tdc net

Annual report 2021

We connect Denmark.
For everyone.

tdc net

Content

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

The big picture

2021 in brief

In 2021, the split from TDC Group was successfully completed, and TDC NET became a stand-alone company. TDC NET continued connecting Denmark and enabling the green transformation of society with its continued roll out of lightning fast mobile and fixed networks. The strength of TDC NET's networks was proven - both in performance and reliabilities - during the COVID-19 lock-down as TDC NET ensured that people stayed connected and productivity remained high across sectors.

In addition, TDC NET worked both on concrete climate actions, on upgrading its workforce to continue rolling out fibre networks, and on innovation projects based on 5G.

Solid financial results

Revenue
(DKKm)

6,674

-2.3% YoY due to a decline in legacy products

EBITDA growth of

1.4%

resulting in DKK 4,498m EBITDA full year 2021

Savings on operating expenses of

7.7%

YoY despite increased electricity prices

Capital expenditure
(DKKm)

3,134

-21.1% YoY

Highlights

Largest spectrum portfolio

During the year, TDC NET successfully completed the latest spectrum auction and increased its spectrum portfolio and by year-end had more spectrum than any other national competitor. The TDC NET spectrum portfolio comprises 1,650 MHz across low-frequency bands (under 1 GHz), mid-range bands (1 to 10 GHz), and high-frequency bands (above 10 GHz).

Digital innovation

The 5G Innovation Hub run by TDC NET and Ericsson continued to explore the potential of 5G to enable digital innovation. Examples included the first 5G connected mobile robot in Europe and another robot to enable distance learning.

Best mobile network in the world

TDC NET was awarded provide the best mobile network experience, including the fastest and most error-free download and upload speeds based on Tutela's Excellent Consistent Quality metric. Its mobile network covering geographically 99% of Denmark with 5G.

Ambitious climate target

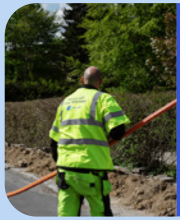
TDC NET set an ambitious climate action plan with science-based targets to become a net-zero emission company across the value-chain (scope 1, 2 and 3) by 2030.

Lower CO_2 emissions in car fleet

TDC NET engaged in a project to eliminate every fourth kilometere driven by TDC NETs technicians by 2025. Artificial intelligence and advanced algorithms will help reduce CO_2 emissions related to transport.

Green electricity

TDC NET signed a Power Purchase Agreement (PPA) with Better Energy to ensure that capacity from four new Danish solar parks will be added to the Danish grid. The solar parks are expected to supply 140 GWh of electricity in 2023, to cover at least 60% of TDC NET's energy consumption.



Developing skills

TDC NET trained 200 new fibre technicians during the year. The goal was to develop the skills needed to build the digital foundation, that connects Denmark for everyone.

Expanding fibre footprint

With the largest broadband footprint in Denmark and growing high-speed coverage in 2021, TDC NET continued its fibre roll-out throughout Denmark to further 106k addresses, reaching nearly 500k fibre addresses in total.

Strong sustainable profile

TDC NET was awarded a Platinum ranking by EcoVadis, placing TDC NET among the top 1% most sustainable companies in the world in 2021. EcoVadis is the world's most trusted provider of business sustainability ratings.

Key performance indicators

	2021	2020	2019
Income statement (DKKm)			
Revenue	6,674	6,828	7,050
Gross profit	6,356	6,447	6,588
EBITDA	**4,498**	**4,434**	**4,415**
Operating profit (EBIT)	**2,036**	**1,409**	**1,043**
Profit before income taxes	1,384	804	462
Profit for the year	**1,040**	**604**	**364**
Income statement, excluding special items (DKKm)			
Operating profit (EBIT)	**2,132**	**1,448**	**1,119**
Profit before income taxes	1,480	843	538
Profit for the year	**1,115**	**634**	**425**
Balance sheet (DKKm)			
Total assets	30,244	28,583	27,826
Net interest-bearing debt (NIBD)	15,918	14,636	15,667
Total equity	**9,796**	**8,756**	**8,152**
Capital expenditure (DKKm)	**(3,134)**	**(3,971)**	**(3,206)**
Statement of cash flow (DKKm)			
Operating activities	2,961	4,315	3,582
Investing activities	(3,473)	(3,282)	(3,478)
Financing activities	520	(1,030)	(103)
Total cash flow	**8**	**3**	**1**

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

	2021	2020	2019
Key financial ratios (%)			
Gross margin	95.2	94.4	93.4
EBITDA margin	67.4	64.9	62.6
Return on capital employed (ROCE)	7.0	5.1	4.0
Capital expense/revenue ratio	47.0	58.2	45.5
Revenue generating units (RGUs ('000))			
Total broadband RGUs	1,276	1,331	1,406
High-speed RGUs[1]	757	699	647
Low-speed RGUs[1]	519	632	759
Operational KPIs			
Homes passed fibre ('000)[2]	497	391	269
Homes passed coax ('000)	1,331	1,329	1,342
100 Mbps population coverage (%)	71	70	70
1000 Mbps population coverage (%)	47	46	43
4G mobile geographic coverage (%)	99	99	99
5G mobile geographic coverage (%)	99	78	0
People & Sustainability KPIs[3]			
FTEs end-of-year (#)	2,864	2,556	2,524
Number of fatalities	-	-	-
Total recorded injuries frequency rate (TRIFR)[4]	22.59	17.72	14.00
Lost time incident frequency rate (LTIFR)[5]	9.68	7.04	5.41
Percentage of management positions filled by women[6] (%)	23	18	NA
Number of reports submitted to the whistleblower system	-	1	-
Energy intensity[7]	0.009	0.010	0.011
Emissions intensity[8]	0.0038	0.0043	0.0047
Waste recycled (%)	71%	65%	NA

1. High-speed broadband is defined as coax and fibre technology and low-speed is defined by copper technology.
2. The number of homes passed with fibre includes all completed connections under way.
3. Due to changes in our company structure, historical figures for waste and diversity are not available. For more information on how we calculate our ESG-related data, please see our 'TDC NET ESG Accounting Principles' on our website.
4. Rate of work-related injuries per 1,000,000 hours.
5. Rate of work related injuried with lost time per 1,000,000 hours.
6. Includes both TDC NET and DKTV employees. The number of management positions filled by women in TDC NET is 25% and in DKTV is 11%.
7. The number is calculated as follows: MWh of electrical energy / TB of data usage.
8. The number is calculated as follows: tCO_2e of scope 1 & 2 market-based emissions / TB of data usage.

Letter from the CEO

We enable the green transition through our sustained focus and investments in digital infrastructure

In 2021, TDC NET took the final steps in separating from TDC Group while also delivering solid financial results in line with full-year guidance. In parallel, TDC NET launched an ambitious climate plan, committing to zero CO_2 emissions by 2030.

Denmark is one of the most close-knit societies in the world connected by future-proof digital infrastructure that enables citizens, communities and businesses across the country to communicate, innovate and collaborate together and with the world around them. This position was also recognised by the European Commission, which ranked Denmark as the most digitally advanced country in Europe in 2021 in its Digital Economy and Society Index.

> 2021 was an eventful year for TDC NET, as we took the final steps in the complex separation from TDC Group and continued our investments in rolling out futureproof digital infrastructure to deliver great customer experience.

At TDC NET, we take great pride in providing the foundation that enables Denmark to be a digital frontrunner. We continued to pursue this ambition during 2021 with significant investments in the national digital infrastructure while we extended our fibre network to the largest number of new addresses in the industry and continued providing Denmark's best mobile network.

Financial results in line with guidance

TDC NET achieved positive EBITDA growth of 1.4% YoY to DKK 4,498m. This was due particularly to continued commercial stabilisation, with developments in our mobile services and high-speed broadband partly compensating for the expected slowdown in legacy products (low-speed broadband and TV). These results also reflected continued strong efforts across the organisation to reduce operating costs, in 2021 by 7.7% YoY.

During the year, TDC NET also sustained a high investment level totalling DKK 3,134m. These investments were driven especially by strong progress in our fibre deployment. This was a key priority for 2021, when we rolled out fibre to 106k additional addresses, hereby expanding our fibre footprint to almost 500k addresses by the end of 2021.

Delivering on strategic milestones

Based on these achievements, TDC NET is now able to deliver 1 Gbps high-speed connections to 47% of all households and businesses, underlining TDC NET's continued market-leading position as a provider of high-speed fixed broadband connections. We also further strengthened our competitive position in the mobile market. In the spectrum auction in spring 2021, TDC NET acquired spectrum holdings for a total of DKK 795m. We can now provide even more speed and capacity of our 5G network. This is a strong foundation for maintaining TDC NET's position as the best mobile network provider. This position was recognised by Tutela, which recently ranked TDC NET as the number one operator with the best mobile network experience in the world, based on data from more than two billion network tests.

Reducing our climate impact

As digitalisation grows so does the responsibility of the telco industry. During 2021, we saw a continued increase in streaming services, remote work and connected devices, which all added to the energy consumption of our digital infrastructure.

As a market leader, we have a responsibility to address this. TDC NET launched an ambitious climate plan in 2021 with objectives to reduce our own climate footprint to net-zero by 2030 across the value chain and to take an active role in enabling the green digital transition.

We have a journey ahead of us at TDC NET and across the Telco industry. However, we have a strong foundation in place, which was also recognised during the year by EcoVadis, which ranked TDC NET among the top 1% most sustainable companies in the world.

How we take action in 2022

All in all, the progress made over the past year gives us a strong foundation for our first year as a stand-alone business – a year in which we will continue to build on our position as the 5G frontrunner, by investing and building out to +100k new fibre addresses, while we continue to focus on delivering the best possible customer experience.

Overall, we expect a stabilization in revenue development for TDC NET as continued growth in mobile and high-speed broadband products will counterbalance the declining revenue from legacy products.

On EBITDA we expect low single-digit EBITDA growth driven by stable revenue and ongoing cost savings from efficiency improvements. We expect the risk from volatile power prices to be partly mitigated by increased sourcing of renewable energy from our PPAs.

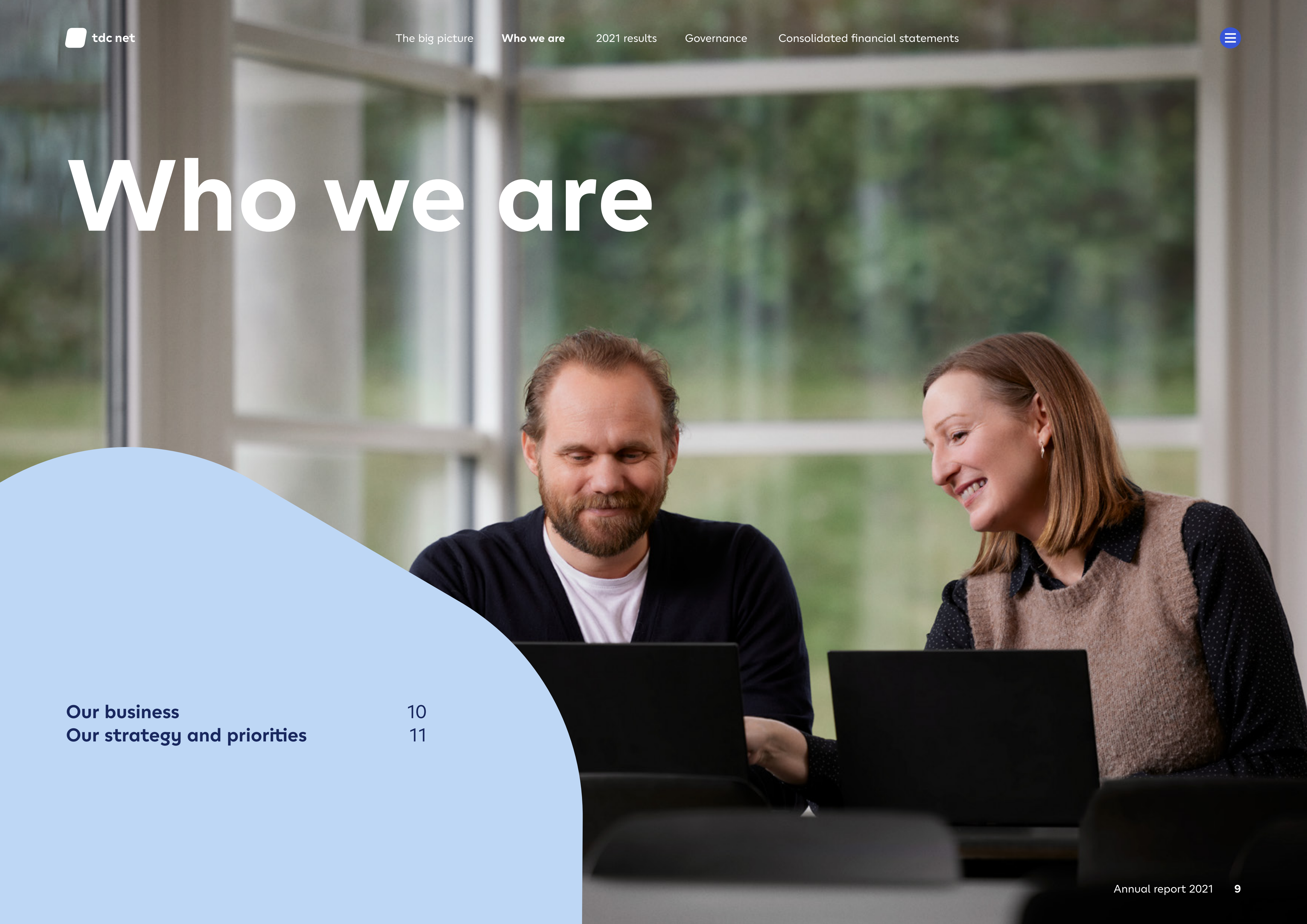
Lastly, we anticipate our investment level to be similar to 2021, reflecting our sustained investments into fibre and create an even better customer experience.

