

DKT Holdings ApS

Interim Financial Report January – June 2020

Contents

Management review	2
Consolidated financial statements	4
Notes to consolidated financial statements	7
Corporate matters	14
Management statement	15
Appendix: TDC Group Interim Financial Report January – June 2020	16

Management review

The business

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

The consolidated financial statements

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

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

The analysis set out below is focusing on the activities in DKT, DKTF and DKTH for H1 2020. For a separate analysis of the development of TDC's activities, please see the Interim Financial Report for TDC for 1 January to 30 June 2020 included as an appendix to this report.

Group performance

EBITDA

DKTH group revenue, cost of sales, external expenses, personnel expenses and other income, i.e. EBITDA (Operating profit before depreciation, amortisation and special items), largely corresponds to TDC Group's similar items for 1 January to 30 June 2020. EBITDA for DKTH group amounted to DKK 3,270m. Hereof DKK 3,273m stems from TDC.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses are all related to the TDC Group and amounted to DKK 3,199m. Hereof DKK 636m was amortisation of assets recognised in connection with the purchase price allocation performed in connection with the acquisition of TDC. This included primarily amortisation of customer relationships and brands.

Special items

All special items, representing a net expense of DKK 159m before tax, related to the TDC Group.

Financial income and expenses

Of the total financial income and expenses, representing a net expense of DKK 1,466m, DKK 1,092m related to DKT, DKTF and DKTH. These financial expenses related primarily to interest expenses on senior notes and shareholder loans. All other financial income and expenses related to the TDC Group.

DKT Holdings Group, key figures (DKKm)	Q2 2020	Q2 2019	Change in %	H1 2020	H1 2019	Change in %
Income statements						
Revenue	3,915	4,241	(7.7)	8,041	8,545	(5.9)
Gross profit	2,833	3,088	(8.3)	5,809	6,182	(6.0)
Operational expenses	(1,225)	(1,425)	(14.0)	(2,539)	(2,820)	(10.0)
EBITDA	1,608	1,663	(3.3)	3,270	3,362	(2.7)
EBITDA excl. new lease accounting principles (IFRS 16)	1,508	1,566	(3.7)	3,065	3,167	(3.2)
Profit/(loss) for the period from continuing operations excluding special items	(756)	(880)	(14.1)	(1,358)	(1,413)	(3.9)
Profit/(loss) for the period	(817)	(910)	(10.2)	(1,489)	(1,485)	0.3
Capital expenditure, excluding mobile licenses	(1,313)	(1,131)	16.1	(2,711)	(2,106)	28.7
Mobile licenses	-	(1)	-	-	(1,352)	-
Cash flow						
Total cash flow from operating activities	1,636	1,044	56.7	2,504	2,362	6.0
Total cash flow from investing activities	(1,309)	(1,326)	(1.3)	(2,593)	(2,388)	8.6
Total cash flow from financing activities	(1,099)	(517)	112.6	(841)	(582)	44.5
Total cash flow from continuing operations	(772)	(799)	(3.4)	(930)	(608)	53.0
Total cash flow from discontinued operations	-	(3)	-	-	(3)	-
Total cash flow	(772)	(802)	(3.7)	(930)	(611)	52.2
NIBD						
Net interest-bearing debt excl. impact from IFRS 16	(52,074)	(49,718)	4.7	(52,074)	(49,718)	4.7
Net interest-bearing debt (NIBD)	(57,236)	(54,950)	4.2	(57,236)	(54,950)	4.2
Key financial ratios						
Gross margin, %	72.4	72.8	-	72.2	72.3	-
EBITDA margin, %	41.1	39.2	-	40.7	39.3	-

Income taxes

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

Loss for the period

The loss for the period of DKK 1,489m comprised a loss for TDC of DKK 395m and a combined loss in DKT, DKTF and DKTH of DKK 1,094m related primarily to the net financial expenses.

Net interest-bearing debt

In H1 2020, net interest-bearing debt excluding the impact from IFRS 16 increased by DKK 1,672m. The increase was due primarily to interest accrued on shareholder loans (DKK 1,566m).

Consolidated financial statements

Income statement (DKKm)	Note	Q2 2020	Q2 2019	Change in %	H1 2020	H1 2019	Change in %
Revenue		3,915	4,241	(7.7)	8,041	8,545	(5.9)
Cost of sales		(1,082)	(1,153)	(6.2)	(2,232)	(2,363)	(5.5)
Gross profit		2,833	3,088	(8.3)	5,809	6,182	(6.0)
External expenses		(438)	(579)	(24.4)	(977)	(1,152)	(15.2)
Personnel expenses		(831)	(893)	(6.9)	(1,655)	(1,756)	(5.8)
Other income		44	47	(6.4)	93	88	5.7
Operating profit before depreciation, amortisation and special items (EBITDA)		1,608	1,663	(3.3)	3,270	3,362	(2.7)
Depreciation, amortisation and impairment losses	2	(1,601)	(1,661)	(3.6)	(3,199)	(3,199)	-
Operating profit excluding special items (EBIT excluding special items)		7	2	-	71	163	(56.4)
Special items	3	(78)	(35)	122.9	(159)	(86)	84.9
Operating profit (EBIT)		(71)	(33)	115.2	(88)	77	-
Financial income and expenses	4	(810)	(815)	(0.6)	(1,466)	(1,483)	(1.1)
Profit/(loss) before income taxes		(881)	(848)	3.9	(1,554)	(1,406)	10.5
Income taxes		64	(62)	-	65	(79)	(182.3)
Profit/(loss) for the period		(817)	(910)	(10.2)	(1,489)	(1,485)	0.3
Profit/(loss) attributable to:							
Owners of the parent company		(817)	(910)	(10.2)	(1,489)	(1,486)	0.2
Non-controlling interests		-	-	-	-	1	-

Balance sheet

Assets (DKKm)	Note	30 June 2020	31 December 2019	30 June 2019	Equity and liabilities (DKKm)	Note	30 June 2020	31 December 2019	30 June 2019
Non-current assets					Equity				
Intangible assets		36,590	37,493	38,642	Share capital		-	-	-
Property, plant and equipment		15,841	15,368	15,066	Reserve for exchange-rate adjustments		18	21	18
Lease assets		4,405	4,472	4,594	Reserve for cash flow hedges		(10)	(12)	(14)
Joint ventures, associates and other investments		67	70	67	Retained earnings		(3,120)	(1,764)	(697)
Pension assets	5	7,374	7,463	6,571	Equity attributable to owners of the parent company		(3,112)	(1,755)	(693)
Receivables		201	194	192	Non-controlling interests		-	2	2
Prepaid expenses		28	33	38	Total equity		(3,112)	(1,753)	(691)
Total non-current assets		64,506	65,093	65,170	Non-current liabilities				
Current assets					Deferred tax liabilities		3,915	4,187	4,411
Inventories		275	232	235	Provisions		339	331	325
Receivables		2,193	2,453	2,282	Loans	6	33,496	33,904	33,748
Derivative financial instruments		219	231	92	Lease liabilities		4,715	4,751	4,803
Prepaid expenses		702	624	413	Shareholder loans		19,165	17,599	17,599
Cash		749	1,686	1,777	Other non-current liabilities		338	138	-
Total current assets		4,138	5,226	4,799	Total non-current liabilities		61,968	60,910	60,886
Total assets		68,644	70,319	69,969	Current liabilities				
					Loans	6	92	772	107
					Lease liabilities		507	491	497
					Trade and other payables		8,564	9,642	8,348
					Income tax payable		219	34	384
					Derivative financial instruments		313	143	371
					Provisions		93	80	67
					Total current liabilities		9,788	11,162	9,774
					Total liabilities		71,756	72,072	70,660
					Total equity and liabilities		68,644	70,319	69,969
					Total liabilities excl. impact from IFRS 16		66,594	66,895	65,428

