

DKT Holdings ApS

Rating Type	Rating	Outlook	Last Rating Action
Long-Term IDR	B+	Stable	New Rating 16 July 2018

[Click here for full list of ratings](#)

Financial Summary

(DKKm)	Dec 2016	Dec 2017	Dec 2018F	Dec 2019F
Gross Revenue	21,031	20,270	19,965	19,881
Revenue Growth (%)	-4.1	-3.6	-1.5	-0.4
Operating EBITDA Margin (%)	40.4	41.0	40.9	40.9
FFO Fixed Charge Coverage (x)	4.3	4.0	3.4	2.8
FFO Adjusted Net Leverage (x)	3.7	3.6	6.7	6.5

Source: Fitch

DKT Holdings ApS (DKT) is owned and controlled by a consortium comprising Macquarie Infrastructure and Real Assets and three Danish pension funds. In June 2018, DKT completed the acquisition of Danish telecoms incumbent, TDC, which will remain the operating entity (OpCo) under the new ownership structure.

Fitch Ratings has assigned DKT a Long-Term Issuer Default Rating (IDR) of 'B+'/Stable. Fitch has also assigned ratings to the EUR3.9 billion term loan B (TLB) (BB+/RR1/100%) and EUR1.4 billion equivalent senior secured notes (B-/RR6/0%) issued by TDC and DKT Finance ApS, respectively.

The Long-Term and Short-Term IDRs of TDC have been withdrawn, as DKT became the successor of the group after the company's reorganisation.

Key Rating Drivers

HoldCo/OpCo Debt Assessed Jointly: Following a change in TDC's ownership, the new owners refinanced the acquisition debt initially raised by its parent DKT and its intermediate holding companies (collectively known as HoldCo), as well as existing debt at TDC. We analyse HoldCo debt together with debt at TDC, as we view the OpCo and HoldCo as tied together from a credit perspective. We do not expect to see significant barriers to cash flow being up-streamed from the OpCo to the HoldCo. Any HoldCo debt would be structurally subordinate to both senior secured and unsecured debt at the OpCo.

Spike in Leverage: Fitch expects the group's funds from operations (FFO) adjusted net leverage to increase to 6.7x by end-2018, from 3.6x at end-2017 following the acquisition. DKT's leverage previously benefited from 50% equity credit from DKK5.6 billion of hybrid instruments. The refinancing of these hybrids removed this equity credit. We believe that the company should be able to decrease leverage to below 6.5x within the next 18-24 months through a combination of stable EBITDA generation, lower capex and, potentially, reduced dividends.

Leverage Management: We believe that the company retains substantial flexibility in managing its leverage. We estimate its pre-dividend free cash flow (FCF) margin will remain strong, in the high single digits in 2018-2021. The increase in interest expenses on the back of higher debt will be mitigated by lower capex intensity, which we estimate at 17%-18% in 2018-2021, compared with 20%-22% in 2015-2017. Shareholder remuneration is another way for the owners of DKT to manage leverage and FCF, as they should have more flexibility with dividend policy.

Fixed-Line Supportive: TDC owns the incumbent copper network and around half of the cable infrastructure in Denmark. This gives it a stronger domestic fixed-line position than its European peers. We view the position as structurally supportive of the company's long-term credit profile due to the lack of a competing fixed-line infrastructure. Combined with its number one domestic market position, this enables TDC to sustain slightly higher leverage than peers. Current competitive pressures are more prevalent in the mobile and business segments.

Progress on Reducing Declines: TDC's domestic EBITDA declined by 4.6% yoy in 2017 after a 12.7% yoy decline in 2016 and 10.5% in 2015, indicating that its strategy to reduce costs and focus on bundled product value and quality-based differentiation in conjunction with price increases is working. We do not expect the new shareholders to dramatically change the company's operating strategy in the short to medium term, and TDC's EBITDA should continue to benefit from the operating cost-reduction programme in 2018. Consistently strong performance in Norway should also contribute to improving EBITDA for the group.

Network Separation Plan: The shareholders intend to split the company into two, creating a customer-facing service unit and a wholesale network company. The latter should become a utility-like regulated wholesale telecom operator generating stable long-term returns. We anticipate these changes are likely to take a few years. We have not incorporated these long-term changes into our rating and treat such a development as event risk, due to a large number of uncertainties, including regulation, the terms of any network separation, and impact on capital structure.