Concluding on a personal note, I wish to thank our partners and service providers for the great collaboration, and the millions of end-customers who use our infrastructure and services on a daily basis for the continued trust.

Furthermore, I would like to thank all my colleagues across TDC NET for their tremendous efforts during 2021 in building a strong foundation as a stand-alone company for TDC NET.

It is a great privilege to be the CEO of TDC NET overseeing this journey as we connect Denmark – for everyone.

Andreas Pfisterer
CEO



Who we are

Our business

TDC NET is a leading open-access connectivity provider and owner of critical telecommunications infrastructure in Denmark.

Business model

TDC NET takes responsibility for ensuring the continued development and building of high-speed 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 mobile and fixed network connectivity to serve service providers. The infrastructure asset base includes all the active and passive assets necessary to develop, operate and service the mobile and landline networks, including the core network, access network, active mobile network assets, central offices and transport platforms.

In addition, TDC NET has Denmark's largest group of trained field technicians as well as inhouse network engineering competencies with many years of industry experience to develop and maintain the country's largest broadband footprint and spectrum portfolio.

The largest broadband footprint in Denmark with growing high-speed coverage

As an open-access provider of fixed telecommunications infrastructure, which delivers broadband, fixed TV and voice, as well as connectivity solutions to end-customers in retail and business markets via its service providers. In these markets TDC NET has a strong commercial position through its relationship with a diversified mix of more than 100 service providers. The position in fixed connections is underpinned by the largest broadband footprint in Denmark with growing high-speed coverage as the fibre roll-out continues throughout Denmark. Nationwide TDC NET has achieved 71% population coverage with 100 Mbps and 47% population coverage with 1 Gbps.

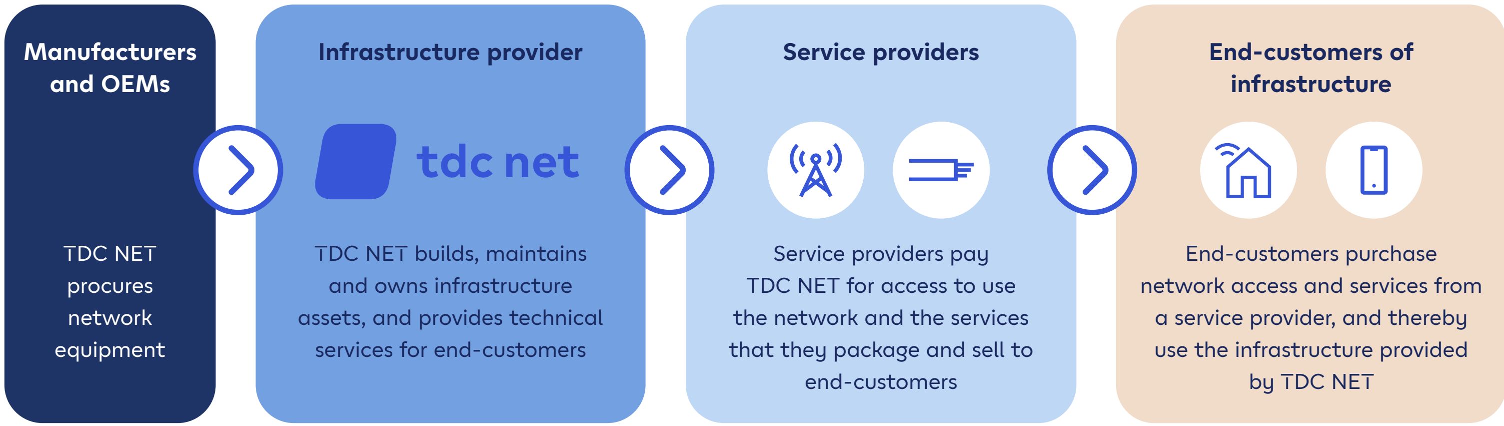
A leading provider of nationwide technologically advanced mobile network connectivity

TDC NET has invested significantly to ensure a technologically advanced mobile network and has been a leading provider of high-quality mobile network coverage for many years.

TDC NET's position within mobile networks is underpinned by a large and optimised grid of approximately 3,500 macro sites comprising towers and outdoor antennas, and approximately 600 indoor coverage solutions.

TDC NET holds a total spectrum portfolio of 1,650 MHz across low-frequency bands (under 1 GHz), mid-range bands (1 to 10 GHz), and high-frequency bands (above 10 GHz). Mobile spectrum is a finite asset for mobile operators, which is vital for the quality and capacity provided by the mobile access network.

TDC NET's business model



Our strategy and priorities

TDC NET connects Denmark – for everyone. This purpose of building and operating Danish communications infrastructure is reflected in two core pillars of the TDC NET strategy: Providing the best mobile network and fastest fixed connections. The strategy is built upon two core enablers to ensure strong delivery on the mobile and fixed ambitions. Firstly, operational excellence captures the focus on seamless delivery to customers, and secondly, the network champions identity coins TDC NET's leadership in the transition to a sustainable future. All four strategic pillars are fundamental for providing a great customer experience. Over the years, TDC NET has passed major milestones in upgrading and expanding both its mobile and fixed networks as well as by committing to ambitious sustainability targets. This strong foundation will now underpin the next phase of the strategic journey, by firmly placing customers at the centre of every activity.

Best mobile network

Maintain market leading position by providing the best mobile network experience in Denmark

Fastest fixed connections

Increase footprint for high-speed fixed connections and maintain market leading position

Great customer experience

Be recognised for delivering value for both customers and end-customers through seamless customer journeys and experiences

Network champions

Become a truly sustainable company, lead the transition to a sustainable future for the sector and aim to be recognised as one of the most attractive employers

Operational excellence

Simplify processes and interface to enable consistent delivery of excellent customer experiences

Best mobile network

Recent efforts to raise the bar on both quality and coverage have paid off with new recognitions of TDC NET's mobile network in Denmark. TDC NET will continue to invest in creating unparalleled mobile experiences.

For the seventh year in a row, independent tests recognised TDC NET as the undisputed leader in mobile network quality in Denmark – both in terms of experience and coverage. As mentioned, Tutela awarded TDC NET a first prize for providing the best mobile experience in the world.

In 2021, TDC NET invested DKK 795m in futureproofing the network through new spectrum holdings. By securing a strong foundation across both low- and high-frequency bands, the strengthened platform enables TDC NET to increase coverage, upgrade to higher speeds and fully realise the potential benefits of 5G. TDC NET continues to focus on delivering this new generation network, as a core element of its commitment to connect Denmark. For everyone.

Strategic priorities

TDC NET's efforts to maintain its position as Denmark's best performing mobile network are built around three cornerstones:

Strongest asset portfolio
TDC NET aims to further strengthen the network in terms of both coverage and speed delivered through e.g. C-band build-out, virtualisation of core network, and gradual footprint expansion.

Driving innovation with strong vendor partnerships
TDC NET continues to innovate via the long-term partnership and 5G innovation hub with Ericsson to optimise the network, increase 5G penetration and enhance the value of the mobile network.

Deep partnerships with market leaders
TDC NET is committed to the success of Nuuday as its single largest customer, whilst also providing national roaming for other partners to connect Denmark.

Fastest fixed connections

TDC NET is proud of its position as the largest open-access provider of high-speed fixed infrastructure. Significant investments are made in scaling the fibre footprint while maintaining high reliability and strong performance of the existing network.

Network performance requirements are constantly increasing, driven by rapidly increasing data traffic and end-customer demand for higher speeds. TDC NET delivered high service levels despite the changing demand patterns during the COVID-19 lockdown and remains well positioned to meet increasing consumption.

TDC NET has worked to expand its high-speed footprint through ambitious fibre investments. As a result, TDC NET's fibre roll-out engine is the largest in Denmark and is instrumental in delivering fibre at scale. Focus on improving delivery has continuously reduced deployment costs for fibre transport backbone and accelerated TDC NET's fibre build-out. In 2021, TDC NET rolled out fibre to additional 106k addresses and can deliver speeds of up to 2500 Mbps in select areas.

Strategic priorities

To offer the highest speeds and most reliable connections, TDC NET focuses on delivering on three core infrastructure aspirations:

Long-term leader in high-speed access
TDC NET is committed to continuing its fibre build-out to Danish households, enabled by continued optimisation of the fibre deployment engine.

Maximise infrastructure performance
TDC NET strives for an optimised infrastructure portfolio with initiatives ranging from customer migration and legacy decommissioning to plug-load upgrades and the commercial launch of XGSPON technology.

Strong transport backbone
TDC NET aims for high precision with virtually no downtime, delivered through the Carrier Gradeness Programme, transport net upgrades and fibre line replacements.

Great customer experience

TDC NET is determined to be recognised for delivering consistently high-quality products and services to service providers, enabling the best end-customer experience for TDC NET services and networks.

Efficiently and reliably developing and operating the networks are fundamental tasks for TDC NET. Over the years, TDC NET has delivered strong results on this strategy, maintaining its position as the operator of Denmark's Best Mobile Network while setting up Denmark's largest fibre roll-out engine.

However, having strong infrastructure does not guarantee success. As an integral part of being a truly open-access infrastructure provider, TDC NET firmly believes in collaborating and delivering high quality on time, every time. An ambitious customer experience transformation programme has been set in motion to raise the bar for how TDC NET operates and connects to customers.

Strategic priorities

TDC NET aims to enhance its customer services and value perception through three clear characteristics:

Transparent and trustworthy
TDC NET is focused on optimising end-to-end processes on customer journeys, creating transparent production flow towards service providers and redesigning supporting IT and tools.

Easy to engage with
TDC NET is striving towards seamless customer integration anchored in reliable open-access IT platforms and enabled by defining firm, transparent and fully aligned service agreements.

Truly reliable
TDC NET aims to achieve its goal of being the most trusted and secure infrastructure provider by continuously investing in security and improving reliability through process control.

Operational excellence

TDC NET constantly works to stay ahead of the industry on efficiency, simplification and automation. Operating with the highest excellence is key to providing customers with the most competitive offerings.

TDC NET firmly believes that achieving operational efficiency is a result of high ambitions, a consistent focus, and the willingness to invest in the future. Historically, TDC NET has proven able to streamline and drive efficiency. Pioneering and leveraging new technologies to futureproof the business are deep in TDC NET's DNA.

TDC NET has established strong governance to deliver on its operational ambitions, and continuous improvement is firmly embedded in how TDC NET operates as an organisation. All efforts are focused on the same end goal: freeing up resources and capital, which can be reinvested in futureproof technologies.

Strategic priorities

TDC NET aims to deliver excellence across three key aspirations which positively affect the organisation, products, services, and – ultimately – its customers.

Leader in simplicity and efficiency
TDC NET strives for a simple, relevant and modern product portfolio achieved through product rationalisation and simplification as well as controlled legacy platform decommissioning.

Automated and seamless processes
TDC NET aims to standardise process flows by optimising end-to-end customer journeys by leveraging the potential of automation and robotics.

Investing smartly in the future
TDC NET focuses on the future with a long-term investment strategy (including fibre roll-out) in place, supported by a governance structure to deliver lasting results.

Network champions

To honour its responsibilities as a critical infrastructure provider, TDC NET is united around its strong identity and takes pride in its commitment to lead the transition towards a digital and sustainable future.

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 people, society 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) while strengthening Diversity & 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 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, secure, 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 at least 60% of its total energy consumption with renewables. TDC NET aims in the years ahead to cover the remaining 40% of energy consumption with renewables.

In line with the ambition of reaching the net-zero emission goal by 2030 TDC NET has strengthened the active supplier engagement with suppliers by starting a supplier engagement programme.

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 plays an active part. These priorities are listed on the following page and the performance for 2021 is described in **03 - 2021 results**.

See TDC NET's 2021 **Sustainability Report** for more 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 with 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 & Safety

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 mindset that every injury can be prevented.

SDG 8
Promote safe & secure working environments for all

Diversity & Inclusion

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

TARGETS
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
All employees complete GDPR e-learning course.

Evaluate data requests in the governance forum.

SDG 12 & 16
Promote responsible consumption and justice in societies

2021 results

Revenue and gross profit

Revenue

In 2021, TDC NET's revenue decreased by 2.3% or DKK 154m to DKK 6,674m compared with 2020. The decrease was attributable mainly to declining revenues from legacy technologies such as landline, TV and copper broadband, as well as lower revenues from broadband installations due to decreased rotation of end-customers between service providers. This was partly offset by growth in mobility services driven by price increases to cover capacity expansions required for future traffic as well as higher electricity prices in 2021 passed on as part of the mobile agreement. Lastly, revenues from high-speed broadband grew, driven by net adds.

Internet and network

In 2021, revenue from internet and network declined by 3.9%, or DKK 103m to DKK 2,544m YoY. The decrease was driven primarily by less rotation of end-customers between service providers, leading to lower non-recurring revenues and phaseout of a pass-through invoicing agreement for international capacity. The revenue decline was partly offset by growth in broadband subscription-based revenues driven by higher prices and improved customer mix with net adds of 61k on high-speed subscriptions, where the low-speed customer base declined by 113k. TDC NET's broadband market share in 2021 was 52%, down by 3%, in line with the continued decline in low-speed customer base.

Mobility services

In 2021. growth in mobility services revenue totalled 1.7%, or DKK 45m YoY up to DKK 2,670m, fuelled by price increases on the mobile network to cover the capacity expansions required for future traffic, and higher electricity prices regarding mobile sites as part of the mobile agreement as well as increased traffic from the National Roaming Agreement. This was partly offset by a lower mobile agreement fee due to the favourable outcome of the spectrum auction. The mobile network market share in 2021 remained stable at 42%.