Statements of cash flow (DKK m)	Q2 2020	Q2 2019	Change in %	H1 2020	H1 2019	Change in %
EBITDA	1,608	1,663	(3.3)	3,270	3,362	(2.7)
Adjustment for non-cash items	41	49	(16.3)	106	100	6.0
Pension contributions	(1)	-	-	198	135	46.7
Payments related to provisions	(6)	(24)	(75.0)	(12)	(24)	(50.0)
Special items	(64)	(38)	68.4	(123)	(75)	64.0
Change in working capital	610	(85)	-	266	(174)	-
Interest paid, net	(552)	(521)	6.0	(1,140)	(986)	15.6
Income tax paid	-	-	-	(61)	24	-
Operating activities in continuing operations	1,636	1,044	56.7	2,504	2,362	6.0
Operating activities in discontinued operations	-	(3)	-	-	(3)	-
Total cash flow from operating activities	1,636	1,041	57.2	2,504	2,359	6.1
Investment in enterprises	(3)	(9)	(66.7)	(7)	(125)	(94.4)
Investment in property, plant and equipment	(993)	(864)	14.9	(1,913)	(1,469)	30.2
Investment in intangible assets	(315)	(460)	(31.5)	(671)	(822)	(18.4)
Investment in other non-current assets	(1)	-	-	(1)	-	-
Divestment of joint ventures and associates	-	-	-	-	17	-
Sale of other non-current assets	3	6	(50.0)	(1)	10	(110.0)
Dividends received from joint ventures and associates	-	1	-	-	1	-
Investing activities in continuing operations	(1,309)	(1,326)	(1.3)	(2,593)	(2,388)	8.6
Investing activities in discontinued operations	-	-	-	-	-	-
Total cash flow from investing activities	(1,309)	(1,326)	(1.3)	(2,593)	(2,388)	8.6
Repayment of long-term loans	-	(320)	-	-	(320)	-
Settlement of derivatives related to long-term loans	-	(107)	-	-	(75)	-
Lease repayments	(95)	(89)	6.7	(153)	(186)	(17.7)
Change in short-term bank loans	(1,001)	-	-	(681)	-	-
Capital contribution from non-controlling interests	(3)	(1)	200.0	(7)	(1)	-
Financing activities in continuing operations	(1,099)	(517)	112.6	(841)	(582)	44.5
Financing activities in discontinued operations	-	-	-	-	-	-
Total cash flow from financing activities	(1,099)	(517)	112.6	(841)	(582)	44.5
Total cash flow	(772)	(802)	(3.7)	(930)	(611)	52.2
Cash and cash equivalents (beginning of period)	1,523	2,580	(41.0)	1,686	2,381	(29.2)
Effect of exchange-rate changes on cash and cash equivalents	(2)	(1)	100.0	(7)	7	(200.0)
Cash and cash equivalents (end of period)	749	1,777	(57.9)	749	1,777	(57.9)

Notes to consolidated financial statements

1 | Accounting policies

DKTH Group's Interim Financial Report for H1 2020 has been prepared in accordance with International Financial Reporting Standards' (IFRS) rules on recognition and measurement.

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

The accounting policies are unchanged compared with the policies applied in the Annual Report 2019.

Critical accounting estimates and judgements

When preparing the consolidated financial statements, Management makes assumptions that affect the reported amount of assets and liabilities at the balance sheet date, and the reported income and expenses for the accounting period. The accounting estimates and judgements considered material to the preparation of the consolidated financial statements are shown in note 1.2 in the consolidated financial statements for 2019, cf. DKTH's Annual Report 2019.

2 | Depreciation, amortisation and impairment losses

(DKKm)	Q2 2020	Q2 2019	H1 2020	H1 2019
Depreciation on property, plant and equipment	(700)	(779)	(1,431)	(1,391)
Amortisation of intangible assets	(805)	(775)	(1,575)	(1,594)
Depreciation of lease assets	(99)	(85)	(199)	(190)
Impairment losses	(2)	(22)	(5)	(24)
Capitalised as tangible or intangible assets	5	-	11	-
Total	(1,601)	(1,661)	(3,199)	(3,199)

All depreciation, amortisation and impairment losses related to the TDC Group and amounted to DKK 3,199m. Hereof DKK 636m was amortisation of assets recognised in connection with the purchase price allocation performed in connection with the acquisition of TDC. This included primarily amortisation of customer relationships and brands.

3 | Special items

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

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

Special items (DKKm)	Q2 2020	Q2 2019	H1 2020	H1 2019
Costs related to redundancy programmes	(76)	(19)	(118)	(32)
Other restructuring costs, etc.	(1)	(3)	(3)	(16)
Distribution of "excess capital" to members of TDC Pension Fund	-	-	(35)	(24)
Loss from rulings	(1)	(1)	(1)	(2)
Adjustment of purchase price re. acquisition of enterprises	-	-	(2)	-
Costs related to acquisition of enterprises	-	(11)	-	(11)
Loss from divestments of enterprises and property	-	(1)	-	(1)
Special items before income taxes	(78)	(35)	(159)	(86)
Income taxes related to special items	17	5	28	12
Special items related to joint ventures and associates	-	-	-	2
Total special items	(61)	(30)	(131)	(72)

4 | Financial income and expenses

Financial income and expenses (DKKm)	Q2 2020	Q2 2019	Change in %	H1 2020	H1 2019	Change in %
Interest income	3	26	(88.5)	6	28	(78.6)
Interest expenses	(888)	(857)	3.6	(1,749)	(1,667)	4.9
Net interest	(885)	(831)	6.5	(1,743)	(1,639)	6.3
Currency translation adjustments	203	185	9.7	352	(11)	-
Fair value adjustments	(141)	(193)	(26.9)	(100)	117	(185.5)
Interest, currency translation adjustments and fair value adjustments	(823)	(839)	(1.9)	(1,491)	(1,533)	(2.7)
Profit/(loss) from joint ventures and associates	(2)	(2)	-	(4)	(3)	33.3
Interest on pension assets	15	26	(42.3)	29	53	(45.3)
Total	(810)	(815)	(0.6)	(1,466)	(1,483)	(1.1)

Of the total financial income and expenses, representing a net expense of DKK 1,466m, DKK 1,092m related to DKT, DKTF and DKTH. These financial expenses related primarily to interest expenses on senior notes and shareholder loans. All other financial income and expenses related to the TDC Group.