Large Prior-Ranking Debt: The amount of prior-ranking debt at TDC is EUR5.5 billion, including a senior secured TLB of EUR3.9 billion, a revolving credit facility (RCF) of EUR500 million and senior unsecured debt of EUR1 billion. We estimate recoveries for the TLB at 100%, corresponding to a Recovery Rating of 'RR1'. This implies a three-notch uplift to the IDR of 'B+', resulting in the 'BB+' rating for the term loan. The recovery rate for TDC's senior unsecured debt is 'RR4'/41%, which implies no notching relative to DKT's IDR of 'B+'.

The debt at the HoldCo level is structurally subordinate to debt at the OpCo level. The large amount of debt at TDC's level reduces the recovery prospects for the HoldCo debt. The recovery rate for the senior secured debt at DKT is therefore 'RR6'/0%, which implies an instrument rating two notches below the 'B+' IDR, resulting in the 'B-' rating.

Get Disposal Generally Positive: In July 2018, DKT announced the disposal of its Norwegian asset Get to Telia for NOK21 billion. On a pro-forma basis, the sale should reduce DKT's FFO adjusted net leverage to around the upgrade threshold of 5.7x at end-2018, compared with the estimated 6.7x without the Get to Telia disposal. At the same time, the proceeds should allow the company to accelerate its investments in fibre infrastructure in Denmark, in line with the shareholders' long-term strategic targets. Clarity on the use of the proceeds as well as on DKT's target capital structure and investment plans would be required before we consider any rating action and impact on recoveries.

Rating Derivation Relative to Peers

Rating Derivation vs Peers	
Peer Comparison	<p>DKT's ratings reflect the company's leading position within the Danish telecoms market. The company has strong in-market scale and share that spans both fixed and mobile segments. Ownership of cable and copper-based local access network infrastructure reduces the company's operating risk profile relative to domestic European incumbent peers, which typically face infrastructure-based competition from cable network operators.</p> <p>DKT is rated lower than other peer incumbents, such as Royal KPN N.V. (BBB/Stable), due to notably higher leverage, which puts it more in line with cable operators with similarly high leverage, such as VodafoneZiggo Group B.V. (B+/Stable), Unitymedia GmbH (B+/RWP), Telenet Group Holding N.V. (BB-/Stable) and Virgin Media Inc. (BB-/Stable). DKT's incumbent status, leading positions in both fixed and mobile markets, and unique infrastructure ownership justify higher leverage thresholds than cable peers.</p>
Parent/Subsidiary Linkage	No parent/subsidiary linkage is applicable.
Country Ceiling	No Country Ceiling constraint was in effect for these ratings.
Operating Environment	No operating environment influence was in effect for these ratings.
Other Factors	n.a.
Source: Fitch	

Navigator Peer Comparison

Issuer	Business profile										Financial profile		
	IDR/Outlook	Operating Environment	Management and Corporate Governance	Competitive Position	Diversification	Technology and Infrastructure	Regulatory Environment	Profitability	Financial Structure	Financial Flexibility			
DKT Holdings ApS	B+/Sta	aa	bbb	bbb+	bbb	a	bbb	bbb+	b-	bbb-			
eircom Holdings (Ireland) Limited	B+/Sta	a	bbb+	bb+	bb+	a-	bbb	bb+	b+	bbb			
Telenet Group Holding N.V.	BB-/Sta	aa	bbb+	bbb+	bb+	a	bbb	bbb+	b	bbb			
VodafoneZiggo Group B.V.	B+/Sta	aa	bbb	bbb+	bbb-	a	bbb+	bbb+	b	bbb			
Virgin Media Inc.	BB-/Sta	aa	bbb+	bbb+	bb+	a	bbb+	bbb+	b+	bbb			

Source: Fitch

Importance: Higher (Red), Moderate (Blue), Lower (Light Blue)

Rating Sensitivities

Developments That May, Individually or Collectively, Lead to Positive Rating Action

- Expectation that FFO adjusted net leverage will fall below 5.7x on a sustained basis
- Strong and stable FCF generation, reflecting a stable competitive and regulatory environment

Developments That May, Individually or Collectively, Lead to Negative Rating Action