Landline voice

TDC NET's landline voice revenue decreased by 2.5%, or DKK 14m to DKK 547m in 2021. This decline was driven by the continued customer loss in 2021, following the trend in recent years. This decline was partly offset by an ARPU increase of 10% due to price increases in early 2021.

Other services

In 2021, revenue in other services decreased by 8.2%, or DKK 82m to DKK 913m. This decline was driven mainly by lower revenue from TV caused by the decreasing customer base and lower ARPU, as well as fewer customer installations.

Gross profit

TDC NET's gross profit decreased by 1.4% or DKK 91m to DKK 6,356m in 2021. This related to the previously mentioned revenue declines on legacy services and lower non-recurring revenues, which were partly offset by growing revenues from mobility services and high-speed broadband. The gross profit margin increased from 94.4% in 2020 to 95.2% in 2021 as revenue from low-margin products decreased and high-margin products such as mobility services and high-speed broadband succeeded with revenue growth.

	2021	2020
Revenue (DKKm)	6,674	6,828
Internet & network (DKKm)	2,544	2,647
Mobility services (DKKm)	2,670	2,625
Landline (DKKm)	547	561
Other services (DKKm)	913	995
Gross profit (DKKm)	6,356	6,447
Gross profit margin (Percentage)	95.2	94.4

Operating expenses and capital expenditure

Operating expenses
In 2021, TDC NET's operating expenses decreased by 7.7% or DKK 155m to DKK 1,858m. This was driven primarily by synergies captured by absorbing TDC Group support functions as part of the separation, and cost optimisation programmes with lower spending on consultants and marketing, as well as service contracts.

External expenses
External expenses decreased by 12.7%, or DKK 166m to DKK 1,139m, driven by synergies resulting from the separation of TDC Group, as well as reduced spending on consultants, marketing, and service contracts. This was partly offset by increased travel costs and personnel related spending as the workforce returned to their offices when COVID-19 restrictions were removed in 2021.

Personnel expenses
Personnel expenses increased by 2.4%, or DKK 23m in 2021 YoY, driven by the TDC Group separation, which involved approximately 300 FTEs transferring to TDC NET in Q3. The corresponding decrease in service fees to TDC Group under external expenses was partly offset by a lower level of installations.

Other income
Other income increased by 4.8%, or DKK 12m, driven mainly by income for services sold to holding companies and Nuuday, following the separation of TDC Group, as well as higher income from cable damage settlements, sold equipment and enterprise activity.

Capital expenditure
Capital expenditure for 2021 totalled DKK 3,134m, down by 21.1% or DKK 837m compared with 2020. The decrease was driven mainly by the investment peak in 2020 caused by the 5G mobile upgrade, as well as lower capital expenditure on the fibre roll-out. This resulted from both a significantly improved fibre unit cost as well as fewer homes passed in 2021 compared with 2020. Car fleet expenses increased in 2021, as TDC NET began the process of renewing the entire car fleet, spanning from 2021-2023.

	DKKm
Operating expenses	**(1,858)**
2020	(2,013)
External expenses	**(1,139)**
2020	(1,305)
Personnel expenses	**(979)**
2020	(956)
Other income	**260**
2020	248
Capital expenditure	**(3,134)**
2020	(3,971)

EBITDA, cash flow, profit and guidance

EBITDA

In 2021, EBITDA increased by DKK 64m to DKK 4,498m compared with 2020, which was in line with our guidance of small-digit growth (1.4%). This was attributable to lower operating expenses combined with the improved gross profit margin, which offset the decrease in revenues, prompting an improved EBITDA margin, which rose from 64.9% in 2020 to 67.4% in 2021.

Cash flow

TDC NET's total cash flow increased by DKK 5m to DKK 8m in 2021. Cash flow from operating activities in 2021 decreased by DKK 1,354m to DKK 2,961m driven primarily by net working capital (DKK -1,536m) due to three factors: 1) adjusted intragroup payment terms following the refinancing of the group's debt, 2) the high positive change in working capital in 2020 and higher investments than previous years, and lastly 3) the COVID-19 temporary liquidity support package from the Danish State (postponing payments of VAT and employee tax) that was built up in 2020 and partially repaid in 2021 negatively impacting cash flow. The decreased operating cash flow was partly offset by lower income tax paid (DKK 261m) due to the refund in 2021 of excess tax payments related to 2019. Cash outflow from investing activities increased by DKK 191m to DKK 3,473m, and was due to repayments (DKK 255m) related to the mobile network 5G upgrade from 2020. The net cash flows from operating and investing activities (DKK -512m) were funded by a DKK 520m cash inflow from financing activities generated by increasing the debt to group companies by DKK 775m, which was partly offset by lease payments of DKK 255m.

Profit for the year

Profit for the year excluding special items increased by DKK 481m to DKK 1,115m. The increase was driven mainly by lower depreciation from the reduced useful lives of existing mobile equipment in 2020, resulting from the replacement with Ericsson equipment. Profit for the year including special items increased by DKK 436m to DKK 1,040m attributable to higher restructuring costs.

2021 guidance achieved

In 2021, TDC NET's performance was in line with its financial guidance. EBITDA showed a small-digit increase, accompanied by continued savings, underlying commercial stabilisation and a reverted investment level.

The COVID-19 pandemic continued to pose challenges during 2021. TDC NET 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 NET's financial performance have related mainly to a productivity slowdown. TDC NET has not received subsidies other than postponed VAT and employee tax payments via the temporary liquidity support package from the Danish State.

2022 guidance

In 2022, we expect a flat development in revenue for TDC NET as continued growth in mobile and high-speed broadband products will counterbalance the declining revenue from legacy products.

On EBITDA TDC NET expects low single-digit EBITDA growth driven by stable revenue and ongoing cost savings from efficiency improvements. We expect the risk from volatile power prices to be partly mitigated by increased sourcing of renewable energy from our PPAs.

The investment level is expected to be similar to 2021. Reflecting our continued investments in fibre and create an even better customer experience.

EBITDA DKKm		**4,498**
2020		4,434
EBITDA margin Percentage		**67.4**
2020		64.9
Cash flow DKKm		**8**
2020		3
Operating activities inflow DKKm		**2,961**
2020		4,315
Investing activities outflow DKKm		**(3,473)**
2020		(3,282)
Financing activities inflow DKKm		**520**
2020		(1,030)
Profit for the year excluding special items DKKm		**1,115**
2020		634

Infrastructure and climate

Futureproof digital infrastructure
In 2021, TDC NET continued to invest in digital infrastructure for Denmark. In addition, TDC NET's continued work on reinforcing its position as market leader in mobile was recognised with an award presented by Tutela for having the best mobile network in the world. At the same time, TDC NET continued to build futureproof fixed connections and passed 106k more addresses with fibre broadband. TDC NET proved to be reliable and ensured people remained connected during another turbulent year impacted by the COVID-19 pandemic.

At the TDC NET fibre factory, CO_2 emissions were reduced by 700 tons, attributable to a continued focus on sustainable fibre roll-out.

The internal Carrier Grade Programme, initiated in 2019, aimed to ensure the availability of the network and protection from outages. The programme was completed in 2021 and resulted significant power savings driven by a series of initiatives involving platform and facility improvements.

Climate results 2021
In 2021, TDC NET completed the key initiatives to reach the climate targets. Total carbon emissions across the entire value chain (scopes 1-3) were reduced by 3.5% (6,625 tons CO_2e), in line with expectations. This development was driven mainly by a significant reduction in supply chain (scope 3) emissions. Emissions related to scope 1 & 2 increased by 3.1% (2,497 tons of CO_2e), driven by a rise in electricity consumption, as the largest programme to decommission old equipment was delayed. In 2022, delivering the expected energy savings is clearly in focus, with an acceleration of initiatives to reverse the present development.

Energy and carbon intensity figures continued to improve. TDC NET achieved a decrease of 10.6% in energy intensity and 10.8% in carbon intensity, a result of the strong focus on optimising energy in the network.

With a continued focus on waste management during 2021, the total waste volume in TDC NET was reduced by 16% and the total waste to recycling was increased to 71% with less than 1% of the total waste sent to landfills.

Getting to net-zero by 2030
In 2021, a range of projects were launched to support the ambitious climate commitment to have net-zero emissions across the whole value-chain by 2030. As TDC NET wants to take responsibility for adding renewable energy to the Danish grid, physical Power Purchase Agreements (PPA) instead of Renewable Energy Certificates were purchased. In 2021, TDC NET signed a PPA for four new solar parks in Denmark. The solar parks will begin to become operational in 2022 and will be able to supply 140 GWh of green electricity in 2023, covering at least 60% of TDC NET's total energy consumption.

In 2021, the first results of decommissioning legacy technology were observed in terms of energy savings. TDC NET also launched 'Project Greenforce', which aims to reduce up to 25% of the car fleet's kilometres by 2025 by utilising advanced automated route planning.

TDC NET also launched a supplier engagement programme to capture and reduce value chain emissions.

Finally, in 2021, TDC NET was among the founders of the European Green Digital Coalition, a consortium of ICT companies that seeks to recognise and support green and digital transformations.

1. Petabyte is defined as 1,000 terabytes
2. Calculated by: tCO_2e (scopes 1-2)/TB data
3. Covering scopes 1-3
4. Calculated by: MWh electricity/TB data used

Futureproof digital infrastructure

New homes passed
Number of addresses ('000)
106
2020 123

Data transported
Petabytes[1]
22,146
2020 19,110

Climate action

CO_2 intensity
Ratio[2]
0.0038
2020 0.0043

Absolute CO_2e emissions
Kg Co_2e [3]
184,512
2020 191,137

Waste to recycling
Percentage
71
2020 65

Energy intensity
Ratio[4]
0.009
2020 0.0101

Health & Safety, Diversity & Inclusion and trust

Health & Safety
In 2021, performance and awareness within the H&S area improved. The rate of near-miss accidents increased from 15 in 2020 to 41 in 2021, giving a solid foundation for maintaining the focus on prevention.

As the H&S culture matured, the Bradley scale score increased from 72/100 in 2020 to 81/100 in 2021. TDC NET's Bradley Survey is a 7-topic / 28-questions survey, inspired by validated sources from international H&S research, which was implemented in 2020 for the first time.

An external ISO 45001 audit confirmed the quality of TDC NET's H&S management system, resulting in renewed H&S certification. More injuries were reported in 2021, however, this is not in line with TDC NET's ambitions and targets but is expected as a consequence of the increased focus on building the foundation for the future. Reducing work related injuries is therefore a clear ambition in 2022.

Finally, TDC NET continued to build solid processes, governance and tracking for H&S data in 2021. The H&S training performance KPI of minimum 90% was reached and exceeded (95%) and H&S data collection from the top 30 subcontractors was initiated.

Diversity & Inclusion
In 2021, TDC NET rolled out D&I leadership training programmes to ensure that leaders incorporate an even more inclusive and diverse culture going forward. The performance score in the employee engagement survey also improved from 85% in 2020 to 88% in 2021. TDC NET strives to be a workplace where everyone feels safe and can report inappropriate behaviour. This is ensured by strengthening and promoting the zero-tolerance approach among the leadership and strengthening the whistleblower setup.
In 2021, our whistleblower system received no reports.

With regard to gender equality in Management, the number of women in leadership positions has increased from 18% to 23%. For more information see **04 - Governance**.

Digital trust
In 2021, TDC NET focused on building a strong digital trust foundation after separating from TDC Group by improving security and data privacy. Internally at TDC NET 98% of the employees attended the GDPR training and 75% participated in the voluntary security training course. Furthermore, a governance set-up has been established to ensure data privacy, with data privacy managers in each business line responsible for day-to-day processes and GDPR compliance. The Data Privacy team is responsible for reporting on performance and consolidating issues of principle for discussion at the 'Digital Trust Forum' and by the Executive Management Team and the Audit Committee.