4 | Financial income and expenses (continued)

Specifications (DKKm)	Q2 2020				Q2 2019			
	Interest	Currency translation adjustments	Fair value adjustments	Total	Interest	Currency translation adjustments	Fair value adjustments	Total
	Shareholder loan	(413)	-	-	(413)	(382)	-	-
Senior Facility Agreement	(111)	22	2	(87)	(101)	3	(12)	(110)
Senior Notes	(186)	14	10	(162)	(189)	7	15	(167)
Euro Medium Term Notes	(54)	16	(10)	(48)	(65)	15	(64)	(114)
Lease liabilities	(60)	-	-	(60)	(61)	-	-	(61)
Other	(37)	(11)	(5)	(53)	(8)	3	-	(5)
Total	(861)	41	(3)	(823)	(806)	28	(61)	(839)

Specifications (DKKm)	H1 2020				H1 2019			
	Interest	Currency translation adjustments	Fair value adjustments	Total	Interest	Currency translation adjustments	Fair value adjustments	Total
	Shareholder loan	(802)	-	-	(802)	(742)	-	-
Senior Facility Agreement	(220)	37	4	(179)	(198)	4	(27)	(221)
Senior Notes	(375)	23	71	(281)	(372)	8	28	(336)
Euro Medium Term Notes	(107)	36	29	(42)	(100)	2	12	(86)
Lease liabilities	(121)	-	-	(121)	(123)	-	-	(123)
Other	(63)	(6)	3	(66)	(38)	11	2	(25)
Total	(1,688)	90	107	(1,491)	(1,573)	25	15	(1,533)

Interest, currency translation adjustments and fair value adjustments represented an expense of DKK 1,491m in H1 2020. The decrease of DKK 42m compared with H1 2019 was driven primarily by:

- Interest: An increase in Shareholder loans compared with H1 2019 resulted in higher interest expenses. In Q1 2019, the Senior Facility Agreement had an interest-margin step up was due to an increase into the SFA covenant leverage, resulting in higher interest expenses. Furthermore, the EMTN Bond step up of 1.25% in coupon interest was due to a rating downgrade to below investment-grade level resulting in higher interest expenses in H1 2020.
- Currency adjustments: Throughout H1 2020 the lower EUR exchange rate has resulted in gains relating EUR and GBP loans swapped to EUR.
- Fair value adjustments: Declining USD interest rates related to cross currency swaps related to USD Senior notes resulted in a gain in H1 2020.

5 | Pension assets and pension obligations

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

For further information of the pension asset of DKK 7,374m as of 30 June 2020, see note 7 to TDC's consolidated financial statements for 1 January – 30 June 2020 included as appendix to this report.

6 | Loans and net interest-bearing debt

Euro Medium Term Notes (EMTNs) and Senior Facility Agreement (SFA)	2022	2023	2023	2023	2025	2029	2029	Total
Maturity	Mar 22	Feb 23	Jun 23	Jun 23	Jun 25	Apr 29	Apr 29	
Fixed/Floating rate	Fixed	Fixed	Fixed	Fixed	Floating	Fixed	Fixed	
Coupon	5.000%	6.875%	7.000%	9.375%	Margin+Floored Euribor ¹	8.810%	8.150%	
Currency	EUR	GBP	EUR	USD	EUR	DKK	DKK	
Type	EMTN	EMTN	EMTN	EMTN	Bank loan	SHL loan	SHL loan	
Nominal value (DKKm)	3,726	3,484	7,823	2,716	14,159	17,474	1,693	51,075
Nominal value (Currency)	500	425	1,050	410	1,900	17,474	1,693	
– Of which nominal value swapped to EUR or DKK (Currency) ²	200	425		410				
Nominal value of debt incl. currency hedging in DKKm	3,728	3,730	7,823	2,678	14,159	17,474	1,693	51,285
– Of which nominal value swapped to or with floating interest rate (EURm)	100	-	-	-	1,625			1,725
– Of which nominal value swapped to or with fixed interest rate (EURm) ²	400	500	1,050	359	275	2,345	227	5,156

¹ The RCF and SFA loans have a Euribor floor at zero and margins of 2.75% and 3.00% per 30-06-2020, respectively.

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

³ The maturity of interest-rate swaps used for hedging of long-term EMTN bonds matches the maturity of the underlying EMTN bonds. Derivatives of nominal EUR 925m used for hedging of the long-term SFA loan will mature in June 2020 and nominal EUR 25m will mature in later periods.

Net interest-bearing debt (DKKm)	30 June 2020	31 December 2019	30 June 2019
EMTN loans incl. short-term part	7,589	7,973	7,838
Senior Facility Agreement incl. short term-part	14,124	14,158	14,139
Senior Notes	10,441	10,450	10,377
Shareholder loans	19,165	17,599	17,599
Lease liabilities incl. short-term part	5,222	5,242	5,300
Other long-term loans incl. short-term part	1,434	1,414	1,501
Bank loans	-	681	-
Interest-bearing payables	2	2	2
Derivatives	171	(101)	124
Interest-bearing receivables and investments	(163)	(153)	(153)
Cash	(749)	(1,686)	(1,777)
Net interest-bearing debt	57,236	55,579	54,950
Hereof impact from IFRS 16	(5,162)	(5,177)	(5,232)
Net interest-bearing debt excl. impact from IFRS 16	52,074	50,402	49,718

The increase in net interest-bearing debt during H1 2020 was due primarily to interest accrued on shareholder loans (DKK 1,566m).

7 | Events after the balance sheet date

There have been no events that materially affect the assessment of this Interim Financial Report January – June 2020 after the balance sheet date and up to today.

Corporate matters

Risk factors

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

In addition, the outbreak of COVID-19 impacts DKTH Group's operations. People's safety is our first priority and we have implemented the necessary measures, including strengthened workplace safety procedures.

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

Forward-looking statements

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

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

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

Management statement

Management statement

Today, the Board of Directors and the Executive Committee considered and approved the Interim Financial Statements of DKTH Group for H1 2020.

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

In our opinion, the Financial Report gives a true and fair view of the Group's assets, liabilities and financial position at 30 June 2020 as well as the results of operations and cash flows for H1 2020. Furthermore, in our opinion, the management's review provides a fair review of the developments in the Group's activities and financial position, and describes the significant risks and uncertainties that may affect the Group.

Copenhagen, 14 August 2020

Executive Committee

Nathan Andrew Luckey

Board of Directors

Martin Bradley
Chairman

Nathan Andrew Luckey

Arthur Rakowski

Peter Tind Larsen

Ulrik Pallisø Bornø

Ulrik Dan Weuder

About DKTH

DKT Holdings ApS

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

CVR No. 39 18 68 29

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

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

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

Appendix:

TDC Group

Interim Financial Report January – June 2020

Q2 highlights

- **TDC Group's EBITDA** declined by 3.7% in Q2, stemming mainly from the loss of consumer RGUs in Q4 2019 and Q1 2020 and partly off-set by continued improvement in operating expenses
 - **TDC Group's revenue declined by 7.7% and gross profit** declined by 8.3% YoY in Q2 triggered mainly by declining customer bases in Nuuday. The net loss of customers improved throughout Q2, though the high net loss in Q4 and Q1 will cause a run-rate effect on gross profit YoY
 - TDC Group's **operating expenses improved by 13.6%** driven by cost reductions across TDC Group as well as lower costs related to the separation of TDC. Nuuday and TDC Net operating expenses decreased by 11% and 9.9% respectively in Q2 vs the same period last year
- **Capex increased by 19.4% YoY at TDC NET**, driven mainly by fibre rollout with more than 25k homes passed in Q2. In Q2, TDC NET swapped more than 900 mobile sites to 5G while simultaneously improving the existing network quality. A successful 5G test was conducted in Helsingør in collaboration with TV2, and TDC NET entered a partnership with Grundfos and Ericsson to use 5G to automate and streamline production
- **The effects of COVID-19 on TDC Group's financial performance in Q2 2020** related mainly to reduced roaming profits experienced by Nuuday and the productivity slowdown due to TDC NET technicians remaining at home and not being able to do customer visits
- Based on the negative effects from COVID-19 both in the short term as well as the possible impact going forward, **we now expect to reach a flat to slight decline in the EBITDA-development for the full year**
- Other **key milestones** from the quarter include;
 - On 7 July 2020, the late-summer 2020 launch of **YouTV was announced**. YouTV, a new TV and streaming service, will gather all the popular content in one app, allowing customers to mix their preferred TV channels and streaming services
 - **TDC NET's mobile network was named the best network in Denmark** in a global research conducted by the data company, Tutela

Group performance in H1 2020

2020 guidance

Our 2020 guidance assumes a flat EBITDA, strategic capex investments in 5G and fibre of DKK ~2.6bn, total capex spending of DKK 5.5-5.9bn and net debt-to-EBITDA EoY of ~4.1x excl. IFRS 16¹. Negative impacts from COVID-19 have related mainly to reduced roaming profits experienced by Nuuday and the productivity slowdown caused by TDC NET employees remaining at home. However, as some uncertainty remains regarding the full effects from COVID-19, we will continue to evaluate the effects and the impact on our 2020 financials and now expect to reach a flat to slightly declining EBITDA-development in 2020.