- FFO adjusted net leverage above 6.5x on a sustained basis
- Further declines in the Danish business resulting in FCF margins in mid- to low-single digits

Liquidity and Debt Structure

Comfortable Liquidity: We expect the OpCo and HoldCo to have comfortable liquidity positions under the new capital structure post-refinancing, which will be supported by EUR600 million of credit facilities. We expect this to comprise EUR500 million of RCF at the OpCo and a EUR100 million RCF at the HoldCo. Given the major refinancing of the existing instruments, we expect the first large debt payout to be only in three to five years. The company's liquidity profile is supported by strong pre-dividend FCF generation.

Debt Maturities and Liquidity at FYE17 and Pro-forma Refinancing

Please note that this information relates to figures as at 31 December 2017, ie pre-refinancing.

Liquidity Summary	Original	Original
(DKKm)	31 December 2016	31 December 2017
Total Cash & Cash Equivalents	1,687	1,767
Short-Term Investments	259	203
Less: Not Readily Available Cash and Cash Equivalents	0	0
Fitch-Defined Readily Available Cash and Cash Equivalents	1,946	1,970
Availability Under Committed Lines of Credit	5,205	8,933
Total Liquidity	7,151	10,903
LTM EBITDA	8,498	8,309
LTM Free Cash Flow	2,618	1,726
Source: Fitch, company filings		

Scheduled Debt Maturities, 2Q18 pro-forma after refinancing	Original
(DKKm)	30 June 2018
2018	0
2019	0
2020	0
2021	0
2022	3,725
Thereafter	43,167
Total Debt Maturities	46,892
Source: Fitch, company filings	

Key Assumptions

Fitch's key assumptions within our rating case for the issuer include:

- Stabilisation of revenue in 2018 and a flat trend thereafter
- Broadly stable EBITDA margin at 40%-41% in 2018-2021
- Capex (including spectrum) at around 17% of revenue in 2018-2021
- Conservative dividend policy to support initial deleveraging
- No M&A. Get acquisition has been excluded from our rating case

Fitch's key recovery rating assumptions for the issuer include:

- The company would be considered a going concern in bankruptcy and that it would be reorganised rather than liquidated
- A 10% administrative claim
- Our going-concern EBITDA estimate of DKK6.6 billion reflects Fitch's view of a sustainable, post-reorganisation EBITDA level upon which we base the valuation of the company
- Our going-concern EBITDA estimate is 20% below LTM 2017 EBITDA, assuming likely operating challenges at the time of distress
- An enterprise value (EV) multiple of 6x is used to calculate a post-reorganisation valuation and reflects a conservative mid-cycle multiple
- We estimate the total amount of debt for claims at EUR6.9 billion, which includes debt instruments at the OpCo and HoldCo levels, as well as drawings on available credit facilities

Financial Data

(DKKm)	Historical			Forecast		
	Dec 2015	Dec 2016	Dec 2017	Dec 2018F	Dec 2019F	Dec 2020F
Summary Income Statement						
Gross Revenue	21,935	21,031	20,270	19,965	19,881	19,870
Revenue Growth (%)	-6.0	-4.1	-3.6	-1.5	-0.4	-0.1
Operating EBITDA (Before Income from Associates)	9,488	8,488	8,308	8,166	8,132	8,101
Operating EBITDA Margin (%)	43.3	40.4	41.0	40.9	40.9	40.8
Operating EBITDAR	10,154	9,325	9,106	8,952	8,914	8,883
Operating EBITDAR Margin (%)	46.3	44.3	44.9	44.8	44.8	44.7
Operating EBIT	4,414	3,548	3,148	4,031	4,014	3,876
Operating EBIT Margin (%)	20.1	16.9	15.5	20.2	20.2	19.5
Gross Interest Expense	-985	-782	-656	-1,535	-2,002	-1,964
Pre-Tax Income (Including Associate Income/Loss)	-1,791	2,491	2,015	2,556	2,072	1,972
Summary Balance Sheet						
Readily Available Cash and Equivalents	641	1,946	1,970	857	699	711
Total Debt with Equity Credit	29,448	26,855	24,844	47,388	45,765	44,655
Total Adjusted Debt with Equity Credit	34,776	33,551	31,228	53,676	52,027	50,913
Net Debt	28,807	24,909	22,874	46,531	45,066	43,944
Summary Cash Flow Statement						
Operating EBITDA	9,488	8,488	8,308	8,166	8,132	8,101
Cash Interest Paid	-1,514	-1,126	-1,279	-1,535	-2,002	-1,964