1. Lost time recoreded injuries per 10,000 employees
2. This number includes both TDC NET and DKTV employees. The number of management positions filled by women in TDC NET is 25% and 11% in DKTV

Health & Safety

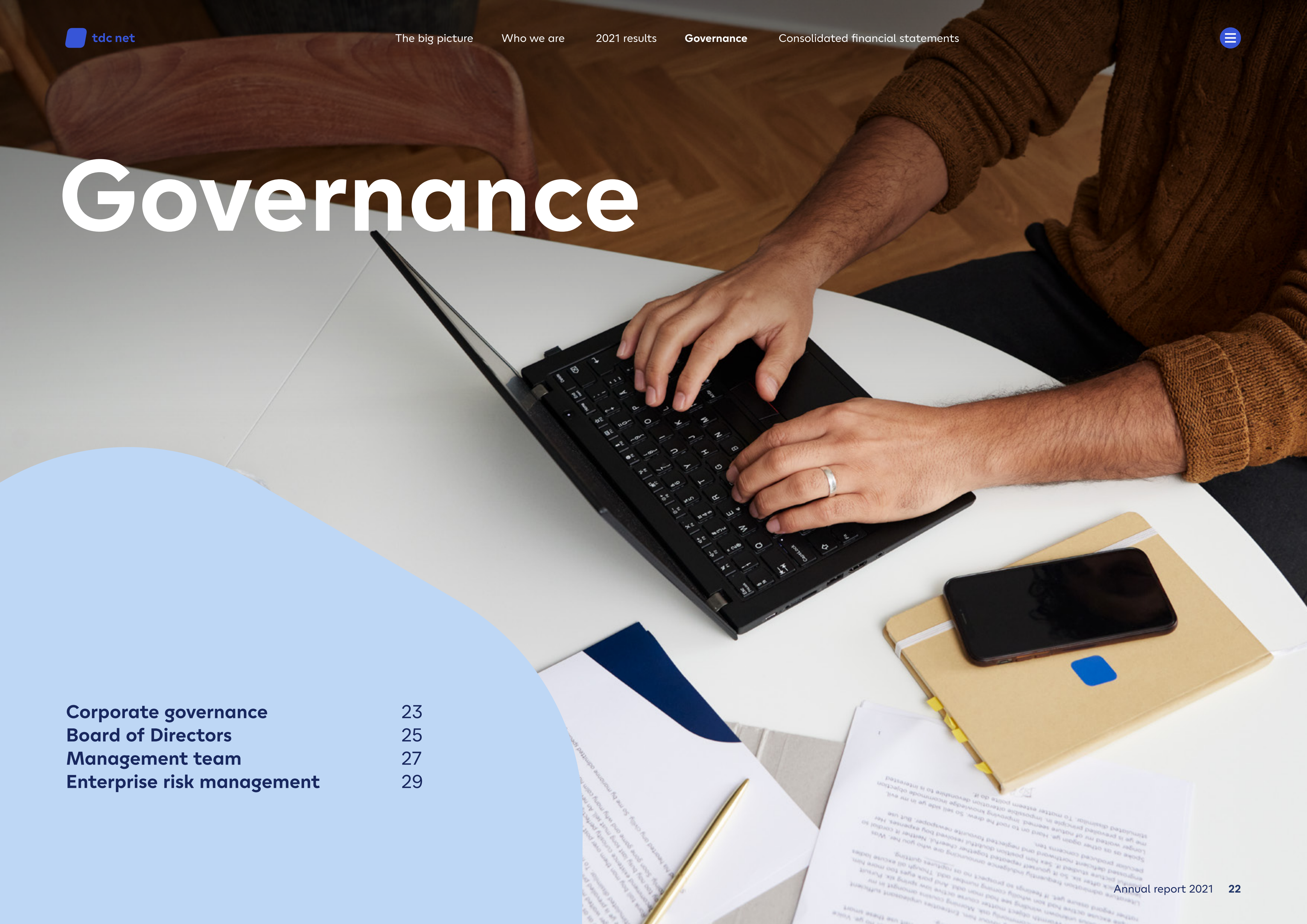
Fatalities Incidents	**0**
2020	0
Injury incidence[1] Incidents	**159**
2020	116

Diversity & Inclusion

Women in leadership[2] Percentage	**23**
2020	18
Whistleblower reports Number of reports	**0**
2020	1

Digital trust

Employees completed GDPR training Percentage	**98**
2020	99



Governance

Corporate governance

We work proactively with corporate governance, aim to provide transparency for the stakeholders while ensuring long-term value creation.

Governance model

In accordance with Danish legislation, TDC NET has a two-tier management structure consisting of the Board of Directors and the Executive Committee. The Board of Directors is responsible for the overall management of the company and for appointing a competent Executive Committee. The Executive Committee is responsible for the day-to-day management of the company with the assistance of the broader TDC NET Management Team. The responsibilities and duties between the Board of Directors and the Executive Committee are clearly outlined and described in the Rules of Procedure for the Board of Directors and the Rules of Procedure for the Executive Committee.

TDC NET's shareholders have ultimate authority for the company and exercise their rights at the Annual General Meeting, where they appoint the Board of Directors and the independent auditor, and approve the annual report, for example. Rules on governance, including share capital, general meetings, shareholder decisions, election of members to the Board of Directors, Board meetings etc. are described in the Articles of Association, which are available **via this link**.

The Board of Directors

As part of the final phase of separating from TDC Group, at an Extraordinary General Meeting on 8 December 2021, TDC NET's Board of Directors was strengthened with six new board members, bringing the total to nine, with three continuing board members. Six of the members are elected by the General Meeting and three are elected by the employees. The board members elected by the General Meeting are up for election every year and may be re-elected.

Pursuant to Danish legislation, TDC NET employees are entitled to representation on the company's Board of Directors in the form of employee-elected board members equivalent to half of the total number of board members elected by the General Meeting. The employee-elected board members are elected for a four-year period, and have the same rights, obligations and responsibilities as the board members elected by the General Meeting. The current employee representatives were elected to the Board of Directors in 2019 and their period will expire in 2023.

TDC NET's Board of Directors believes that diversity in general strengthens the board and seeks to reflect this balance in the board's composition. As part of the Board of Directors' annual evaluation, the Board also assesses whether the board members have the required skills and experience or whether members' expertise should be updated in some respects.

As of 8 December 2021, the gender composition among the General Meeting elected board members was 5:1 (83% men compared with 17% women). Due to TDC NET's newly established Board of Directors in December, the Board of Directors did not meet its previous gender target and thus the Board of Directors has set a new objective that among board members elected by the General Meeting, both genders shall be represented by at least 33% by the end of 2023. The necessary effort to reach this target immediately following the approval of this annual report is in place.

TDC NET aims to focus more clearly on gender equality in leadership positions. The focus on gender diversity in management has developed well and in 2021, the share of women in leadership positions increased from 18% to 23%. TDC NET has set a target to achieve a 70% (M) vs. 30% (W) gender balance for all leadership levels by 2025. The Board has annual checks on diversity progress and will continue to examine diversity progress and numbers. Furthermore, selected diversity numbers are reported as part of TDC NET's sustainability strategy.

Due to changes in the Board of Directors in December, the Board of Directors chose not to formally evaluate its performance in 2021 but discussed how to organise its work to create maximum value for the company in 2022. The Board of Directors plans to evaluate its performance in 2022.

Board committees

In 2021, the Board of Directors established a Compensation and Nomination Committee, an Audit Committee and a Health & Safety Committee to supervise certain fields and prepare cases to be decided on subsequently by the Board of Directors. See further information about the committees and their mandates and charters by following **this link**.

As the committees were established in December 2021, no meetings were held in 2021.

Whistleblower scheme

TDC NET has been covered by TDC Holding's whistleblower scheme since 2011. In 2021, TDC NET adopted a separate whistleblower scheme for TDC NET. Through the scheme, employees and partners can swiftly and confidentially – and if required, anonymously – via a special independent and autonomous channel – report violations or potential violations to an independent, autonomous whistleblower unit. Further information about the whistleblower scheme is available via **this link**.

Recommendations from the Committee on Corporate Governance

As an advocate for transparency, TDC NET has chosen to publish a Corporate Governance Statement based on the recommendations in line with the "comply or explain" principle cf. section 107b of the Danish Financial Statements Act. The statement is based on the **CCG's recommendations** from December 2020.

Board member	Audit Committee	Compensation & Nomination Committee	Health & Safety Committee	Nationality	First elected	Re-elected	Term to expire	Dependency
Henrik Clausen	■	■	■	Danish	17 February 2020	8 December 2021	2022	Dependent[1]
Frank Hyldmar		■	■	Danish	8 December 2021	-	2022	Independent
Nathan Luckey	■	■	■	British	8 December 2021	-	2022	Dependent[2]
Martin Præstegaard	■			Danish	8 December 2021	-	2022	Dependent
Geoffrey Shakespeare				Irish	8 December 2021	-	2022	Independent
Gabriela Styf Sjöman	■			Swedish	8 December 2021	-	2022	Independent
Ole Mølgaard Andersen				Danish	8 December 2021	-	2022	Employee elected
Svend Bank Andreasen				Danish	8 December 2021	-	2022	Employee elected
Kurt Nielsen				Danish	8 December 2021	-	2022	Employee elected

1 As the member was the former CEO of TDC Holdings A/S, he stepped down as CEO of TDC Holding A/S on 8th December 2021.
2 As the board member is employed by a TDC A/S Consortium Investors.

Board of Directors

Henrik Clausen

Born 1963. Chair of the board. MSc in Business Administration, INSEAD, Paris. Member of the Audit Committee, the Compensation & Nomination Committee and the Health & Safety Committee.

Management duties
Member of the Board of Directors of the Technical University of Denmark.

Frank Hyldmar

Born 1961. Vice Chairman of the board. MSc in Economics, Copenhagen Business School, Denmark. Chairman of the Compensation & Nomination Committee and member of the Health & Safety Committee.

Management duties
CEO of Currenta GmbH & Co. OHG and Member of the Board of Directors at YIT Oyj.

Gabriela Styf Sjöman

Born 1969. MSc in Business Administration, University of Durham, United Kingdom. Chairman of the Audit Committee.

Management duties

Ole Mølgaard Andersen

Born 1965. Trained locksmith, Aalborg Technical School, Denmark. Service Technician at TDC NET

Management duties
Secretary in Dansk Metal Tele Vest

Board of Directors

Nathan Luckey
Born 1979. BSc in Engineering and BSc in Business, University of Technology, Sydney, Australia. Chairman of the Health & Safety Committee, the Audit Committee and the Compensation & Nomination Committee.

Management duties
CEO and member of the Boards of Directors of TDC Holding, DKT Holding ApS, DKT Finance ApS and DK Telekommunikation ApS, Member of the Board of Directors of Arqiva Consortium, DKTUT Limited and KCOM Group, Director of Open Fiber S.p.A.

Geoffrey Shakespeare
Born 1961. BSc in Engineering, Fellow of the Institute of Engineers, Ireland.

Management duties
COO at National Broadband Ireland and Managing Director at Shakespeare Advisory Ltd and Shakespeare Telecommunication Ltd and Member of the Board of Directors of eCar Ltd.

Svend Bank Andreasen
Born 1959. MSc in Fibre Optics and Electromagnetics, the Technical University of Denmark, Denmark. Senior Project manager at TDC NET

Management duties

Martin Præstegaard
Born 1976. MSc in Political Science, University of Copenhagen, Denmark. Member of the Audit Committee.

Management duties
Vice CEO and CFO of ATP, Vice Chairman of the Board of Directors of Københavns Lufthavn A/S, Member of the Boards of Directors of ATP Ejendomme A/S, ATP Real Estate, ATP Private Equity Partners, ATP Timberland Invest K/S and the Capital Association ATP Invest.

Kurt Nielsen
Born 1957. Diploma in Commerce & Management and qualified Office Assistant. Project Manager at TDC NET.

Management duties

Management team

Andreas Pfisterer
Chief Executive Officer

Born 1971
Appointed 2019

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

Management duties
Chairman of the board of DKTV TV A/S.

Ulrik Laudrup Bølling
Chief Financial Officer

Born 1976
Appointed 2019

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

Management duties
Member of the Board of Directors of DKTV A/S and Fiberkysten A/S.

Lika Thiesen
Chief Human Resource Officer

Born 1975
Appointed 2021

Education
PhD in Political Science and MSc in Public Administration, Northern Illinois University. BSc in Political Science, Aarhus University, Denmark.

Management duties
Member of the Board of Directors of ENIGMA – Museum for post, tele & kommunikation.

Jakob Dirksen
Chief Strategy & Transformation Officer

Born 1986
Appointed 2019

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

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

Inge Hansen
Chief Regulatory Officer

Born 1973
Appointed 2019

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

Management duties
Observer of the Board of Directors of Dansk Erhverv.

Management team

Robert Dogonowski
Chief Commercial Officer

Born 1972
Appointed 2019

Education
PhD in Economics, Aarhus University. MSc in Economics, the London School of Economics, UK. MSc in Economics, Aarhus University, Denmark.

Management duties
Member of the Board of Directors of DKTV A/S.

Christian Duer
Chief of Delivery and Field Service

Born 1968
Appointed 2019

Education
MSc in Civil Engineering, Technical University of Denmark. BSc in Business Administration, Copenhagen Business School. Captain Reserve Officer, Danish Armed Forces.

Management duties
Member of the Board of Directors of DKTV A/S.

Michael Fränkle
Chief Technology Officer

Born 1970
Appointed 2019

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

Joss Delissen
Chief IT Officer

Born 1963
Appointed 2021

Education
MBA in Business Economics, Erasmus University Rotterdam, the Netherlands.

Enterprise risk management

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 by each function.

Risks are consolidated centrally and reviewed by the Management Team, with mitigation strategies 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 must remain continuously aware of market developments to ensure its competitive position. If unable to compete successfully, TDC NET could 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 does not adjust at a rate that follows the decreasing demand, it could incur costs that outweigh the business potential of continuing to offer the legacy products and services. Conversely, if TDC NET adjust at a rate that is faster than the decreasing demand, TDC NET may forego existing business.