Revenue

In the first half of 2020, TDC Group's revenue decreased by 5.9% or DKK 504m to DKK 8,041m, when compared with the first half of 2019. The decline was driven mainly by TV, other services and internet & network.

Gross profit

TDC Group's gross profit decreased by 6.0% or DKK 373m to DKK 5,809m in the first half of 2020. The decline was driven primarily by TV, other services and the continued decline in land-line voice.

Operating expenses

In the first half of 2020, operating expenses decreased by 9.8% or DKK 277m to DKK 2,536m.

The improved operating expenses were fuelled by cost savings across TDC Group.

EBITDA

In the first half of 2020, EBITDA decreased by 2.8% or DKK 96m to DKK 3,273m. The development was triggered by declines in TV, other services and landline voice that were somewhat offset by improved cost savings.

Capital expenditure

Capital expenditure totalled DKK 2,711m in the first half of 2020, up by 28.7% or DKK 605m compared with the same period last year. This trend resulted mainly from increased investments in fibre rollout.

TDC Group, key figures (DKKm)	Q2 2020	Q2 2019	Change in %	H1 2020	H1 2019	Change in %
Income statements						
Revenue	3,915	4,241	(7.7)	8,041	8,545	(5.9)
Gross profit	2,833	3,088	(8.3)	5,809	6,182	(6.0)
Operating expenses	(1,224)	(1,417)	(13.6)	(2,536)	(2,813)	(9.8)
EBITDA	1,609	1,671	(3.7)	3,273	3,369	(2.8)
Profit for the period from continuing operations excluding special items	13	(157)	(108.3)	104	113	(8.0)
Profit/(loss) for the period	(48)	(187)	(74.3)	(27)	41	(165.9)
Total comprehensive income/(loss)	(566)	(326)	73.6	129	(38)	-
Capital expenditure, excluding mobile licences	(1,313)	(1,131)	16.1	(2,711)	(2,106)	28.7
Mobile licences	-	(1)	-	-	(1,352)	-
Key financial ratios						
Gross margin, %	72.4	72.8	-	72.2	72.3	-
EBITDA margin, %	41.1	39.4	-	40.7	39.4	-

1. Including effects of IFRS 16, 2020 leverage is expected to be ~4.7x. The guided leverage assumes interest rate payments at DKT Finance funded by TDC dividends and excludes new spectrum obligations.

Cash flow

Total cash flow decreased by DKK 514m to DKK -1,043m.

The DKK 171m increase in cash flow from operating activities in continuing operations in H1 2020, up to DKK 2,876m, was driven primarily by net working capital (DKK 437m) due mainly to the COVID-19 temporary liquidity support package (postponing VAT and employee tax payments) from the Danish State (app. DKK 600m). This was partly offset by lower net payables related to termination of the Discovery contract in combination with a number of other items with different timings. Another positive contribution was a larger distribution of excess capital from the TDC Pension Fund compared with 2019 (DKK 64m before tax). The increase was partly offset by higher net interest paid (DKK -118m) due to interest margin step ups related to EMTN and SFA loans, lower EBITDA (DKK -96m) as well as the different timing of income tax paid (DKK -85m).

The DKK 205m increase in cash outflow from investing activities in continuing operations, up to DKK 2,593m, was driven primarily by higher capex compared with H1 2019.

Cash outflow from financing activities in continuing operations in H1 2020 increased by DKK 483m to DKK 1,326m, driven mainly by repayment of short-term bank loans.

Profit/(loss) for the period

Excluding special items, profit for the period declined by 8.0% or DKK 9m to DKK 104m. Profit/(loss) for the period (including special items) declined by DKK 68m to DKK -27m. The declines were driven primarily by the decrease in

EBITDA mentioned above and increased depreciation partly offset by a decrease in income taxes.

Comprehensive income

Total comprehensive income increased by DKK 167m to DKK 129m. The DKK 68m decline in profit for the period was more than offset by a positive development in defined benefit plans for Danish employees (DKK 234m after tax).

Net interest-bearing debt

In the first half of 2020, net interest-bearing debt excluding the impact from IFRS 16 increased by DKK 331m to DKK 22,358m. The increase was due primarily to the dividend payment of DKK 485m which was partly offset by the positive equity free cash flow of DKK 139m.

Cash flow and net interest-bearing debt (DKK m)	Q2 2020	Q2 2019	Change in %	H1 2020	H1 2019	Change in %
Cash flow from operating activities	1,998	1,418	40.9	2,876	2,705	6.3
Investment in property, plant and equipment	(993)	(864)	14.9	(1,913)	(1,469)	30.2
Investment in intangible as	(315)	(460)	(31.5)	(671)	(822)	(18.4)
Lease repayments	(95)	(89)	6.7	(153)	(186)	(17.7)
Equity free cash flow	595	5	-	139	228	(39.0)
Total cash flow from operating activities	1,998	1,418	40.9	2,876	2,705	6.3
Total cash flow from investing activities	(1,309)	(1,326)	(1.3)	(2,593)	(2,388)	8.6
Total cash flow from financing activities	(1,584)	(717)	120.9	(1,326)	(843)	57.3
Total cash flow from continuing operations	(895)	(625)	43.2	(1,043)	(526)	98.3
Total cash flow from discontinued operations	0	(3)	-	0	(3)	-
Total cash flow	(895)	(628)	42.5	(1,043)	(529)	97.2
Net interest-bearing debt (NIBD) excl. impact from IFRS 16	(22,358)	(21,262)	5.2	(22,358)	(21,262)	5.2
Net interest-bearing debt (NIBD) NIBD/EBITDA ¹	(27,520) x	(26,494)	3.9	(27,520)	(26,494)	3.9
	3.7	3.3	-	3.7	3.3	-

¹ Calculated without the additional lease liabilities due to the adoption of IFRS 16 and the resulting EBITDA effect. The EBITDA effect of IFRS 16 amounted to DKK 408m for the last twelve months. Including IFRS 16 the NIBD/EBITDA ratio amounted to 4.3 at 30 June 2020.

TDC NET performance in H1 2020

Revenue

In the first half of 2020, TDC NET's revenue decreased by 2.7% or DKK 98m to DKK 3,472m compared with the same period in 2019. The main contributor to the decreased revenue was the continued decline in landline voice and TV revenue due to decreasing customer bases, as well as declining revenue for antenna upgrades and services of third-party private antenna organisations' cable networks.

Gross profit

TDC NET's gross profit decreased by 3.0% or DKK 101m to DKK 3,247m in the first half of 2020, driven by the continued decline in landline voice and TV as well as decreasing external installation activity as the resources were used for the internal fibre rollout. This was partly offset by growth in mobility services from the national roaming agreement with Hi3G, especially in Q1. The internet & network gross profit was stable in H1 as the customer losses at Nuuday were offset by an increase among other service providers and improved ARPU. The overall gross profit margin declined from 93.8% in 2019 to 93.5% in 2020, due to lower margins on installation activities partly offset by improved margins on landline voice, mobility services and TV.