Cash Tax	-786	-608	-556	-816	-754	-755
Dividends Received Less Dividends Paid to Minorities (Inflow/Outflow)	1	10	1	0	0	0
Other Items Before FFO	-458	-290	-335	-300	-300	-300
Funds Flow from Operations	7,368	6,491	6,564	5,575	5,136	5,142
FFO Margin (%)	33.6	30.9	32.4	27.9	25.8	25.9
Change in Working Capital	180	151	455	0	0	0
Cash Flow from Operations (Fitch Defined)	7,548	6,642	7,019	5,575	5,136	5,142
Total Non-Operating/Non-Recurring Cash Flow	272	430	0			
Capital Expenditure	-4,281	-4,454	-4,491			
Capital Intensity (Capex/Revenue) (%)	19.5	21.2	22.2			
Common Dividends	-1,603	0	-802			
Free Cash Flow	1,936	2,618	1,726			
Net Acquisitions and Divestitures	-153	-145	294			
Other Investing and Financing Cash Flow Items	-178	1,836	7	-22,097	0	0
Net Debt Proceeds	-5,994	-2,992	-1,947	19,768	-1,623	-1,111
Net Equity Proceeds	6	7	0	0	0	0
Total Change in Cash	-4,383	1,324	80	-1,113	-158	12
Calculations for Forecast Publication						
Capex, Dividends, Acquisitions and Other Items Before FCF	-5,765	-4,169	-4,999	-4,359	-3,672	-4,020
Free Cash Flow After Acquisitions and Divestitures	1,783	2,473	2,020	1,216	1,464	1,123
Free Cash Flow Margin (After Net Acquisitions) (%)	8.1	11.8	10.0	6.1	7.4	5.7
Coverage Ratios						
FFO Interest Coverage (x)	5.4	6.8	5.8	4.6	3.5	3.6
FFO Fixed Charge Coverage (x)	4.1	4.3	4.0	3.4	2.8	2.9
Operating EBITDAR/Interest Paid + Rents (x)	4.7	4.8	4.4	3.9	3.2	3.2
Operating EBITDA/Interest Paid (x)	6.3	7.5	6.5	5.3	4.1	4.1
Leverage Ratios						
Total Adjusted Debt/Operating EBITDAR (x)	3.4	3.6	3.4	6.0	5.8	5.7
Total Adjusted Net Debt/Operating EBITDAR (x)	3.4	3.4	3.2	5.9	5.8	5.7
Total Debt with Equity Credit/Operating EBITDA (x)	3.1	3.2	3.0	5.8	5.6	5.5
FFO Adjusted Leverage (x)	3.9	4.0	3.8	6.9	6.6	6.5
FFO Adjusted Net Leverage (x)	3.8	3.7	3.6	6.7	6.5	6.4

How to Interpret the Forecast Presented

The forecast presented is based on the agency's internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch's rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch's forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch's own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch's own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch's own internal deliberations, where Fitch, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch may update the forecast in future reports but assumes no responsibility to do so.

Ratings Navigator

DKT Holdings ApS

Corporates Ratings Navigator Telecommunications

Factor Levels	Sector Risk Profile	Operating Environment	Business Profile					Financial Profile			Issuer Default Rating
			Management and Corporate Governance	Competitive Position	Diversification	Technology and Infrastructure	Regulatory Environment	Profitability	Financial Structure	Financial Flexibility	
aaa											AAA
aa+											AA+
aa											AA
aa-											AA-
a+											A+
a											A
a-											A-
bbb+											BBB+
bbb											BBB
bbb-											BBB-
bb+											BB+
bb											BB
bb-											BB-
b+											B+ Stable
b											B
b-											B-
ccc+											CCC+
ccc											CCC
ccc-											CCC-
cc											CC

Source: Fitch

Operating Environment

aa+	Economic Environment	aa	Very strong combination of countries where economic value is created and where assets are located.
aa	Financial Access	aa	Very strong combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
b-	Systemic Governance	aa	Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'aa'.
ccc+			