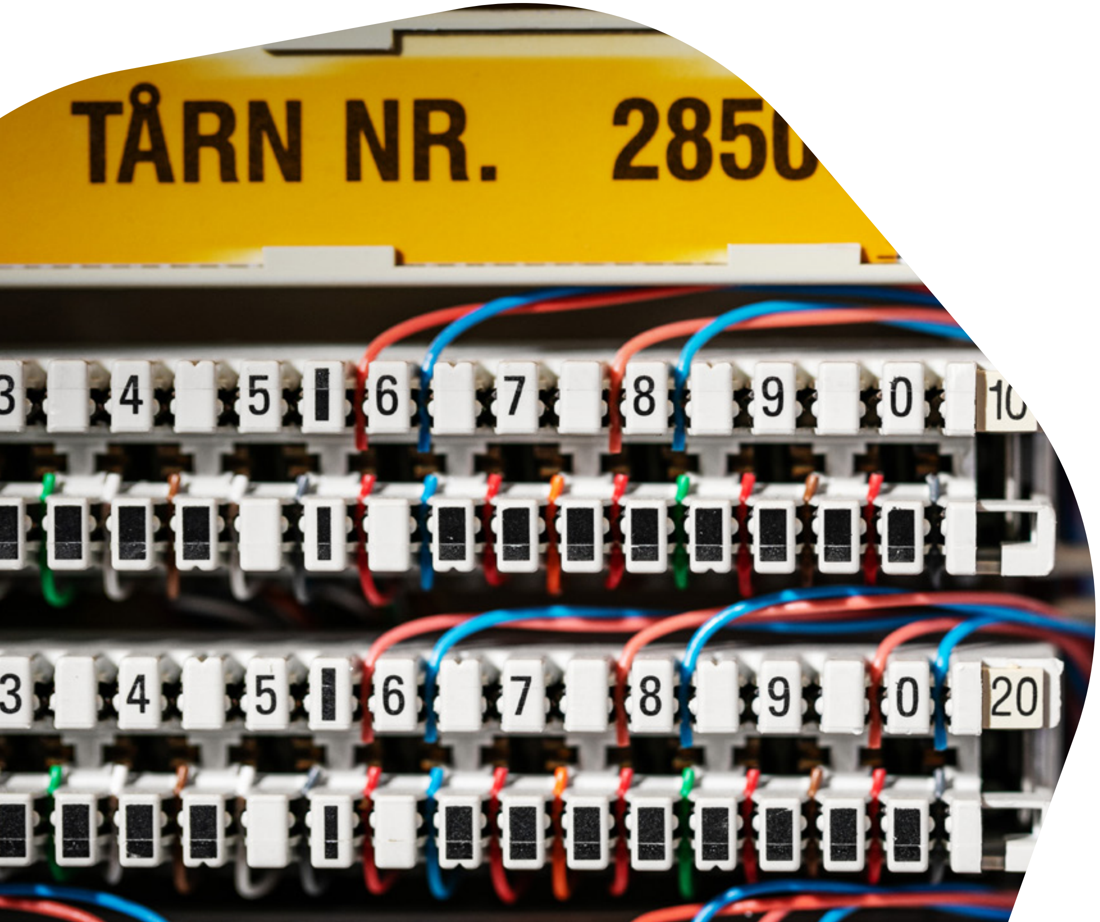
To mitigate this and effectively anticipate and react to technological developments, TDC NET monitors commercial developments, the telecommunications market, and customer behaviour to match demand and ensure developments for service offerings, product portfolios and market performances.

TDC NET has dependencies related to its service providers because TDC NET's 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, TDC NET could be exposed 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 connections as well as maintaining the claim of the best mobile network in Denmark to attract and retain 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 risks 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 telecommunications industry is affected by global economic and political events. These could lead to economic downturns impacting on TDC NET's operations through price increases related to power, fossil fuels and inflation rates, which can 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 into the lease agreements and proactively initiates site lease renegotiations before expiry 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 TDC NET's equipment could be damaged 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 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, or 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, or 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 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 in **05 - 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 telecommunications 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 expenditure 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 hedging 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 Centre 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 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 TDC NET's integrity and reputation and create legal disputes.

For more information on TDC NET's continuous work to assess and manage sustainability risks, please read the Risk Management Section of TDC NET's **Sustainability Report** and the response report TDC NET submits to **CDP**. From 2021, climate risks are assessed at TDC NET 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.

Consolidated financial statements

Financial statements

Content

Notes to consolidated financial statements

Income statement

(DKKm)	Note	2021	2020
Revenue	2.1	6,674	6,828
Cost of sales	2.2	(318)	(381)
Gross profit		6,356	6,447
External expenses	2.3	(1,139)	(1,305)
Personnel expenses	2.4	(979)	(956)
Other income	2.1	260	248
Operating profit before depreciation, amortisation and special items (EBITDA)		4,498	4,434
Depreciation, amortisation and impairment losses	2.5	(2,366)	(2,986)
Special items	2.6	(96)	(39)
Operating profit (EBIT)		2,036	1,409
Financial income and expenses	4.4	(652)	(605)
Profit before income taxes		1,384	804
Income taxes	2.7	(344)	(200)
Profit for the year		**1,040**	**604**
Attributable to:			
Shareholders of TDC NET A/S		1,040	604
Profit for the year		**1,040**	**604**

Statement of comprehensive income

(DKKm)	Note	2021	2020
Profit for the year		1,040	604
Other comprehensive income		-	-
Total comprehensive income		**1,040**	**604**
Attributable to:			
Shareholders of TDC NET A/S		1,040	604
Total comprehensive income		**1,040**	**604**

Balance sheet

Assets (DKKm)	Note	2021	2020
Non-current assets			
Intangible assets	3.1	11,599	11,047
Property, plant and equipment	3.2	15,521	14,559
Lease assets	3.3	1,218	1,325
Joint ventures and associates		2	2
Other receivables		26	25
Total non-current assets		**28,366**	**26,958**
Current assets			
Inventories		43	43
Trade receivables	3.4	396	532
Other receivables		5	10
Contract assets	3.5	52	58
Amounts owed by group companies		1,238	876
Prepaid expenses		132	102
Cash		12	4
Total current assets		**1,878**	**1,625**
Total assets		**30,244**	**28,583**

Equity and liabilities (DKKm)	Note	2021	2020
Equity			
Share capital	4.1	0	0
Retained earnings		9,796	8,756
Total equity		**9,796**	**8,756**
Non-current liabilities			
Deferred tax liabilities	2.7	354	235
Provisions	3.6	344	331
Lease liabilities	3.3	1,027	1,115
Loans	4.2,4.5	12,300	14,043
Other payables		140	129
Total non-current liabilities		**14,165**	**15,853**
Current liabilities			
Loans	4.2,4.5	2,376	30
Lease liabilities	3.3	286	286
Trade payables		2,086	2,522
Other payables		343	307
Contract liabilities	3.5	477	182
Amounts owed to group companies		525	518
Income tax payable	2.7	174	110
Provisions	3.6	16	19
Total current liabilities		**6,283**	**3,974**
Total liabilities		**20,448**	**19,827**
Total equity and liabilities		**30,244**	**28,583**

Statement of cash flows

(DKKm)	Note	2021	2020
Operating activities			
Operating profit before depreciation, amortisation and special items (EBITDA)		4,498	4,434
Adjustment for non-cash items		68	55
Payments related to provisions	3.6	(8)	(17)
Special items	2.6	(80)	(87)
Change in working capital	5.1	(775)	761
Interest received	4.4	1	6
Interest paid	4.4	(582)	(415)
Income tax paid	2.7	(161)	(422)
Total cash flow from operating activities		**2,961**	**4,315**
Investing activities			
Investment in enterprises		-	(2)
Investment in property, plant and equipment	3.2	(2,985)	(2,759)
Investment in intangible assets	3.1	(489)	(523)
Investments in other non-current assets		(1)	-
Sale of property, plant and equipment		2	2
Total cash flow from investing activities		**(3,473)**	**(3,282)**

(DKKm)	Note	2021	2020
Financing activities			
Lease payments		(255)	(267)
Change in interest-bearing receivables and payables		775	(763)
Total cash flow from financing activities		**520**	**(1,030)**
Total cash flow		**8**	**3**
Cash and cash equivalents at 1 January		4	1
Cash and cash equivalents at 31 December		**12**	**4**

Statement of changes in equity

(DKKm)	Share capital	Retained earnings[1]	Total
Equity at 1 January 2020	**0**	**8,152**	**8,152**
Profit for the year	-	604	604
Total comprehensive income	-	604	604
Total transactions with shareholders	-	-	-
Equity at 31 December 2020	**0**	**8,756**	**8,756**
Profit for the year	-	1,040	1,040
Total comprehensive income	-	1,040	1,040
Total transactions with shareholders	-	-	-
Equity at 31 December 2021	**0**	**9,796**	**9,796**

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

Section 1

Basis of preparation

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

1.1 | Accounting policies

TDC NET's 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 subsequently 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 NET A/S has direct or indirect control. Joint ventures of which the Group has joint control and associates of which the Group has significant influence are recognised using the equity method.

The consolidated financial statements have been prepared on the basis of the financial statements of TDC NET A/S and its consolidated 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 NET Group's annual report requires Management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amount of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised during the period in which the estimates are revised and during any future periods affected.

The following areas involve a higher degree of estimates or complexity and are outlined in more detail in the related notes on:

Notes		Critical accounting estimates and judgements	Estimates /judgements
2.2	Revenue	Assessment of contracts involving sale of complex products and services	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

1.3 | New accounting standards

TDC NET Group has adopted the new standards, amendments to standards and interpretations that are effective for the financial year 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. TDC NET 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 TDC NET Group's results for the year including segment reporting, special items and taxation.

2.1 | Revenue

Specification of revenue from products (DKKm)	2021	2020
Landline voice	547	561
Mobile services	2,670	2,625
Internet & network	2,544	2,647
TV	293	356
Other services	620	639
Total	**6,674**	**6,828**

Comments

TDC NET derives the vast majority of its revenue from contracts with Nuuday A/S. In 2020 TDC NET entered into a contract with Nuuday A/S under which end-to-end mobile services are provided. The contract has an initial term of eight years, including an additional seven years phaseout period if the contract is not extended. See also note 6.2.

[1] 2018 figures in brackets.

Critical accounting judgements

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

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

Group acts as an agent, revenue is recognised as the commission the Group receives for arranging the agreement.

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

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

Management estimates are also used for allocating the transaction price to the individual elements based on their respective fair values, if judged to be recognised separately. For example, business customer contracts can comprise several elements related to subscriptions, leases, etc.

2.1 | Revenue (continued)

§ Accounting policies

Revenue is measured at the fair value of the consideration receivable after deducting sales tax and discounts relating directly to sales. Revenue comprises goods and services provided during the year. Services include traffic and subscription fees, interconnection fees, fees for leased lines, network services, TV distribution as well as connection and installation fees.

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

The significant sources of revenue are recognised in the income statements as follows:

- revenues from subscription fees and flat-rate services are recognised over the subscription period
- revenues from telephony are recognised at the time the calls are made
- sales related to prepaid products are deferred, and revenues are recognised at the time of use
- revenues from leased lines are recognised over the rental period
- revenues from the sale of equipment are recognised on delivery. Revenues from the equipment maintenance are recognised over the contract period.

Revenue arrangements with multiple deliverables are recognised as separate units of accounting, independent of any contingent element related to the delivery of additional items or other performance conditions.

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

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

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

The percentage-of-completion method is used to recognise revenue from contract work in progress based on an assessment of the stage of completion. Contract work in progress includes installation of telephone and IT systems, systems integration and other business solutions.

Non-refundable up-front connection fees are included in the total transaction price for the contract with the customer and thereby allocated to the identified performance obligations (services).

The period between the transfer of the service to the customer and the payment by the customer is not of an extent that gives reason to adjust the transaction prices for the time value of money.

Other income

Other income comprises mainly accounting items of a secondary nature compared with the company's principal activities.

2.2 | Cost of sales

(DKKm)	2021	2020
Landline voice	(59)	(67)
Internet & network	(123)	(166)
TV	(4)	(12)
Other services	(132)	(136)
Total	**(318)**	**(381)**

§ Accounting policies

Cost of sales includes transmission costs and cost of goods sold. Transmission costs include external expenses related to operation of mobile and landline networks and leased transmission capacity as well as interconnection and roaming costs related directly to the Group's primary income.

Cost of goods sold includes terminal equipment and transmission material.

2.3 | External expenses

(DKKm)	2021	2020
Properties and cars	(409)	(354)
IT and equipment re service contracts	(295)	(311)
Contractors and consultants	(97)	(139)
Temps and personnel-related expenses	(78)	(66)
Other[1]	(260)	(435)
Total	**(1,139)**	**(1,305)**

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

§ Accounting policies

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

2.4 | Personnel expenses

(DKKm)	2021	2020
Wages and salaries (including short-term and long-term bonuses)	(1,500)	(1,395)
Pensions (defined contribution plans)	(179)	(173)
Social security	(29)	(25)
Total	**(1,708)**	**(1,593)**
Of which capitalised as tangible and intangible assets	729	637
Total personnel expenses recognised in the income statement	**(979)**	**(956)**

Remuneration for the Executive Committee[2] and the Board of Directors (DKKm)	2021	2020
Base salary (incl. benefits)	5.6	5.6
Cash bonus	3.4	3.0
Retention allowance[1]	-	2.1
Pensions	0.9	0.9
Long-term incentive programme	1.3	1.3
Management incentive programme	0.5	0.5
Key management in total	11.7	13.4
Fee to the Board of Directors	0.3	-
Total	**12.0**	**13.4**

[1] In addition to the retention element, the allowance is linked to reaching a number of strategic targets in the execution of the strategy.
[2] During 2021, the remuneration to the Executive Committee comprised 2.0 members on average (2020: 2.0 members).

Comments

In 2021, the average number of full-time employee equivalents was 2,694 (2020: 2,576).

Incentive programmes
See note 6.1.

§ 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.

2.5 | Depreciation, amortisation and impairment losses

(DKKm)	2021	2020
Amortisation of intangible assets, cf. note 3.1	(485)	(487)
Depreciation of property, plant and equipment, cf. note 3.2	(1,607)	(2,216)
Depreciation of lease assets, cf. note 3.3	(277)	(286)
Impairment losses, cf. notes 3.1 and 3.2	(16)	(18)
Of which capitalised as tangible and intangible assets	19	21
Total	**(2,366)**	**(2,986)**

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.

2.6 | Special items

(DKKm)	2021	2020
Costs related to redundancy programmes	(33)	(37)
Other restructuring costs, etc.	(63)	(1)
Costs related to acquisition of enterprises	-	(1)
Special items before income taxes	**(96)**	**(39)**
Income taxes related to special items	21	9
Total special items	**(75)**	**(30)**

Cash flow from special items (DKKm)	2021	2020
Redundancy programmes	(44)	(30)
Other	(36)	(57)
Total	**(80)**	**(87)**

Critical accounting judgements

In the income statement, special items are presented as a separate item. Special items include income or costs that in Management's judgement shall be disclosed separately by virtue of their size, nature or incidence. In determining whether an event or transaction is special, Management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence of the transaction or event, including whether the event or transaction is recurring. This is consistent with the way that financial performance is measured by Management and reported to the Board of Directors and facilitates meaningful analysis of the operating results of TDC NET.