Operating expenses

In the first two quarters of 2020, operating expenses decreased by 8.7% or DKK 103m to DKK 1,075m, driven by personnel expenses and lower costs related to the separation of TDC as only the recurring separation costs remain. The personnel expenses decreased despite a 12% increase in FTEs, driven by efficiency improvements in operations and increased investments in Fibre roll-out and 5G swap, leading to increased capitalized salary costs.

EBITDA

In the first half of 2020, EBITDA increased by DKK 1m to DKK 2,172m triggered by the improvement in operating expenses and mobility services gross profit that was almost offset by a decrease in landline voice, TV and gross profit from installation activity.

Capital expenditure

In H1 2020, capital expenditure totalled DKK 1,903m, up by 36% or DKK 504m, compared with the same period last year. This trend resulted mainly from increased investments in the fibre rollout, with more than 50k homes passed and from upgrading our mobile network to 5G and swapping to Ericsson equipment.

TDC NET, key figures (DKK m)	Q2 2020	Q2 2019	Change in %	H1 2020	H1 2019	Change in %
Income statements						
Revenue	1,699	1,786	(4.9)	3,472	3,570	(2.7)
hereof external revenue	409	464	(11.9)	848	913	(7.1)
Gross profit	1,594	1,660	(4.0)	3,247	3,348	(3.0)
Operating expenses	(547)	(607)	(9.9)	(1,075)	(1,177)	(8.7)
EBITDA	1,047	1,053	(0.6)	2,172	2,171	0.0
Capital expenditure, excluding mobile licenses	(971)	(813)	19.4	(1,903)	(1,399)	36.0
Key financial ratios						
Gross margin, %	93.8	92.9	-	93.5	93.8	-
EBITDA margin, %	61.6	59.0	-	62.6	60.8	-

Nuuday performance in H1 2020

Revenue

In H1 2020, Nuuday's revenue decreased by 5.3% or DKK 415m to DKK 7,364m. This decline was driven by lower TV, landline voice and internet & network revenue due to decreasing customer bases across Consumer and Business. The revenue decline was partly offset by increasing Consumer ARPU in mobile and internet & network due mainly to price increases and speed upgrades, respectively.

Gross profit

Nuuday's gross profit decreased by 8.6% or DKK 257m YoY to DKK 2,733m in H1 2020. The decrease in gross profit was driven by declining TV gross profit due to a customer base that experienced extraordinary customer losses especially early in the period. The negative gross profit development in the period was further intensified by declining customer bases in mobile and internet & network along with the general trend in the landline voice market. However, the net adds trends across all products vastly improved later in the period.

Operating expenses

Nuuday's operating expenses in H1 totaled DKK 1.814m, down by DKK 128m or 6.6%, from H1 2019. This improvement was driven primarily by lower personnel expenses after going enterprise agile along with reduced acquisition costs and a decrease in marketing costs.

EBITDA

Nuuday recorded an EBITDA decline of 12.2% or DKK 128m to DKK 920m in H1 compared with the same period last year. The EBITDA decline was driven primarily by the negative development in gross profit across the product portfolio. This was partly offset by savings on operating expenses.

Capital expenditure

In H1, Nuuday's capital expenditure declined by 5.8% or DKK 40m to DKK 652m compared with the same period in 2019. The lower spending was driven primarily by lower costs related to customer installations and partly offset by higher IT investments.

Nuuday, key figures (DKKm)

	Q2 2020	Q2 2019	Change in %	H1 2020	H1 2019	Change in %
Income statements						
Revenue	3,600	3,847	(6.4)	7,364	7,779	(5.3)
hereof external revenue	3,511	3,774	(7.0)	7,192	7,625	(5.7)
Gross profit	1,327	1,517	(12.5)	2,733	2,990	(8.6)
Operating expenses	(866)	(973)	(11.0)	(1,814)	(1,942)	(6.6)
EBITDA	461	544	(15.3)	920	1,048	(12.2)
Capital expenditure, excluding mobile licenses	(307)	(314)	(2.2)	(652)	(692)	(5.8)
Key financial ratios						
Gross margin, %	36.9	39.4	-	37.1	38.4	-
EBITDA margin, %	12.8	14.1	-	12.5	13.5	-

Consolidated financial statements

Income statement (DKK m)	Note	Q2 2020	Q2 2019	Change in %	H1 2020	H1 2019	Change in %
Revenue	2,3	3,915	4,241	(7.7)	8,041	8,545	(5.9)
Cost of sales		(1,082)	(1,153)	(6.2)	(2,232)	(2,363)	(5.5)
Gross profit		2,833	3,088	(8.3)	5,809	6,182	(6.0)
External expenses		(437)	(571)	(23.5)	(975)	(1,145)	(14.8)
Personnel expenses		(831)	(893)	(6.9)	(1,655)	(1,756)	(5.8)
Other income		44	47	(6.4)	94	88	6.8
Operating profit before depreciation, amortisation and special items (EBITDA)	2	1,609	1,671	(3.7)	3,273	3,369	(2.8)
Depreciation, amortisation and impairment losses	4	(1,284)	(1,366)	(6.0)	(2,563)	(2,512)	2.0
Operating profit excluding special items (EBIT excluding special items)		325	305	6.6	710	857	(17.2)
Special items	5	(78)	(35)	122.9	(159)	(86)	84.9
Operating profit (EBIT)		247	270	(8.5)	551	771	(28.5)
Financial income and expenses	6	(288)	(328)	(12.2)	(502)	(498)	0.8
Profit/(loss) before income taxes		(41)	(58)	(29.3)	49	273	(82.1)
Income taxes		(7)	(129)	(94.6)	(76)	(232)	(67.2)
Profit/(loss) for the period		(48)	(187)	(74.3)	(27)	41	(165.9)
Profit/(loss) attributable to:							
Owners of the parent company		(48)	(187)	(74.3)	(27)	40	(167.5)
Coupon payments on hybrid capital, net of tax		-	-	-	-	-	-
Non-controlling interests		-	-	-	-	1	-

Statement of comprehensive income (DKKm)

	Note	Q2 2020	Q2 2019	H1 2020	H1 2019
Profit/(loss) for the period		(48)	(187)	(27)	41
Items that may subsequently be reclassified to the income statement:					
Exchange-rate adjustments of foreign enterprises	6	13	-	(2)	(3)
Value adjustments of hedging instruments	6	11	11	22	22
Items that cannot subsequently be reclassified to the income statement:					
Remeasurement of defined benefit pension plans		(694)	(192)	175	(125)
Income tax relating to remeasurement of defined benefit pension plans		152	42	(39)	27
Other comprehensive income/(loss)		(518)	(139)	156	(79)
Total comprehensive income/(loss)		(566)	(326)	129	(38)

Balance sheet

Assets (DKKm)	Note	31 December		
		30 June 2020	2019	30 June 2019
Non-current assets				
Intangible assets		24,674	24,903	25,036
Property, plant and equipment		15,186	14,752	14,489
Lease assets		4,405	4,472	4,594
Joint ventures, associates and other investments		67	70	67
Pension assets	7	7,374	7,463	6,571
Receivables		201	194	192
Prepaid expenses		28	33	38
Total non-current assets		51,935	51,887	50,987
Current assets				
Inventories		275	232	235
Receivables		2,196	2,458	2,285
Derivative financial instruments		37	116	54
Prepaid expenses		702	624	413
Cash		527	1,577	1,721
Total current assets		3,737	5,007	4,708
Total assets		55,672	56,894	55,695

