75)	(451)
Change in contract liabilities	(4)	-
Change in prepaid expenses	2	3
Change in other items, net	(21)	76
Total	**(152)**	**(695)**

6.1 | Related parties

For information about the related parties of the Group, see note 6.2 to the consolidated financial statements. The parent company's transactions and outstanding balances with its subsidiaries (see the overview of subsidiaries in note 3.2) are disclosed below.

Subsidiaries (DKKm)	**2021**	**2020**
Income	2,000	2,144
Expenses	(104)	(78)
Receivables	22,663	22,765
Debt	(1,057)	(921)
Guarantees	(142)	(825)

In addition to income from subsidiaries, the parent company received dividends, as shown in note 4.3.

All transactions were made on an arm's length basis. Remuneration for the Board of Directors and the Executive Committee is described in note 2.5 and incentive programmes in note 6.1 to the consolidated financial statements. In addition, payment of contributions to the pension fund is described in note 3.7 to the consolidated financial statements.

DK Telekommunikation ApS, Copenhagen, owns 100% of the outstanding shares in TDC Holding A/S.

TDC Holding A/S is included in the Group Annual Report of the ultimate parent company DKT Holdings ApS.

The Group Annual Report of DKT Holdings ApS may be obtained at the following address:

DKT Holdings ApS
c/o TDC Holding A/S
Teglholmsgade 1
DK-2450 Copenhagen SV

6.2 | Fees to auditors elected by the Annual General Meeting

(DKKm)	**2021**	**2020**
Deloitte 2021 / PricewaterhouseCoopers 2020		
Statutory audit	**1**	**2**
Other assurance engagements	1	1
Tax advisory services	-	-
Other services	-	3
Total non-statutory audit services	**1**	**4**
Total	**2**	**6**

6.3 | Pledges and contingencies

Shares in subsidiaries with a carrying amount of DKK 27,218m (2020: DKK 26,082m), cash with a carrying amount of DKK 798m (2020: DKK 429m) and receivables from group companies with a carrying amount of DKK 22,663m (2020: DKK 22,765m) are pledged as security for long-term loans.

TDC Holding A/S has provided guarantees for the amount of DKK 142m (2020: DKK 825m) concerning subsidiaries. Furthermore, TDC Holding A/S has issued letters of support and undertaken loan commitments for some of its subsidiaries.

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

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

6.4 | Events after the balance sheet date

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

Statements

Management statement

Today, the Board of Directors and the Executive Committee considered and approved the annual report of TDC Holding A/S for 2021.

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 2021 of the Group and the parent company and of the results of the Group and parent company operations and cash flows for 2021.

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, 28 April 2022

Executive Committee

Nathan Andrew Luckey

Board of Directors

Martin Bradley
Chairman

Ulrik Pallisø Bornø
Vice Chairman

Peter Tind Larsen
Vice Chairman

Jørgen Høholt
Vice Chairman

Arthur Rakowski

Nathan Andrew Luckey

Independent auditor's report

To the shareholders of TDC Holding A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of TDC Holding A/S for the financial year 01.01.2021 - 31.12.2021, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as for the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2021, and of the results of their operations and cash flows for the financial year 01.01.2021 - 31.12.2021 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

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 consolidated financial statements and the parent financial statements" section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.We were appointed auditors of TDC Holding A/S for the first time on 29.04.2021 for the financial year 2021.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 01.01.2021 - 31.12.2021. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for revenue contracts containing multiple elements

Refer to note 2.2 and 3.5 in the consolidated financial statements.

Revenue recognition of contracts containing multiple elements require judgements made by Management to evaluate recognition of contract items as a bundle or separately.

We focus on this area since TDC has numerous application systems handling revenue contracts with multiple elements and performing the same function such as mediation, rating and billing, depending on their product offerings and revenue streams, which adds complexity to the revenue recognition process.

We have tested internal controls, including system application controls that address the accounting for revenue contracts containing multiple elements and tested the appropriateness of accounting treatment of such contracts in accordance with IFRS 15, including:

- tested samples of revenue contracts containing multiple elements
- assessed reasonableness of the performed judgements by having discussions with Management in order to understand how they allocate revenue to the multiple elements in the contracts
- corroborated the information obtained for the selected contracts in order to assess the appropriateness of accounting treatment in accordance with IFRS 15
- tested interfaces between relevant systems
- performed testing on manual postings related to revenue contracts containing multiple elements
- Carried out audit procedures related to the model calculating contract assets and the system calculating the contract liabilities and further performed substantive analytical procedures to assess the values

Impairment of lease assets

Refer to note 3.3 in the consolidated financial statements.

Some of the long term rented properties recognized as lease assets in accordance with IFRS 16 comprise vacant tenancies. As of 31 December 2021, Management has performed an impairment test of lease assets comprising vacant tenancies.

We focus on this area since it is a complex accounting area involving Management estimates in determining key assumptions.

We have assessed Management's applied method and model for valuation of lease assets and liabilities. Further, we have tested relevant internal controls and tested key assumptions in Management's impairment model, including:

- challenged the reasonableness of applied probability of sublease and rent per square meter for selected properties by taking into account the individual category of premises and the location of the premises
- evaluated historical ability to subleasing vacant tenancies and assessed the impact from development and marketing activities
- assessed the appropriateness of the applied discount rate
- considered impairment indicators and indicators of potential reversal of past impairment losses.

Statement on the management review Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and these parent financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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'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 consolidated financial statements and the parent 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'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 consolidated financial statements and the parent 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, safeguards put in place and measures taken to eliminate threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on compliance with the ESEF Regulation

As part of our audit of the consolidated financial statements and the parent financial statements of TDC Holding A/S we performed procedures to express an opinion on whether the annual report for the financial year 01.01.2021- 31.12.2021, with the file name 529900N96EOVRB114D28-2021-12-31-en, is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation), which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the consolidated financial statements presented in human readable format; and

- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the consolidated financial statements;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited consolidated financial statements.

In our opinion, the annual report of TDC Holding A/S for the financial year 01.01.2021 - 31.12.2021, with the file name 529900N96EOVRB114D28-2021-12-31-en, is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 28 April 2022

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Lars Siggaard Hansen
State Authorised Public Accountant
Identification No (MNE) mne32208

Christian Sanderhage
State Authorised Public Accountant
Identification No (MNE) mne23347

Forward-looking statements

Forward-looking statements

This report may include statements about TDCH 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 TDCH group's results include: the competitive environment and the industry in which TDCH group operates; contractual obligations in TDCH group's financing arrangements; developments in competition within the domestic and international communications industry; information technology and operational risks including TDCH 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 TDCH group cannot predict. In addition, TDCH 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.