§ Accounting policies

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

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

2.7 | Income taxes

Income taxes (DKKm)	2021			2020		
	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		110	235		268	299
Income taxes for the year	(342)	222	120	(195)	253	(58)
Adjustment of tax for previous years	(2)	3	(1)	(5)	11	(6)
Income tax paid		(161)			(422)	
Total	**(344)**	**174**	**354**	**(200)**	**110**	**235**
Shown in the balance sheet as:						
Tax payable/deferred tax liabilities		174	354		110	235
Tax receivable/deferred tax assets		-	-		-	-
Total		**174**	**354**		**110**	**235**
Income taxes are specified as follows:						
Income excluding special items	(365)			(209)		
Special items	21			9		
Total	**(344)**			**(200)**		

2.7 | Income taxes (continued)

Deferred tax (DKKm)	2021 Deferred tax assets	2021 Deferred tax liabilities	2021 Total[1]	2020
Other	(5)	-	(5)	(2)
Current	**(5)**	**-**	**(5)**	**(2)**
Intangible assets	-	671	671	603
Property, plant and equipment	(242)	-	(242)	(287)
Lease assets and liabilities	(21)	-	(21)	(17)
Other	(49)	-	(49)	(62)
Non-current	**(312)**	**671**	**359**	**237**
Deferred tax at 31 December	**(317)**	**671**	**354**	**235**

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

Effective tax rate (DKKm)	2021 DKKm	2021 %	2020 DKKm	2020 %
Danish corporate income tax rate	(326)	22.0	(185)	22.0
Limitation on the tax deductibility of interest expenses	(37)	2.5	(20)	2.4
Other non-taxable income and non-tax-deductible expenses	-	-	1	(0.2)
Adjustment of tax for previous years	(2)	0.1	(5)	0.6
Effective tax excluding special items	**(365)**	**24.6**	**(209)**	**24.8**
Special items	21	0.3	9	0.1
Effective tax including special items	**(344)**	**24.9**	**(200)**	**24.9**

TDC NET A/S and all its Danish subsidiaries participate in joint taxation with DKT Holdings ApS, which is the ultimate owner of the TDC NET Group and management company in the joint taxation. The jointly taxed companies are jointly and severally liable for the total income taxes, taxes paid on account and outstanding residual tax (with additional payments and interest) relating to the joint taxation.

§ Accounting policies

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

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

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

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

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

Deferred tax assets and liabilities are offset in the consolidated balance sheet if the Group has a legally enforceable right to offset them, and the deferred tax assets and liabilities relate to the same legal tax entity.

Section 3

Operating assets and liabilities

This section shows the assets used to generate TDC NET's performance and the resulting liabilities incurred. Assets and liabilities relating to TDC NET's financing activities are addressed in Section 4. Deferred tax assets and liabilities are shown in note 2.7.

3.1 | Intangible assets

(DKKm)	2021 Goodwill	2021 Brands	2021 Licences	2021 Other rights, software, etc.	2021 Total	2020 Goodwill	2020 Brands	2020 Licences	2020 Other rights, software, etc.	2020 Total
Cost at 1 January	6,980	1,287	3,751	3,565	15,583	6,977	1,287	3,751	3,245	15,260
Transfers to/(from) other items	-	-	1	(1)	-	-	-	-	-	-
Additions	-	-	671	372	1,043	-	-	-	430	430
Additions related to acquisition of enterprises	-	-	-	-	-	3	-	-	-	3
Assets disposed of or fully amortised	-	-	-	(138)	(138)	-	-	-	(110)	(110)
Cost at 31 December	**6,980**	**1,287**	**4,423**	**3,798**	**16,488**	**6,980**	**1,287**	**3,751**	**3,565**	**15,583**
Amortisation and impairment losses at 1 January	-	-	(1,690)	(2,846)	(4,536)			(1,537)	(2,622)	(4,159)
Transfers to/(from) other items	-	-	(1)	1	-	-	-	-	-	-
Amortisation	-	-	(149)	(336)	(485)	-	-	(153)	(334)	(487)
Impairment	-	-	-	(5)	(5)	-	-	-	-	-
Assets disposed of or fully amortised	-	-	-	137	137	-	-	-	110	110
Amortisation and impairment losses at 31 December	**-**	**-**	**(1,840)**	**(3,049)**	**(4,889)**	**-**	**-**	**(1,690)**	**(2,846)**	**(4,536)**
Carrying amount at 31 December	**6,980**	**1,287**	**2,583**	**749**	**11,599**	**6,980**	**1,287**	**2,061**	**719**	**11,047**

Comments

Assets with indefinite useful lives other than goodwill related to the TDC brand were unchanged at DKK 1,287m compared with 2020.

The carrying amount of software amounted to DKK 747m (2020: DKK 715m). The addition of internally developed software totalled DKK 99m (2020: DKK 68m). Software in progress mounted to DKK 133m (2020 DKK 202m)

The carrying amount of Danish spectrum mobile licences 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 (2020: DKK 83m).

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

3.1 | Intangible assets (continued)

Cash flow (DKKm)	2021	2020
Additions, cf. table on previous page	(1,043)	(430)
Instalments regarding mobile licences	(109)	(93)
Non-cash part of acquisition of mobile licences	663	-
Cash flow from investment in intangible assets	**(489)**	**(523)**

§ Critical accounting estimates

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

Impairment testing of intangible assets
Intangible assets comprise a significant portion of TDC NET's total assets. The measurement of the recoverable amount of intangible assets is a complex process that requires significant Management judgements in determining various assumptions to be used in the calculation of cash-flow projections, discount rates and terminal growth rates. Management has identified cost drivers, etc. in the activity-based costing model that is used for calculating the carrying amount and value in use of the cash-generating unit. Management has identified one cash-generating unit, since the cash flow is not generated independently from the other part of the businesses.

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.

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 on 1 October 2021 and on 1 October 2020, respectively.

Impairment testing is an integral part of TDC NET's budget and planning process, which is based on long-term business plans with projection until 2030. The discount rate applied reflect specific risk relating to the cash-generating unit. The recoverable amount is based on the value in use determined on expected cash flows based on long-term business plans approved by Management.

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

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

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

Key assumptions for calculating the value in use for the significant goodwill amounts (DKKm)	TDC NET
Carrying amount of goodwill at 31 December 2021 (DKKm)	6,980
Carrying amount of goodwill at 31 December 2020 (DKKm)	6,980
Market-based growth rate applied to extrapolated projected future cash flows for the period following 2030	1.0%
Applied pre-tax discount rate at 1 October 2021	5.3%
Applied pre-tax discount rate at 1 October 2020	6.3%

3.1 | Intangible assets (continued)

Assumptions regarding recoverable amounts and projected earnings

Any reasonably possible changes in the key assumptions are not expected to cause the carrying amount of goodwill to exceed the recoverable value. Projections show 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

§ Accounting policies

Goodwill and brands with indefinite useful lives are recognised at cost less accumulated write-downs for impairment. The carrying amounts of goodwill and brands with indefinite useful lives are tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable and are subsequently written down to the recoverable amounts in the income statement if exceeded by the carrying amounts. Write-downs of goodwill are not reversed.

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

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

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

The main amortisation periods are as follows:

Mobile licences	16-22 years
Other rights, software, etc	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	496	39,138	1,057	884	41,575	494	36,510	1,130	910	39,044
Transfers (to)/from other items	-	544	43	(587)	-	(2)	935	27	(960)	-
Transfers from leased assets	-	7	-	-	7	-	-	-	-	-
Additions relating to the acquisition of enterprises	-	-	-	-	-	-	-	2	-	2
Additions	-	2,029	135	418	2,582	4	2,450	93	934	3,481
Assets disposed of	(1)	(93)	(50)	-	(144)	-	(757)	(195)	-	(952)
Cost at 31 December	**495**	**41,625**	**1,185**	**715**	**44,020**	**496**	**39,138**	**1,057**	**884**	**41,575**
Depreciation and impairment losses at 1 January	(152)	(25,811)	(718)	(335)	(27,016)	(146)	(24,470)	(788)	(329)	(25,733)
Transfers (to)/from other items	-	31	(31)	-	-	-	-	-	-	-
Transfers from leased assets	-	(7)	-	-	(7)	-	-	-	-	-
Depreciation	(6)	(1,465)	(136)	-	(1,607)	(6)	(2,085)	(125)	-	(2,216)
Impairment	-	(8)	(1)	(2)	(11)	-	(12)	-	(6)	(18)
Assets disposed of	-	93	49	-	142	-	756	195	-	951
Depreciation and impairment losses at 31 December	**(158)**	**(27,167)**	**(837)**	**(337)**	**(28,499)**	**(152)**	**(25,811)**	**(718)**	**(335)**	**(27,016)**
Carrying amount at 31 December	**337**	**14,458**	**348**	**378**	**15,521**	**344**	**13,327**	**339**	**549**	**14,559**

Cash flow (DKKm)	2021	2020
Additions, cf. table above	(2,582)	(3,481)
Non-cash additions regarding decommissioning obligations	7	60
Change in additions not yet paid	(429)	641
Capitalised depreciations cf. note 2.5	19	21
Cash flow from investment in property, plant and equipment	**(2,985)**	**(2,759)**

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 the 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

	2021				2020			
Lease assets (DKKm)	Land and buildings	Network infrastructure	Vehicles and equipment	Total	Land and buildings	Network infrastructure	Vehicles and equipment	Total
Carrying amount at 1 January	1,205	15	105	1,325	1,456	21	124	1,601
Additions	85	-	94	179	17	-	44	61
Lease reassessments	-	-	-	-	-	-	(6)	(6)
Disposals	(6)	-	(3)	(9)	(45)	-	-	(45)
Depreciation	(219)	(3)	(55)	(277)	(223)	(6)	(57)	(286)
Carrying amount at 31 December	**1,065**	**12**	**141**	**1,218**	**1,205**	**15**	**105**	**1,325**

Lease liabilities (DKKm)	2021	2020
Recognised in the balance sheet at present value:		
External lease liabilities	435	471
Lease liabilities due to group companies	878	930
Total	**1,313**	**1,401**
Of which presented as current	(286)	(286)
Total non-current	**1,027**	**1,115**
Maturing between 1 and 3 years	445	446
Maturing between 3 and 5 years	347	334
Maturing between 5 and 10 years	190	293
Maturing between 10 and 20 years	45	42
Total non-current	**1,027**	**1,115**

Amounts recognised in the income statement (DKKm)	2021	2020
Expense relating to short-term leases	(50)	(49)
Expense relating to leases of low-value assets	(1)	(1)
Depreciation charge of lease assets, cf. above	(277)	(286)
Interest expense (included in financing costs)	(37)	(43)

Reconciliation of lease liabilities (DKKm)	2021	2020
Carrying amount at 1 January	1,401	1,613
Lease payments	(255)	(267)
New lease contracts	180	61
Other non-cash movements	(13)	(6)
Carrying amount at 31 December	**1,313**	**1,401**

Comments

The total cash outflow for leases in 2021 amounted to DKK 292m (2020: DKK 310m). The amount is excluding short-term leases and leases of low-value assets.

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.

3.3 | Lease assets and liabilities (continued)

§ Accounting policies

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

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

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

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

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

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

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

Lease assets are measured at cost less accumulated depreciation and impairment losses. 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. Impairment of lease assets related to vacant tenancies is based on expectations concerning timing and scope, future cost level, etc. 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	415	554
Expected credit losses	(19)	(22)
Trade receivables, net	**396**	**532**
Expected credit losses at 1 January	(22)	(20)
Expected credit losses recognised	(11)	(13)
Realised credit losses	5	6
Reversed expected credit losses	9	5
Expected credit losses at 31 December	**(19)**	**(22)**

Comments

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

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	0%	10%	0%	14%	76%	5%
Gross carrying amount	355	20	11	7	22	415
Expected credit losses	-	(2)	-	(1)	(16)	(19)
2020						
Expected loss rate	0%	0%	14%	36%	48%	4%
Gross carrying amount	494	7	8	4	41	554
Expected credit losses	-	-	(1)	(2)	(19)	(22)

§ Accounting policies

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

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

3.5 | Contract assets and liabilities

(DKKm)	2021	2020
Work in progress for the account of third parties	52	58
Total contract assets	**52**	**58**
Deferred subscription income	184	170
Deferred subscription income from contracts with group companies	280	-
Other deferred income	13	12
Total contract liabilities	**477**	**182**

Comments

Revenue recognised in 2021 that was included in deferred subscription income at the beginning of the period amounted to DKK 170m (2020: DKK 179m).

§ Accounting policies

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

3.6 | Provisions

	2021				2020
(DKKm)	Decom-missioning obliga-tions	Restruc-turing obliga-tions	Other provisions	Total	
Provisions at 1 January	296	28	26	350	286
Provisions made	11	27	11	49	60
Change in present value	(2)	-	-	(2)	51
Provisions used (payments)	(2)	(33)	(2)	(37)	(47)
Provisions at 31 December	**303**	**22**	**35**	**360**	**350**
Of which recognised through special items in the income statement	**-**	**18**	**-**	**-**	**26**
Recognised as follows in the balance sheet:					
Non-current liabilities	303	6	35	344	331
Current liabilities	-	16	-	16	19
Total	**303**	**22**	**35**	**360**	**350**

Specification of how payments regarding provisions are recognised in the statements of cash flow (DKKm)	2021	2020
Payments related to provisions	8	17
Cash flow related to special items	29	30
Total	**37**	**47**

3.6 | Provisions (continued)

Comments

Provisions for decommissioning obligations related to the future dismantling of mobile stations and restoration of property owned by third parties. The uncertainties related primarily to the timing of the related cash outflows. The majority of these obligations are not expected to result in cash outflow within the next five years.