Competitive Position

a	Market Position	a	Very strong and sustainable market share in primary markets (> 30%).
a-	Competition	bbb	Primary markets characterized by medium competitive intensity and/or moderate barriers to entry.
bbb+	Scale - EBITDAR	bbb	>\$1 billion
bbb			
bbb-			

Technology and Infrastructure

aa-	Ownership of Network	a	Ow ns almost all of its infrastructure.
a+	Network and Service Quality	a	Market leading network in terms of coverage and technology deployment, with good quality of service.
a			
a-			
bbb+			

Profitability

a	Volatility of Cash Flow	bbb	Volatility and visibility of cash flow in line with industry average.
a-	EBITDAR Margin	a	35%
bbb+	FFO Margin	bbb	24%
bbb			
bbb-			

Financial Flexibility

bbb+	Financial Discipline	bb	Financial policies in place but flexibility in applying them could lead to temporarily exceeding downgrade guidelines.
bbb	Liquidity	a	Very comfortable liquidity. Well-spread debt maturity schedule. Diversified sources of funding.
bbb-	FFO Fixed Charge Cover	bb	3.0x
bb+	FX Exposure	bbb	Some FX exposure on profitability and/or debt/cash flow match. Efficient hedging in place.
bb			

Source: Fitch

Management and Corporate Governance

a-	Management Strategy	a	Coherent strategy and good track record in implementation.
bbb+	Governance Structure	bbb	Good CG track record but effectiveness/independence of board less obvious. No evidence of abuse of power even with ownership concentration.
bbb	Group Structure	bbb	Some group complexity leading to somewhat less transparent accounting statements. No significant related-party transactions.
bbb-	Financial Transparency	bbb	Good quality reporting without significant failing. Consistent with the average of listed companies in major exchanges.
bb+			

Diversification

a-	Service Platform Diversification	a	Operates several service platforms in primary markets.
bbb+	Geographic Diversification	bb	Limited geographic diversification.
bbb			
bbb-			
bb+			