Equity and liabilities (DKKm)	Note	31 December		
		30 June 2020	2019	30 June 2019
Equity				
Share capital		812	812	812
Reserve for exchange rate adjustments		5	7	4
Reserve for cash flow hedges		(118)	(140)	(163)
Retained earnings		14,225	14,605	14,248
Equity attributable to owners of the parent company		14,924	15,284	14,901
Non-controlling interests		-	2	2
Total equity		14,924	15,286	14,903
Non-current liabilities				
Deferred tax liabilities		3,273	3,406	3,458
Provisions		339	331	325
Loans	8	22,684	22,976	22,825
Lease liabilities		4,715	4,751	4,803
Other non-current liabilities		338	138	-
Total non-current liabilities		31,349	31,602	31,411
Current liabilities				
Loans	8	92	772	107
Lease liabilities		507	491	497
Trade and other payables		8,207	8,518	7,991
Income tax payable		187	2	348
Derivative financial instruments		313	143	371
Provisions		93	80	67
Total current liabilities		9,399	10,006	9,381
Total liabilities		40,748	41,608	40,792
Total equity and liabilities		55,672	56,894	55,695
Total liabilities excl. impact from IFRS 16		35,586	36,431	35,560

Statements of cash flow (DKKm)	Q2 2020	Q2 2019	Change in %	H1 2020	H1 2019	Change in %
EBITDA	1,609	1,671	(3.7)	3,273	3,369	(2.8)
Adjustment for non-cash items	39	50	(22.0)	106	100	6.0
Pension contributions	(1)	-	-	198	135	46.7
Payments related to provisions	(6)	(24)	(75.0)	(12)	(24)	(50.0)
Special items	(64)	(38)	68.4	(123)	(75)	64.0
Change in working capital	610	(87)	-	269	(168)	-
Interest paid, net	(189)	(154)	22.7	(774)	(656)	18.0
Income tax paid	-	-	-	(61)	24	-
Operating activities in continuing operations	1,998	1,418	40.9	2,876	2,705	6.3
Operating activities in discontinued operations	-	(3)	-	-	(3)	-
Total cash flow from operating activities	1,998	1,415	41.2	2,876	2,702	6.4
Investment in enterprises	(3)	(9)	(66.7)	(7)	(125)	(94.4)
Investment in property, plant and equipment	(993)	(864)	14.9	(1,913)	(1,469)	30.2
Investment in intangible assets	(315)	(460)	(31.5)	(671)	(822)	(18.4)
Investment in other non-current assets	(1)	-	-	(1)	-	-
Divestment of joint ventures and associates	-	-	-	-	17	-
Sale of other non-current assets	3	6	(50.0)	(1)	10	(110.0)
Dividends received from joint ventures and associates	-	1	-	-	1	-
Investing activities in continuing operations	(1,309)	(1,326)	(1.3)	(2,593)	(2,388)	8.6
Investing activities in discontinued operations	-	-	-	-	-	-
Total cash flow from investing activities	(1,309)	(1,326)	(1.3)	(2,593)	(2,388)	8.6
Repayment of long-term loans	-	(107)	-	-	(136)	-
Lease repayments	(95)	(89)	6.7	(153)	(186)	(17.7)
Change in short-term bank loans	(1,001)	-	-	(681)	-	-
Dividends paid	(485)	(520)	(6.7)	(485)	(520)	(6.7)
Capital contribution from non-controlling interests	(3)	(1)	200.0	(7)	(1)	-
Financing activities in continuing operations	(1,584)	(717)	120.9	(1,326)	(843)	57.3
Financing activities in discontinued operations	-	-	-	-	-	-
Total cash flow from financing activities	(1,584)	(717)	120.9	(1,326)	(843)	57.3
Total cash flow	(895)	(628)	42.5	(1,043)	(529)	97.2
Cash and cash equivalents (beginning of period)	1,424	2,351	(39.4)	1,577	2,244	(29.7)
Effect of exchange-rate changes on cash and cash equivalents	(2)	(2)	-	(7)	6	-
Cash and cash equivalents (end of period)	527	1,721	(69.4)	527	1,721	(69.4)

Equity attributable to owners of the parent company							
Statement of changes in equity (DKKm)	Share capital	Reserve for currency translation ad- justments	Reserve for cash flow hedges	Retained earnings	Total	Non-control- ling interests	Total
Equity at 1 January 2019	812	7	(185)	14,826	15,460	2	15,462
Profit for the period				40	40	1	41
Exchange-rate adjustments of foreign enterprises		(3)			(3)		(3)
Value adjustments of hedging instruments			22		22		22
Remeasurement effects of defined benefit pension plans				(125)	(125)		(125)
Income tax relating to remeasurement effects of defined benefit pension plans				27	27		27
Total comprehensive income	-	(3)	22	(58)	(39)	1	(38)
Distributed dividends				(520)	(520)	(1)	(521)
Total transactions with shareholders	-	-	-	(520)	(520)	(1)	(521)
Equity at 30 June 2019	812	4	(163)	14,248	14,901	2	14,903
Equity at 1 January 2020	812	7	(140)	14,605	15,284	2	15,286
Profit/(loss) for the period				(27)	(27)	-	(27)
Exchange-rate adjustments of foreign enterprises		(2)			(2)		(2)
Value adjustments of hedging instruments			22		22		22
Remeasurement effects related to defined benefit pension plans				175	175		175
Income tax relating to remeasurement effects from defined benefit pension plans				(39)	(39)		(39)
Total comprehensive income	-	(2)	22	109	129	-	129
Distributed dividends				(485)	(485)		(485)
Decrease in non-controlling interest				(4)	(4)	(2)	(6)
Total transactions with shareholders	-	-	-	(489)	(489)	(2)	(491)
Equity at 30 June 2020	812	5	(118)	14,225	14,924	-	14,924

1 | Accounting policies

TDC's Interim Financial Report for H1 2020 has been prepared in accordance with IAS 34 Interim Financial Reporting.

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

The accounting policies are unchanged compared with the policies applied in the Annual Report 2019.

Critical accounting estimates and judgements

When preparing the consolidated financial statements, Management makes assumptions that affect the reported amount of assets and liabilities at the balance sheet date, and the reported income and expenses for the accounting period. The accounting estimates and judgements considered material to the preparation of the consolidated financial statements are shown in note 1.2 of the consolidated financial statements for 2019, cf. TDC's Annual Report 2019.

2 | Segment reporting

Activities (DKKm)	Nuuday ¹		TDC NET		Group functions	
	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019
External revenue	3,511	3,774	409	464	(5)	3
Revenue across segments	89	73	1,290	1,322	(9)	10
Total revenue	3,600	3,847	1,699	1,786	(14)	13
Cost of sales	(2,273)	(2,330)	(105)	(126)	-	-
Gross profit	1,327	1,517	1,594	1,660	(14)	13
Operating expenses	(879)	(1,003)	(612)	(667)	(213)	(229)
Other income and expenses	13	30	65	60	359	342
EBITDA	461	544	1,047	1,053	132	126

	Eliminations		Total	
	Q2 2020	Q2 2019	Q2 2020	Q2 2019
External revenue	-	-	3,915	4,241
Revenue across segments	(1,370)	(1,405)	-	-
Total revenue	(1,370)	(1,405)	3,915	4,241
Cost of sales	1,296	1,303	(1,082)	(1,153)
Gross profit	(74)	(102)	2,833	3,088
Operating expenses	436	435	(1,268)	(1,464)
Other income and expenses	(393)	(385)	44	47
EBITDA	(31)	(52)	1,609	1,671

¹ Nuuday comprises the business units Consumer, Business and Other. Gross profit amounted to DKK 1,392m (DKK 1,517m in Q2 2019) for Consumer, DKK 580m (DKK 638m in Q2 2019) for Business, and DKK (645)m (DKK (638)m in Q2 2019) for Other.