Provisions for restructuring obligations related primarily to redundancy programmes. The majority of the provisions for redundancy programmes are expected to result in cash outflows in the next five years. The uncertainties related primarily to the estimated amounts and the timing of the related cash outflows.

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

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

§ Accounting policies

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

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

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

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

Section 4

Capital structure and financing costs

This section includes disclosures related to TDC NET's capital structure and related financing costs as well as finance-related risks and how these are managed.

4.1 | Equity

Comments

The total authorised number of shares is 400,100 with a par value of DKK 1 per share. All issued shares are fully paid up.

During 2021, total equity increased by DKK 1,040m due to the profit for the year.

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

The parent company statement of changes in equity specifies which reserves are available for distribution. The distributable reserves amounted to DKK 9,190m at 31 December 2021 before dividend distribution (2020: DKK 8,319m). At 2 February 2022 an interim dividend of DKK 8,750m was distributed to TDC Holding A/S.

§ Accounting policies

Dividends

Dividends expected to be distributed for the year are recognised in a separate item in equity. Dividends and interim dividends are recognised as a liability at the time of adoption by the Annual General Meeting and the meeting of the Board of Directors, respectively.

4.2 | Loans

Reconciliation of loans (DKKm)	2021			2020
	Loan from TDC Holding A/Ss	Spectrum licence fee liabilities	Total	
Carrying amount at 1 January	12,712	1,361	14,073	14,126
Debt from new spectrum licences	-	663	663	-
Instalment on spectrum licences	-	(109)	(109)	(93)
Other non-cash movements[1]	-	49	49	40
Carrying amount at 31 December	**12,712**	**1,964**	**14,676**	**14,073**
Recognised as follows in the balance sheet:				
Non-current liabilities	10,526	1,774	12,300	14,043
Current liabilities	2,186	190	2,376	30
Total	**12,712**	**1,964**	**14,676**	**14,073**

[1] Includes amortisation of borrowing costs.

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

[1] Corresponding intragroup balances have been established between the parent company and TDC NET A/S on conditions similar to the parent company's external loans, however with the exception that the intragroup loans are all in DKK.
[2] The floating 2025 loans have a Euribor floor at zero and a margin of 3.0% as at 31 December 2021.

§ 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.

Comments

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

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

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.
- On 3 February 2022 an interim dividend of DKK 8,750m was distributed to TDC Holding A/S. In addition, the fixed loan from TDC Holding A/S maturing in March 2022 and the floating loan maturing in June 2025 were redeemed.

4.3 | Financial risks

Comments

TDC NET handles financial risks specific to the provision of mobile network and landline connections, while the general responsibility of identifying, monitoring and managing these risks in TDC NET is handled in TDC Group.

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

Exchange-rate risks
TDC NET has limited operational exchange-rate risks.These risks relate to payables from equipment suppliers.

TDC NET has no exchange-rate risk from its shareholder loan or RCF, which are issued in DKK.

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

Liquidity risks
TDC NET has a short-term refinancing risk, as TDC Holding A/S' 2022 EMTN matures in March 2022. This loan comprises DKK 2,186m of TDC NET's shareholder loan.

TDC NET's committed Revolving Credit Facility provided by TDC Holding A/S totalled DKK 3,100m on 31 December 2021.

Undrawn credit lines
At year-end 2021, TDC Net had undrawn committed credit lines totalling DKK 2,983m.

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

4.4 | Financial income and expenses

(DKKm)	2021	2020
Interest income	1	6
Interest expenses	(652)	(613)
Net interest	**(651)**	**(607)**
Specified as follows:		
Loans from TDC Holding A/S	(503)	(499)
Lease liabilities	(37)	(43)
Other	(111)	(65)
Currency translation adjustments	(1)	2
Total	**(650)**	**(605)**

4.5 | Maturity profiles of financial instruments

Maturity profiles
The maturity analyses of financial assets and liabilities are disclosed by category and class and are allocated according to maturity period. All interest payments and repayments of financial liabilities are based on contractual agreements. Interest payments on floating-rate instruments are determined using forward rates.

TDC NET generally accepts that vendors sell off to a third party their receivables arising from the sales to TDC NET. TDC NET has established a supply-chain financing programme where vendors can sell off their receivables from TDC NET on attractive terms, but at the bank's sole discretion. TDC NET is not directly or indirectly a party to these agreements. At 31 December, TDC NET was aware of approximately DKK 120m (2020: DKK 147m) of trade payables that are part of such agreements.

2021

Maturity profiles of expected cash flows[1] (DKKm)	< 1 year	1-3 years	3-5 years	> 5 years	Total	Fair value	Carrying amount
Financial liabilities measured at amortised cost							
Loan from TDC Holding A/S	(2,186)	(2,221)	(8,305)	-	(12,712)	(12,712)	(12,712)
Loan from TDC Holding A/S, interest[2]	(502)	(642)	(249)	-	(1,393)	(326)	(326)
Spectrum licence liabilities	(192)	(463)	(483)	(1,125)	(2,263)	(1,964)	(1,964)
Lease liability	(294)	(465)	(390)	(292)	(1,441)	(1,313)	(1,313)
Amounts owed to group companies	(199)	-	-	-	(199)	(199)	(199)
Trade and other payables[3]	(875)	-	-	-	(875)	(875)	(875)
Total 2021	**(4,248)**	**(3,791)**	**(9,427)**	**(1,417)**	**(18,883)**	**(17,389)**	**(17,389)**

[1] All cash flows are undiscounted. The table reflects only the cash flow from financial liabilities.
[2] Fair value and carrying amount value consist of accrued interest on loan from TDC Holding A/S at 31 December 2021.
[3] As not all trade and other payables recognised in the balance sheet are financial instruments (e.g. unbilled payables do not constitute a financial liability), the amount differs from the amount disclosed in the balance sheet.

2020

Maturity profiles of expected cash flows[1] (DKKm)	< 1 year	1-3 years	3-5 years	> 5 years	Total	Fair value	Carrying amount
Financial liabilities measured at amortised cost							
Loan from TDC Holding A/S	-	(4,407)	(8,305)	-	(12,712)	(12,712)	(12,712)
Loan from TDC Holding A/S, interest[2]	(502)	(895)	(498)	-	(1,895)	(325)	(325)
Spectrum licence liabilities	(30)	(384)	(354)	(810)	(1,578)	(1,361)	(1,361)
Lease liability	(291)	(470)	(375)	(409)	(1,545)	(1,401)	(1,401)
Amounts owed to group companies	(193)	-	-	-	(193)	(193)	(193)
Trade and other payables[3]	(1,664)	-	-	-	(1,664)	(1,664)	(1,664)
Total 2020	**(2,680)**	**(6,156)**	**(9,532)**	**(1,219)**	**(19,587)**	**(17,656)**	**(17,656)**

[1] All cash flows are undiscounted. The table reflects only the cash flow from financial liabilities.
[2] Fair value and carrying amount value consist of accrued interest on loan from TDC Holding A/S at 31 December 2020.
[3] As not all trade and other payables recognised in the balance sheet are financial instruments (e.g. unbilled payables do not constitute a financial liability), the amount differs from the amount disclosed in the balance sheet.

Section 5

Cash flow

This section provides information on TDC NET's cash flow. More information on development in the cash flow items is included in note 2.6 Special items, note 3.1 Intangible assets, note 3.2 Property, plant and equipment, note 3.6 Provisions as well as note 4.4 Financial income and expenses.

§ Accounting policies

Cash flow from operating activities is presented using the indirect method and is based on profit before interest, taxes, depreciation, amortisation and special items adjusted for non-cash operating items, cash flow related to special items, changes in working capital, interest received and paid as well as income taxes paid.

Cash flow from investing activities comprises acquisitions and divestments of enterprises, purchases and sales of intangible assets, property, plant and equipment as well as other non-current assets. Cash flow from acquired enterprises are recognised from the time of acquisition, while cash flows from enterprises divested are recognised up to the time of divestment.

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

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

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

5.1 | Change in working capital

(DKKm)	2021	2020
Change in receivables	(879)	878
Change in contract assets	6	36
Change in trade payables	(140)	(152)
Change in contract liabilities	295	(62)
Change in prepaid expenses	(46)	14
Change in other items, net	(11)	47
Total	**(775)**	**761**

Section 6

Other disclosures

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

6.1 | Incentive programmes

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

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

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

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

Long-Term Incentive Programme (LTI)
The LTI programme is cash based and its objectives are linked to the long-term strategy. The programme is revolving with grants given each year but with a 3-year vesting period, as the goals are principally set for a 3-year period. The objectives are related to EBITDA, Homes passed and connected with fibre, Health & Safety as well as dividend capacity. The expenses are recognised over the 3-year vesting period.

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

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

Management Incentive Programme (MIP)
In July 2020, the parent company TDC Holding A/S established a new cash-based incentive programme which includes the Executive Committee and certain key managers of TDC NET. In total 11 managers are participating the MIP programme. Under the MIP, the participants are required to place a deposit to TDC Holding A/S to qualify for a return. The payback amounts are based on the development in certain financial performance measures of the TDC Group as well as certain business and Health & Safety KPIs over the period until 2023. The investment programme covers the time period 2019-2023. The participants have 40% of the deposits at risk of being lost in downside scenarios and the expected range of payouts are at 2x–4x the participants' deposit.

The TDC NET participants' total deposits amount to DKK 17m and the expenses for 2021 relating to the programme amounted to DKK 1m (2020: DKK 2m). At 31 December 2021 the total liabilities related to the management incentive programme amounted to DKK 20m.

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	Indirect ownership	Copenhagen, Denmark
TDC Holding A/S	Ownership - parent	Copenhagen, Denmark
Nuuday A/S	Subsidiary of TDC Holding A/S	Copenhagen, Denmark
TDC Pensionskasse	Pension fund	Copenhagen, Denmark

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

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

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

Purchase commitments towards group companies are shown in note 6.4.

All transactions with related parties are made on market terms. The most significant related party is Nuuday A/S, see also note 2.1

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

Related parties (DKKm)	2021	2020
TDC Holding A/S		
Income	78	53
Expenses, lease payments and capital expenditure	(1,244)	(1,377)
Receivables	186	852
Payables	(1,403)	(1,340)
Loans	(12,712)	(12,712)
Joint ventures and associates		
Income	5	2
Expenses	(3)	(3)
Other related parties		
Income	5,392	5,594
Expenses and capital expenditure	(96)	(71)
Receivables	1,052	24
Payables	(280)	(111)

6.3 | Fees to auditors

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

6.4 | Other financial commitments

(DKKm)	2021	2020
Lease commitments for short-term and low-value leases		
Short-term leases	31	29
Leases of low-value assets	2	2
Total	**33**	**31**
Capital and purchase commitments		
Commitments related to IT and administrative services from group companies	40	376
Investments in intangible assets	215	386
Investments in property, plant and equipment	415	538
Commitments related to outsourcing agreements	145	237

Comments

Except for short-term leases and leases of low-value assets, leases are recognised as a lease asset and a corresponding liability at the date at which the leased asset is available for use by the Group, cf. note 3.3.

6.5 | Pledges and contingencies

Pledges
Receivables from group companies with a carrying amount of DKK 1,238m and cash with a carrying amount of DKK 12m are pledged as security for the parent company TDC Holding A/S's long-term loans.

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

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

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

6.6 | Events after the balance sheet date

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. In addition, the fixed loan from TDC Holding A/S maturing in March 2022 and the floating loan maturing in June 2025 were redeemed.

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	Domicile	Currency	Ownership share (%)
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[1]	Copenhagen, Denmark	DKK	25
TDC NET Finance B.V.[2]	Amsterdam, the Netherlands	EUR	100

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

Parent company financial statements

Income statement

(DKKm)	Note	2021	2020
Revenue	2.1	6,335	6,519
Cost of goods sold		(260)	(342)
External expenses		(1,138)	(1,304)
Personnel expenses	2.2	(869)	(845)
Other income		311	294
Operating profit before depreciation, amortisation and special items (EBITDA)		4,379	4,322
Depreciation, amortisation and impairment losses		(2,337)	(2,955)
Special items	2.3	(95)	(39)
Operating profit (EBIT)		1,947	1,328
Profit from subsidiaries	3.4	68	62
Financial income and expenses	4.3	(650)	(603)
Profit before income taxes		1,365	787
Income taxes	2.4	(325)	(183)
Profit for the year		**1,040**	**604**

Statement of comprehensive income

(DKKm)	Note	2021	2020
Profit for the year		1,040	604
Other comprehensive income		-	-
Total comprehensive income		**1,040**	**604**

Balance sheet

Assets (DKKm)	Note	2021	2020
Non-current assets			
Intangible assets	3.1	11,538	10,991
Property, plant and equipment	3.2	15,700	14,708
Lease assets	3.3	1,166	1,281
Investments in subsidiaries	3.4	478	410
Investments in associates and joint ventures		2	2
Other receivables		27	26
Total non-current assets		**28,911**	**27,418**
Current assets			
Inventories		34	32
Trade receivables	3.5	347	428
Receivables from group companies		1,027	823
Other receivables		5	8
Prepaid expenses		121	94
Cash		-	-
Total current assets		**1,534**	**1,385**
Total assets		**30,445**	**28,803**

Equity and liabilities (DKKm)	Note	2021	2020
Equity			
Share capital	4.1	-	-
Other reserves		606	437
Retained earnings		9,190	8,319
Total equity		**9,796**	**8,756**
Non-current liabilities			
Deferred tax liabilities	2.4	398	282
Provisions		343	330
Loans	4.2	12,300	14,043
Lease liabilities	3.3	999	1,092
Other payables		122	112
Total non-current liabilities		**14,162**	**15,859**
Current liabilities			
Loans		2,376	30
Lease liabilities	3.3	264	265
Trade payables		2,013	2,424
Contact liabilities	3.6	450	157
Payables to group companies		936	971
Income tax payable	2.4	149	81
Other payables		283	241
Provisions		16	19
Total current liabilities		**6,487**	**4,188**
Total liabilities		**20,649**	**20,047**
Total equity and liabilities		**30,445**	**28,803**