Regulatory Environment

a-	Regulatory Risk	bbb	Moderate.
bbb+			
bbb			
bbb-			
bb+			

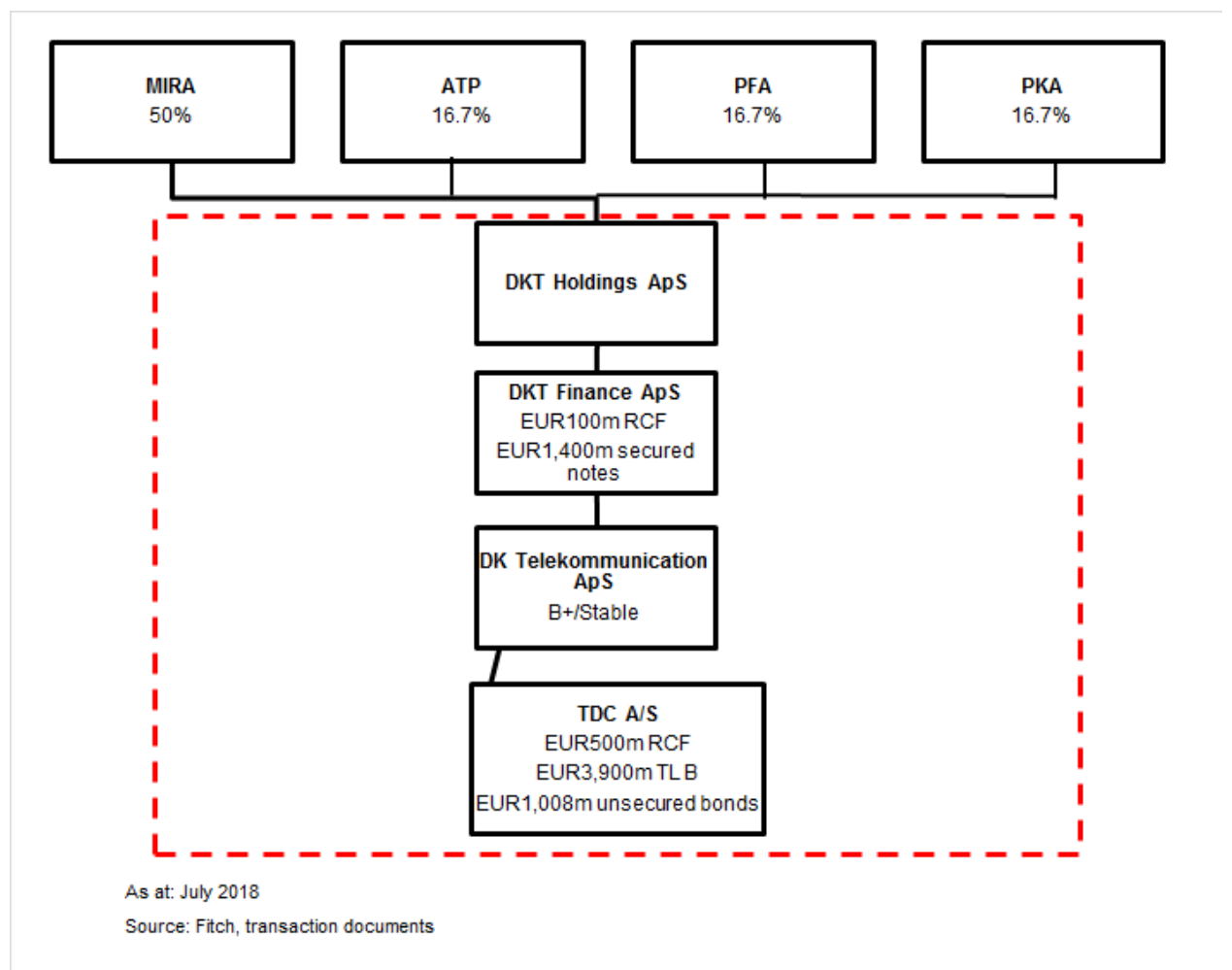
Financial Structure

b+	Lease Adjusted FFO Gross Leverage	ccc	>7.0x
b	Lease Adjusted FFO Net Leverage	ccc	>7.0x
b-	Net Debt/(CFO - Capex)	bb	20.0x
ccc+	Total Adjusted Debt/Operating	b	5.5x
ccc			

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

Navigator Version: RN 1.44.3.0

Simplified Group Structure Diagram



Peer Financial Summary

Company	Date	Rating	Gross Revenue (DKKkm)	Revenue Growth (%)	Operating EBITDA Margin (%)	FFO Fixed-Charge Coverage (x)	FFO Adjusted Net Leverage (x)
DKT Holdings ApS ^a							
		2017	20,270	-3.6	41.0	4.0	3.6
		2016	21,031	-4.1	40.4	4.3	3.7
		2015	21,935	-6.0	43.3	4.1	3.8
eircom Holdings (Ireland) Limited							
	B+	2017	9,537	-0.9	39.7	3.8	4.4
	B	2016	9,645	3.6	37.9	2.8	5.2
	B	2015	9,282	-2.7	37.8	2.8	5.1
Telenet Group Holding N.V							
	BB-	2017	18,724	4.1	45.3	4.1	5.0
	BB-	2016	18,085	33.3	43.7	3.4	5.0
	BB-	2015	13,598	6.7	49.1	3.7	4.4
VodafoneZiggo Group B.V.							
	BB-	2017	29,767	64.3	42.7	3.9	5.8
	BB-	2016	18,217	-1.0	54.2	3.7	7.6
		2015	18,456	116.4	55.3	5.1	5.5
Virgin Media Inc.							
	BB-	2017	41,943	3.3	45.2	3.6	5.5
	BB-	2016	43,751	4.1	45.1	3.5	5.1
	BB-	2015	47,477	2.7	44.8	4.1	4.9

Source: Fitch

^aFitch previously rated TDC A/S. The rating was withdrawn on 16 July 2018 upon completion of the DKT acquisition.