Reconciliation of profit before depreciation, amortisation and special items (EBITDA) (DKKm)

	Q2 2020	Q2 2019
EBITDA from reportable segments	1,609	1,671
Unallocated:		
Depreciation, amortisation and impairment losses	(1,284)	(1,366)
Special items	(78)	(35)
Financial income and expenses	(288)	(328)
Consolidated profit/(loss) before income taxes	(41)	(58)

2 | Segment reporting (continued)

Activities (DKKm)	Nuuday ¹		TDC NET		Group functions	
	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019
External revenue	7,192	7,625	848	913	1	7
Revenue across segments	172	154	2,624	2,657	-	18
Total revenue	7,364	7,779	3,472	3,570	1	25
Cost of sales	(4,631)	(4,789)	(225)	(222)	-	-
Gross profit	2,733	2,990	3,247	3,348	1	25
Operating expenses	(1,841)	(2,003)	(1,205)	(1,297)	(459)	(484)
Other income and expenses	28	61	130	120	711	678
EBITDA	920	1,048	2,172	2,171	253	219
			Eliminations		Total	
			H1 2020	H1 2019	H1 2020	H1 2019
External revenue			-	-	8,041	8,545
Revenue across segments			(2,796)	(2,829)	-	-
Total revenue			(2,796)	(2,829)	8,041	8,545
Cost of sales			2,624	2,648	(2,232)	(2,363)
Gross profit			(172)	(181)	5,809	6,182
Operating expenses			875	883	(2,630)	(2,901)
Other income and expenses			(775)	(771)	94	88
EBITDA			(72)	(69)	3,273	3,369

¹ Nuuday comprises the business units Consumer, Business and Other. Gross profit amounted to DKK 2,830m (DKK 3,015m in H1 2019) for Consumer, DKK 1,183m (DKK 1,253m in H1 2019) for Business, and DKK (1,280)m (DKK (1,278)m in H1 2019) for Other.

Reconciliation of profit before depreciation, amortisation and special items (EBITDA) (DKKm)

	H1 2020	H1 2019
EBITDA from reportable segments	3,273	3,369
Unallocated:		
Depreciation, amortisation and impairment losses	(2,563)	(2,512)
Special items	(159)	(86)
Financial income and expenses	(502)	(498)
Consolidated profit before income taxes	49	273

3 | Revenue

External revenue on products (DKKm)	Consumer		Business		Nuuday		Other		Nuuday	
	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019
	Landline voice	108	127	129	146	-	-	237	273	
Mobility services	766	776	265	286	62	62	1,093	1,124		
Internet and network	633	659	273	296	-	-	906	955		
TV	848	981	6	7	10	-	864	988		
Other services	182	183	225	247	4	4	411	434		
External revenue, total	2,537	2,726	898	982	76	66	3,511	3,774		

	TDC NET		Group functions		Eliminations		Total	
	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019
	Landline voice	29	33	-	-	-	-	266
Mobility services	94	85	-	-	-	-	1,187	1,209
Internet and network	217	237	-	-	-	-	1,123	1,192
TV	-	10	-	-	-	-	864	998
Other services	69	99	(5)	3	-	-	475	536
External revenue, total	409	464	(5)	3	-	-	3,915	4,241

3 | Revenue (continued)

External revenue on products (DKKm)	Consumer		Business		Other		Nuuday	
	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019
Landline voice	219	260	263	294	-	-	482	554
Mobility services	1,551	1,545	545	579	127	119	2,223	2,243
Internet & network	1,281	1,318	550	597	-	-	1,831	1,915
TV	1,741	1,971	12	14	19	-	1,772	1,985
Other services	365	371	513	550	6	7	884	928
External revenue, total	5,157	5,465	1,883	2,034	152	126	7,192	7,625

	TDC NET		Group functions		Eliminations		Total	
	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019
Landline voice	60	73	-	-	-	-	542	627
Mobility services	185	156	-	-	-	-	2,408	2,399
Internet & network	444	455	-	-	-	-	2,275	2,370
TV	7	22	-	-	-	-	1,779	2,007
Other services	152	207	1	7	-	-	1,037	1,142
External revenue, total	848	913	1	7	-	-	8,041	8,545

4 | Depreciation, amortisation and impairment losses

(DKKm)	Q2 2020	Q2 2019	H1 2020	H1 2019
Depreciation on property, plant and equipment	(719)	(833)	(1,469)	(1,445)
Amortisation of intangible assets	(469)	(426)	(901)	(853)
Depreciation of lease assets	(99)	(85)	(199)	(190)
Impairment losses	(2)	(22)	(5)	(24)
Capitalised as tangible or intangible assets	5	-	11	-
Total	(1,284)	(1,366)	(2,563)	(2,512)

The increase in depreciation, amortisation and impairment losses from H1 2019 to H1 2020 reflects primarily a change in the useful lives of various software.

5 | Special items

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

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

Special items (DKKm)	Q2 2020	Q2 2019	H1 2020	H1 2019
Costs related to redundancy programmes	(76)	(19)	(118)	(32)
Other restructuring costs, etc.	(1)	(3)	(3)	(16)
Distribution of "excess capital" to members of TDC Pension Fund	-	-	(35)	(24)
Loss from rulings	(1)	(1)	(1)	(2)
Adjustment of purchase price re. acquisition of enterprises	-	-	(2)	-
Costs related to acquisition of enterprises	-	(11)	-	(11)
Loss from divestments of enterprises and property	-	(1)	-	(1)
Special items before income taxes	(78)	(35)	(159)	(86)
Income taxes related to special items	17	5	28	12
Special items related to joint ventures and associates	-	-	-	2
Total special items	(61)	(30)	(131)	(72)

6 | Financial income and expenses

Financial income and expenses (DKKm)	Q2 2020	Q2 2019	Change in %	H1 2020	H1 2019	Change in %
Interest income	3	26	(88.5)	6	28	(78.6)
Interest expenses	(306)	(303)	1.0	(607)	(580)	4.7
Net interest	(303)	(277)	9.4	(601)	(552)	8.9
Currency translation adjustments	114	135	(15.6)	304	3	-
Fair value adjustments	(112)	(210)	(46.7)	(230)	1	-
Interest, currency translation adjustments and fair value adjustments	(301)	(352)	(14.5)	(527)	(548)	(3.8)
Profit/(loss) from joint ventures and associates	(2)	(2)	-	(4)	(3)	33.3
Interest on pension assets	15	26	(42.3)	29	53	(45.3)
Total	(288)	(328)	(12.2)	(502)	(498)	0.8

Net financials recognised in other comprehensive income (DKKm)

	Q2 2020	Q2 2019	H1 2020	H1 2019
Currency translation adjustment, foreign enterprises	13	-	(2)	(3)
Reversal of currency translation adjustment related to disposal of foreign enterprises	-	-	-	-
Exchange-rate adjustments of foreign enterprises	13	-	(2)	(3)
Change in fair value adjustments of cash flow hedges	-	-	-	-
Change in fair value adjustments of cash flow hedges transferred to financial expenses	11	11	22	22
Value adjustments of hedging instruments	11	11	22	22

6 | Financial income and expenses (continued)

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

Specifications (DKKm)	Q2 2020				Q2 2019			
	Interest	Currency translation adjustments	Fair value adjustments	Total	Interest	Currency translation adjustments	Fair value adjustments	Total
	Senior Facility Agreement	(112)	22	2	(88)	(102)	2	(12)
Euro Medium Term Notes	(97)	9	(20)	(108)	(108)	3	(74)	(179)
Lease liabilities	(60)	-	-	(60)	(61)	-	-	(61)
Other	(30)	(11)	(4)	(45)	(4)	4	-	-
Total	(299)	20	(22)	(301)	(275)	9	(86)	(352)