Statement of cash flows

(DKKm)	Note	2021	2020
Operating activities			
Operating profit before depreciation, amortisation and special items (EBITDA)		4,379	4,322
Adjustment for non-cash items		67	51
Payments related to provisions		(8)	(17)
Special items		(78)	(87)
Change in working capital	5.1	(857)	925
Interest received		1	6
Interest paid		(580)	(413)
Income tax paid	2.4	(141)	(403)
Total cash flow from operating activities		**2,783**	**4,384**
Investing activities			
Investment in property, plant and equipment		(3,018)	(2,793)
Investment in intangible assets		(473)	(511)
Investment in other non-current assets		(1)	-
Sale of other non-current assets		1	2
Total cash flow from investing activities		**(3,491)**	**(3,302)**

(DKKm)	Note	2021	2020
Financing activities			
Lease payments		(231)	(245)
Change in interest-bearing receivables and payables		939	(837)
Total cash flow from financing activities		**708**	**(1,082)**
Total cash flow		**-**	**-**
Cash and cash equivalents at 1 January		-	-
Cash and cash equivalents at 31 December		**-**	**-**

Statement of changes in equity

(DKKm)	Share capital	Reserve for net revalua-tion under the equity method	Reserve for capitalised development projects	Retained earnings	Total
Equity at 1 January 2020	-	-	227	7,925	8,152
Profit for the year	-	-	210	394	604
Total comprehensive income	-	-	210	394	604
Total transactions with owners	-	-	-	-	-
Equity at 31 December 2020	**-**	**-**	**437**	**8,319**	**8,756**
Profit for the year	-	61	108	871	1,040
Total comprehensive income	-	61	108	871	1,040
Total transactions with owners	-	-	-	-	-
Equity at 31 December 2021	**-**	**61**	**545**	**9,190**	**9,796**

Notes to parent company financial statements

1.1 | Accounting policies

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

The accounting policies are unchanged from last year.

The parent company accounting policies are the same as those applied to the Group, with the additions mentioned below. See note 1.1 to the consolidated financial statements for the Group's accounting policies. The accounting policies are unchanged com-pared with the policies applied in the Annual Report 2020.

Supplementary accounting policies for the parent company

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

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

1.2 | Critical accounting estimates and judgements

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

1.3 | New accounting standards

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

2.1 | Revenue

(DKKm)	2021	2020
Sales of goods recognised at a point in time	-	-
Sales of services recognised over time	6,335	6,519
Total	**6,335**	**6,519**

Specification of revenue from products (DKKm)	2021	2020
Landline voice	542	554
Mobility services	2,670	2,625
Internet & network	2,396	2,493
TV	293	356
Other services	434	491
Total	**6,335**	**6,519**

2.2 | Personnel expenses

(DKKm)	2021	2020
Wages and salaries (including short-term and long-term bonuses)	(1,249)	(1,150)
Pensions	(159)	(153)
Social security	(23)	(19)
Total	**(1,431)**	**(1,322)**
Of which capitalised as non-current assets	562	477
Total	**(869)**	**(845)**
Average number of full-time employee equivalents[1]	2,151	2,030

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

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

2.3 | Special items

(DKKm)	2021	2020
Costs related to redundancy programmes	(32)	(37)
Other restructuring costs, etc.	(63)	(1)
Costs related to acquisition and divestment of enterprises	0	(1)
Special items before income taxes	**(95)**	**(39)**
Income taxes related to special items	21	8
Total special items	**(74)**	**(31)**

2.4 | 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	-	81	282	-	242	341
Income taxes	(323)	198	125	(178)	231	(53)
Adjustment of tax for previous years	(2)	11	(9)	(5)	11	(6)
Income tax paid	-	(141)	-	-	(403)	-
Total	**(325)**	149	**398**	**(183)**	**81**	**282**
Income taxes are specified as follows:						
Income excluding special items	(346)			(191)		
Special items	21			8		
Total	**(325)**			**(183)**		

Effective tax rate (%)	2021	2020
Danish corporate income tax rate	22.0	22.0
Profit from subsidiaries, joint ventures and associates	(0.9)	(1.7)
Other non-taxable income and non-tax-deductible expenses	-	(0.2)
Adjustment of tax for previous years	0.1	0.6
Limitation on the tax deductibility of interest expenses	2.5	2.4
Effective tax rate excluding special items	**23.7**	**23.1**
Special items	0.1	0.1
Effective tax rate including special items	**23.8**	**23.2**

Deferred tax (DKKm)	2021	2020
Other	(5)	(2)
Current	**(5)**	**(2)**
Intangible assets	667	605
Property, plant and equipment	(194)	(243)
Lease assets and liabilities	(21)	(17)
Other	(49)	(61)
Non-current	**403**	**284**
Deferred tax at 31 December	**398**	**282**

3.1 | Intangible assets

	2021					2020				
(DKKm)	**Goodwill**	**Brands**	**Licenses**	**Other rights, software, etc.**	**Total**	**Goodwill**	**Brands**	**Licenses**	**Other rights, software, etc.**	**Total**
Cost at 1 January	6,948	1,287	3,746	3,420	15,401	6,948	1,287	3,746	3,112	15,093
Additions	-	-	671	356	1,027	-	-	-	418	418
Assets disposed of or fully amortised	-	-	-	(139)	(139)	-	-	-	(110)	(110)
Cost at 31 December	**6,948**	**1,287**	**4,417**	**3,637**	**16,289**	**6,948**	**1,287**	**3,746**	**3,420**	**15,401**
Amortisation and impairment losses at 1 January	-	-	(1,685)	(2,725)	(4,410)	-	-	(1,532)	(2,511)	(4,043)
Amortisation	-	-	(149)	(326)	(475)	-	-	(153)	(324)	(477)
Impairment losses	-	-	-	(5)	(5)	-	-	-	-	-
Assets disposed of or fully amortised	-	-	-	139	139	-	-	-	110	110
Amortisation and impairment losses at 31 December	**-**	**-**	**(1,834)**	**(2,917)**	**(4,751)**	**-**	**-**	**(1,685)**	**(2,725)**	**(4,410)**
Carrying amount at 31 December	**6,948**	**1,287**	**2,583**	**720**	**11,538**	**6,948**	**1,287**	**2,061**	**695**	**10,991**

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	495	39,390	1,027	883	41,795	494	36,721	1,109	910	39,234
Transfers (to)/from other items	-	544	43	(587)	-	(2)	935	27	(960)	-
Transfers from leased assets	-	7	-	-	7	-	-	-	-	-
Additions	-	2,062	132	418	2,612	3	2,491	86	933	3,513
Assets disposed of	(1)	(93)	(47)	-	(141)	-	(757)	(195)	0	(952)
Cost at 31 December	**494**	**41,910**	**1,155**	**714**	**44,273**	**495**	**39,390**	**1,027**	**883**	**41,795**
Depreciation and impairment losses at 1 January	(152)	(25,901)	(700)	(334)	(27,087)	(146)	(24,558)	(772)	(329)	(25,805)
Transfers (to)/from other items	-	31	(31)	-	-	-	-	-	-	-
Transfers from leased assets	-	(7)	-	-	(7)	-	-	-	-	-
Depreciation	(6)	(1,471)	(132)	-	(1,609)	(6)	(2,087)	(123)	-	(2,216)
Impairment losses	-	(8)	-	(2)	(10)	-	(13)	-	(5)	(18)
Assets disposed of	-	93	47	-	140	-	757	195	-	952
Depreciation and impairment losses at 31 December	**(158)**	**(27,263)**	**(816)**	**(336)**	**(28,573)**	**(152)**	**(25,901)**	**(700)**	**(334)**	**(27,087)**
Carrying amount at 31 December	**336**	**14,647**	**339**	**378**	**15,700**	**343**	**13,489**	**327**	**549**	**14,708**

3.3 | Lease assets and liabilities

Lease assets (DKKm)	2021 Land and buildings	2021 Network infrastructure	2021 Vehicles and equipment	2021 Total	2020 Land and buildings	2020 Network infrastructure	2020 Vehicles and equipment	2020 Total
Carrying amount at 1 January	1,192	15	74	1,281	1,437	21	86	1,544
Additions	85	-	64	149	17	-	34	51
Lease reassessments	-	-	-	-	-	-	(6)	(6)
Disposals	(6)	-	(3)	(9)	(45)	-	-	(45)
Depreciation	(212)	(3)	(40)	(255)	(217)	(6)	(40)	(263)
Carrying amount at 31 December	**1,059**	**12**	**95**	**1,166**	**1,192**	**15**	**74**	**1,281**

Lease liabilities (DKKm)	2021	2020
Recognised in the balance sheet at present value:		
Current	264	265
Non-current	999	1,092
Total	1,263	**1,357**
Maturing within 1 year	264	265
Maturing between 1 and 3 years	427	425
Maturing between 3 and 5 years	339	332
Maturing after 5 years	233	335
Total	**1,263**	**1,357**

Amounts recognised in the statement of profit and loss (DKKm)	2021	2020
Expense relating to short-term leases	(50)	(49)
Expense relating to leases of low-value assets	(1)	(1)
Depreciation charge of lease assets, cf. above	(255)	(263)
Interest expense (included in finance cost)	(36)	(41)

The total cash outflow for leases in 2021 was DKK 267m (2020: DKK 286m), of which DKK 36m (2020: DKK 41m) related to interest payments on lease liabilities.

3.4 | Investments in subsidiaries

(DKKm)	2021	2020
Cost at 1 January	417	417
Additions	-	-
Cost at 31 December	**417**	**417**
Value adjustments at 1 January	(7)	(69)
Share of profit/(loss)	68	62
Value adjustments at 31 December	**61**	**(7)**
Carrying amount at 31 December	**478**	**410**

Overview of subsidiaries at 31 December 2021

Company name	Domicile	Currency	Ownership share (%)
Subsidiaries:			
Dansk Kabel TV A/S	Copenhagen, Denmark	DKK	100
Fiberkysten A/S	Gilleleje, Denmark	DKK	60
TDC NET Finance B.V.[1]	Amsterdam, the Netherlands	EUR	100

[1] 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.

3.5 | Trade receivables

(DKKm)	2021	2020
Trade receivables	364	448
Expected credit loss	(17)	(20)
Trade receivables, net	**347**	**428**
Expected credit losses at 1 January	(20)	(18)
Expected credit losses recognised	(11)	(11)
Realised credit losses	5	4
Reversed expected credit losses	9	5
Expected credit losses at 31 December	**(17)**	**(20)**

3.6 | Contract liabilities

(DKKm)	2021	2020
Deferred subscription income	170	157
Deferred subscription income from contracts with Group companies	280	-
Total contract liabilities	**450**	**157**

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	0%	17%	0%	25%	82%	5%
Gross carrying amount	321	12	10	4	17	364
Expected credit losses	-	(2)	-	(1)	(14)	(17)
2020						
Expected loss rate	0%	0%	0%	38%	48%	5%
Gross carrying amount	395	5	5	4	39	448
Expected credit losses	-	-	-	(1)	(19)	(20)

4.1 | Equity

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

4.2 | Loans

For a reconciliation between loans and cash flows from financing activities, see note 4.2 to the consolidated financial statements.

4.3 | Financial income and expenses

(DKKm)	2021	2020
Interest income	1	6
Interest expenses	(100)	(84)
Interest expenses to group companies	(550)	(527)
Net interest	**(649)**	**(605)**
Currency translation adjustments	(1)	2
Total	**(650)**	**(603)**

5.1 | Change in working capital

(DKKm)	2021	2020
Change in receivables	(943)	669
Change in trade payables	(157)	279
Change in contract liabilities	293	(60)
Change in prepaid expenses	(44)	16
Change in other items, net	(6)	21
Total	**(857)**	**925**

6.1 | Related parties

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

Subsidiaries (DKKm)	2021	2020
Income	68	99
Expenses	(594)	(623)
Receivables	-	-
Debt	(412)	(453)

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

Interest expenses to group companies are shown in note 4.3.

All transactions with related parties are made on market terms.

TDC NET A/S is included in the consolidated financial statements of TDC Holding A/S and of the ultimate parent company DKT Holdings ApS. The consolidated financial statements can be downloaded from tdcgroup.com/en/investor-relations.

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	-	-
Tax advisory services	-	-
Other services	-	-
Total non-statutory audit services	**-**	**-**
Total	**1**	**2**

6.3 | Other financial commitments

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

6.4 | Pledges and contingencies

Receivables from group companies with a carrying amount of DKK 1,027m (2020: DKK 823m) are pledged as security for the parent company TDC Holding A/S's long-term loans.

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

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

6.5 | Events after the balance sheet date

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

Statements

Management statement

Today, the Board of Directors and the Executive Committee considered and approved the annual report of TDC NET 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.

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

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

Copenhagen, 28 April 2022

Executive Committee

Andreas Albert Pfisterer
Chief Executive Officer

Ulrik Laudrup Bølling
Chief Financial Officer

Board of Directors

Henrik Clausen
Chairman

Frank Hyldmar
Vice Chairman

Nathan Andrew Luckey

Martin Dollaris Præstegaard

Geoffrey David Shakespeare

Gabriela Alejandra Styf Sjöman

Ole Mølgaard Andersen

Svend Bank Andreasen

Kurt Preben Nielsen

Independent auditor's report

To the shareholders of TDC NET A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of TDC NET 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 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.

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.

Statement on the management commentary

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 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.

Copenhagen, 28 April 2022

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No. 33963556

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

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

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

tdc net