Reconciliation of Key Financial Metrics

(DKK Millions, As reported)	31 Dec 2017
Income Statement Summary	
Operating EBITDA	8,308
+ Recurring Dividends Paid to Non-controlling Interest	1
+ Recurring Dividends Received from Associates	0
+ Additional Analyst Adjustment for Recurring I/S Minorities and Associates	0
= Operating EBITDA After Associates and Minorities (k)	8,309
+ Operating Lease Expense Treated as Capitalised (h)	798
= Operating EBITDAR after Associates and Minorities (j)	9,107
Debt & Cash Summary	
Total Debt with Equity Credit (l)	24,844
+ Lease-Equivalent Debt	6,384
+ Other Off-Balance-Sheet Debt	0
= Total Adjusted Debt with Equity Credit (a)	31,228
Readily Available Cash [Fitch-Defined]	1,767
+ Readily Available Marketable Securities [Fitch-Defined]	203
= Readily Available Cash & Equivalents (o)	1,970
Total Adjusted Net Debt (b)	29,258
Cash-Flow Summary	
Preferred Dividends (Paid) (f)	0
Interest Received	425
+ Interest (Paid) (d)	-1,279
= Net Finance Charge (e)	-854
Funds From Operations [FFO] (c)	6,564
+ Change in Working Capital [Fitch-Defined]	455
= Cash Flow from Operations [CFO] (n)	7,019
Capital Expenditures (m)	-4,491
Multiple applied to Capitalised Leases	8.0
Gross Leverage	
Total Adjusted Debt / Op. EBITDAR* [x] (a/j)	3.4
FFO Adjusted Gross Leverage [x] (a/(c-e+h-f))	3.8
<i>Total Adjusted Debt/(FFO - Net Finance Charge + Capitalised Leases - Pref. Div. Paid)</i>	
Total Debt With Equity Credit / Op. EBITDA* [x] (l/k)	3.0
Net Leverage	
Total Adjusted Net Debt / Op. EBITDAR* [x] (b/j)	3.2
FFO Adjusted Net Leverage [x] (b/(c-e+h-f))	3.6
<i>Total Adjusted Net Debt/(FFO - Net Finance Charge + Capitalised Leases - Pref. Div. Paid)</i>	
Total Net Debt / (CFO - Capex) [x] ((l-o)/(n+m))	9.0
Coverage	
Op. EBITDAR / (Interest Paid + Lease Expense)* [x] (j/-d+h)	4.4
Op. EBITDA / Interest Paid* [x] (k/(-d))	6.5
FFO Fixed Charge Cover [x] ((c-e+h-f)/(-d+h-f))	4.0
<i>(FFO - Net Finance Charge + Capit. Leases - Pref. Div Paid) / (Gross Int. Paid + Capit. Leases - Pref. Div. Paid)</i>	
FFO Gross Interest Coverage [x] ((c-e-f)/(-d-f))	5.8
<i>(FFO - Net Finance Charge - Pref. Div Paid) / (Gross Int. Paid - Pref. Div. Paid)</i>	
* EBITDAR after Dividends to Associates and Minorities	
Source: Fitch, based on information from company reports.	

Fitch Adjustment Reconciliation

Reconciliation of Key Financial Metrics for DKT Holdings ApS			
(DKK Millions)			31 Dec 2017
Debt & Cash Summary			
Current debt	as reported		4,651.0
Non-current debt	as reported		17,282.0
Effect of Derivatives on Debt	as reported		133.0
Interest-bearing payables	as reported		2.0
Interest bearing loans and borrowings	calculated		22,068.0
Subordinated debt	as reported	a	5,552.0
less Equity Credit	calculated	a / 2	-2,776.0
Total debt with equity credit	calculated		24,844.0
Total off-balance sheet debt (8 x long-term leases)	calculated	i x 8	6,384.0
Total lease-adjusted debt	calculated		31,228.0
Cash and cash equivalents	as reported		-1,767.0
Interest-bearing receivables	as reported		-203.0
Cash and cash equivalents	calculated		-1,970.0
Net debt with equity credit	calculated	b	22,874.0
Net lease-adjusted debt	calculated	c	29,258.0
Cash flows from Operating Activities			
Dividends Received from Associates/Paid to Minorities	as reported		1.0
Hybrid Capital Coupon Payment	as reported		-195.0
Cash from operations (CFO)	calculated		7,019.0
less trade working capital movement	as reported		455.0
Funds from operations (FFO)	calculated		6,564.0
EBITDA	as reported	d	8,244.0
Interest received	as reported		425.0
Interest paid (incl hybrid coupon)	as reported	e	-1,279.0
Net interest paid	calculated	f	-854.0
Tax paid	as reported		-556.0
Dividends Received from Associates/Paid to Minorities	as reported		1.0
Other items before FFO	calculated		-271.0
Funds from operations (FFO)	calculated	g	6,564.0
Working capital	calculated		455.0
Cash from operations (CFO)	calculated	h	7,019.0
Long-term leases	as reported	i	798.0
FFO Interest Coverage (x)			
(FFO + net interest paid) / gross interest paid		(g + f) / e	5.8
FFO fixed charge cover (x)			
(FFO + net interest paid + LT leases) / (gross interest paid + LT leases)		(g + f + i) / (e + i)	4.0
Net debt / EBITDA excl. minorities (x)		(b / d)	2.8
FFO adjusted net leverage (x)			
Net lease-adjusted debt / (FFO + net interest paid + LT leases)		(c / (g + f + i))	3.6