Specifications (DKKm)	H1 2020				H1 2019			
	Interest	Currency translation adjustments	Fair value adjustments	Total	Interest	Currency translation adjustments	Fair value adjustments	Total
	Senior Facility Agreement	(220)	37	4	(179)	(198)	4	(27)
Euro Medium Term Notes	(193)	15	8	(170)	(186)	6	(8)	(188)
Lease liabilities	(121)	-	-	(121)	(123)	-	-	(123)
Other	(54)	(6)	3	(57)	(29)	11	2	(16)
Total	(588)	46	15	(527)	(536)	21	(33)	(548)

Interest, currency translation adjustments and fair value adjustments represented an expense of DKK 527m in H1 2020. The decrease of DKK 21m compared with H1 2019 was driven primarily by:

- Interest: In Q1 2019, the Senior Facility Agreement interest-margin step up was due to an increase in the SFA covenant leverage, resulting in higher interest expenses. Furthermore, the EMTN Bond step up of 1.25% in coupon interest was due to a rating downgrade to below investment-grade level resulting in higher interest expenses in H1 2020.
- Currency adjustments: Throughout H1 2020, the lower EUR exchange rate resulted in gains relating to EUR loans and GBP loans swapped to EUR.

7 | Pension assets and pension obligations

Domestic defined benefit plan (DKKm)	Q2 2020	Q2 2019	H1 2020	H1 2019
Pension (costs)/income				
Service cost	(21)	(22)	(42)	(45)
Administrative expenses	(4)	(4)	(6)	(7)
Personnel expenses (included in EBITDA)	(25)	(26)	(48)	(52)
Interest on pension assets	15	26	29	53
Pension (costs)/income	(10)	-	(19)	1
Redundancy programmes recognised in special items	(9)	(2)	(11)	(2)
Members part of distribution of "excess capital"	-	-	(35)	(24)
Total pension (costs)/income recognised in the income statement	(19)	(2)	(65)	(25)

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

With effect from 2019, the TDC Pension Fund can under certain circumstances distribute "excess capital" annually as described and defined in the fund's articles of association and pension regulations. Regarding the financial year 2019, DKK 235m was distributed in March 2020, of which TDC received DKK 200m before tax, and the members of the fund received DKK 35m (recognised as special items).

Assets and obligations (DKKm)	30 June 2020	31 December 2019	30 June 2019
Specification of pension assets			
Fair value of plan assets	30,107	31,430	30,896
Defined benefit obligation	(22,733)	(23,967)	(24,325)
Pension assets recognised in the balance sheet	7,374	7,463	6,571
Change in pension assets			
Pension assets recognised at 1 January	7,463	6,854	6,854
Pension (costs)/income	(30)	-	(1)
Remeasurement effects	175	762	(125)
Distribution of "excess capital"	(235)	(160)	(160)
TDC's contribution	1	7	3
Pension assets recognised in the balance sheet	7,374	7,463	6,571
Assumptions used to determine defined benefit obligations (%)			
Discount rate	0.73	0.77	0.80
General price/wage inflation	0.92	1.30	1.20
Assumptions used to determine pension (costs)/income (%)			
Discount rate	0.77	1.55	1.55
General price/wage inflation	1.30	1.51	1.51

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

The remeasurement effects in H1 2020 (a net gain of DKK 175m) cover primarily a gain related to the defined benefit obligation (DKK 1,130m) resulting from the decreased discount rate (from 0.77% to 0.73%) and decreased inflation rate (from 1.30% to 0.92%). The gain was partly offset by a loss related to the plan assets (DKK 955m) as the actual return was lower than expected.

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

8 | Loans and net interest-bearing debt

Euro Medium Term Notes (EMTNs) and Senior Facility Agreement (SFA)	2022	2023	2025	Total
Maturity	Mar 22	Feb 23	Jun 25	
Fixed/Floating rate	Fixed	Fixed	Floating	
Coupon	5.000%	6.875%	Margin+floored	
Currency	EUR	GBP	Euribor ¹	
Type	EMTN	EMTN	Bank loan	
Nominal value (DKKm)	3,726	3,484	14,159	21,369
Nominal value (Currency)	500	425	1,900	
– Of which nominal value swapped to EUR or DKK (Currency) ²	200	425		
Nominal value of debt incl. Currency hedging in DKKm	3,728	3,730	14,159	21,617
– Of which nominal value swapped to or with floating interest rate (EURm) ³	100	-	1,625	1,725
– Of which nominal value swapped to or with fixed interest rate (EURm) ³	400	500	275	1,175

¹ The RCF and SFA Loan have a Euribor floor at zero and margins of 2.75% and 3.00% per 30-06-2020, respectively.

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

³ The maturity of interest-rate swaps used for hedging long-term EMTN bonds matches the maturity of the underlying EMTN bonds. Derivatives of nominal EUR 925m used for the hedging the long-term SFA loan will mature in June 2020 and nominal EUR 275m will mature in later periods.

Net interest-bearing debt (DKKm)	30 June 2020	31 December 2019	30 June 2019
EMTN loans incl. short-term part	7,218	7,495	7,292
Senior Facility Agreement incl. short term part	14,124	14,158	14,139
Bank loans	-	681	-
Debt regarding leasing incl. short-term part	5,222	5,242	5,300
Other long-term loans incl. short-term part	1,434	1,414	1,501
Interest-bearing payables	2	2	2
Derivatives	210	(58)	134
Interest-bearing receivables and investments	(163)	(153)	(153)
Cash	(527)	(1,577)	(1,721)
Net interest-bearing debt	27,520	27,204	26,494
Hereof impact from IFRS 16	(5,162)	(5,177)	(5,232)
Net interest-bearing debt excl. impact from IFRS 16	22,358	22,027	21,262

In H1 2020, net interest-bearing debt excluding the impact from IFRS 16 increased by DKK 331m to DKK 22,358m. This was caused primarily by a dividend payment of DKK 485m partly offset by a positive equity free cash flow of DKK 139m.

9 | Events after the balance sheet date

There have been no events that materially affect the assessment of this Interim Financial Report January – June 2020 after the balance sheet date and up to today.

Corporate matters

Risk factors

TDC Group's Annual Report 2019 describes certain risks that could materially and adversely affect TDC Group's business, financial condition, results of operations and/or cash flows.

In addition, the outbreak of COVID-19 impacts TDC Group's operations. People's safety is our first priority and we have implemented the necessary measures, including strengthened workplace safety procedures.

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

Forward-looking statements

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

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

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

Management statement

Management statement

Today, the Board of Directors and the Executive Committee considered and approved the Interim Financial Statements of TDC Group for H1 2020.

The Financial Report has been prepared in accordance with International Financial Reporting Standards (IFRS).

In our opinion, the Financial Report gives a true and fair view of the Group's assets, liabilities and financial position at 30 June 2020 as well as the results of operations and cash flows for H1 2020. Furthermore, in our opinion, the management's review provides a fair review of the developments in the Group's activities and financial position, and describes the significant risks and uncertainties that may affect the Group.

Copenhagen, 14 August 2020

Executive Committee

Henrik Clausen

Group Chief Executive Officer and President

Lasse Pilgaard

Senior Executive Vice President,
Group Chief Financial Officer

Jens Aaløse

Senior Executive Vice President of Stakeholder
Relations and Group Chief People Officer

Board of Directors

Bert Nordberg

Chairman

Michael Parton

Vice chairman

Sofia Arhall Bergendorff

Martin Bradley

Marianne Dahl

Frank Hyldmar

Nathan Luckey

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