Source: Fitch

	Reported Values 31 Dec 17	Sum of Fitch Adjustments	Preferred Dividends, Associates and Minorities Cash Adjustments	Cash Adjustment	Lease Adjustment	Other Adjustment	Adjusted Values
Income Statement Summary							
Revenue	20,270	0					20,270
Operating EBITDAR	8,308	798			798		9,106
Operating EBITDAR after Associates and Minorities	8,308	799	1		798		9,107
Operating Lease Expense	0	798			798		798
Operating EBITDA	8,308	0					8,308
Operating EBITDA after Associates and Minorities	8,308	1	1				8,309
Operating EBIT	3,148	0					3,148
Debt & Cash Summary							
Total Debt With Equity Credit	24,709	135				135	24,844
Total Adjusted Debt With Equity Credit	24,709	6,519			6,384	135	31,228
Lease-Equivalent Debt	0	6,384			6,384		6,384
Other Off-Balance Sheet Debt	0	0					0
Readily Available Cash & Equivalents	1,767	203		406		-203	1,970
Not Readily Available Cash & Equivalents	0	0					0
Cash-Flow Summary							
Preferred Dividends (Paid)	0	0					0
Interest Received	425	0					425
Interest (Paid)	-1,084	-195				-195	-1,279
Funds From Operations [FFO]	6,758	-194	1			-195	6,564
Change in Working Capital [Fitch-Defined]	455	0					455
Cash Flow from Operations [CFO]	7,213	-194	1			-195	7,019
Non-Operating/Non-Recurring Cash Flow	0	0					0
Capital (Expenditures)	-4,491	0					-4,491
Common Dividends (Paid)	-802	0					-802
Free Cash Flow [FCF]	1,920	-194	1			-195	1,726
Gross Leverage							
Total Adjusted Debt / Op. EBITDAR* [x]	3.0						3.4
FFO Adjusted Leverage [x]	3.3						3.8
Total Debt With Equity Credit / Op. EBITDA* [x]	3.0						3.0
Net Leverage							
Total Adjusted Net Debt / Op. EBITDAR* [x]	2.8						3.2
FFO Adjusted Net Leverage [x]	3.1						3.6
Total Net Debt / (CFO - Capex) [x]	8.4						9.0
Coverage							
Op. EBITDAR / (Interest Paid + Lease Expense)* [x]	7.7						4.4
Op. EBITDA / Interest Paid* [x]	7.7						6.5
FFO Fixed Charge Coverage [x]	6.8						4.0
FFO Interest Coverage [x]	6.8						5.8

*EBITDA/R after Dividends to Associates and Minorities

Source: Fitch, based on information from company reports.

Full List of Ratings

	Rating	Outlook	Last Rating Action
DKT Holdings ApS			
Long-Term IDR	B+	Stable	New Rating 16 July 2018
DKT Finance ApS			
Senior secured rating	B-/RR6/0%		New Rating 16 July 2018
TDC A/S			
Senior secured rating	BB+/RR1/100%		New Rating 16 July 2018
Senior unsecured rating	B+/RR4/41%		Affirmed 16 July 2018
Long-Term IDR			Withdrawn 16 July 2018
Short-Term IDR			Withdrawn 16 July 2018

Related Research & Criteria

[Corporate Rating Criteria \(March 2018\)](#)

[Corporates Notching and Recovery Ratings Criteria \(March 2018\)](#)

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