

DKT Holdings ApS

Interim Financial Report January – September 2020

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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 Q1-Q3 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 September 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 September 2020. EBITDA for DKTH group amounted to DKK 4,911m. Hereof DKK 4,916m stems from TDC.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses are all related to the TDC Group and amounted to DKK 4,762m. Hereof DKK 975m 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 163m before tax, related to the TDC Group.

Financial income and expenses

Of the total financial income and expenses, representing a net expense of DKK 2,292m, DKK 1,738m 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 DKK m

	Q3 2020	Q3 2019	Change in %	Q1-Q3 2020	Q1-Q3 2019	Change in %
Income statements						
Revenue	3,993	4,215	(5.3)	12,034	12,760	(5.7)
Gross profit	2,862	3,009	(4.9)	8,671	9,191	(5.7)
Operational expenses	(1,221)	(1,360)	(10.2)	(3,760)	(4,180)	(10.0)
EBITDA	1,641	1,649	(0.5)	4,911	5,011	(2.0)
EBITDA excl. new lease accounting principles (IFRS 16)	1,529	1,545	(1.0)	4,594	4,712	(2.5)
Profit/(loss) for the period from continuing operations excluding special items	(710)	(720)	(1.4)	(2,068)	(2,133)	(3.0)
Profit/(loss) for the period	(714)	(745)	(4.2)	(2,203)	(2,230)	(1.2)
Capital expenditure, excluding mobile licenses	(1,263)	(1,080)	16.9	(3,974)	(3,186)	24.7
Mobile licenses	-	3	-	-	(1,349)	-
Cash flow						
Total cash flow from operating activities	1,881	1,240	51.7	4,385	3,602	21.7
Total cash flow from investing activities	(1,287)	(1,126)	14.3	(3,880)	(3,514)	10.4
Total cash flow from financing activities	(71)	(35)	102.9	(912)	(617)	47.8
Total cash flow	523	79	-	(407)	(532)	(23.5)
NIBD						
Net interest-bearing debt excl. impact from IFRS 16	(51,420)	(49,624)	3.6	(51,420)	(49,624)	3.6
Net interest-bearing debt (NIBD)	(56,550)	(54,845)	3.1	(56,550)	(54,845)	3.1
Key financial ratios						
Gross margin, %	71.7	71.4	-	72.1	72.0	-
EBITDA margin, %	41.1	39.1	-	40.8	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 2,203m comprised a loss for TDC of DKK 461m and a combined loss in DKT, DKTF and DKTH of DKK 1,742m related primarily to the net financial expenses.

Net interest-bearing debt

In Q1-Q3 2020, net interest-bearing debt excluding the impact from IFRS 16 increased by DKK 1,018m. The increase was due primarily to interest accrued on shareholder loans (DKK 1,566m) partly offset by positive net cash flow from operating and investing activities (DKK 505m).

Consolidated financial statements

Income statement (DKKm)	Note	Q3 2020	Q3 2019	Change in %	Q1-Q3 2020	Q1-Q3 2019	Change in %
Revenue		3,993	4,215	(5.3)	12,034	12,760	(5.7)
Cost of sales		(1,131)	(1,206)	(6.2)	(3,363)	(3,569)	(5.8)
Gross profit		2,862	3,009	(4.9)	8,671	9,191	(5.7)
External expenses		(486)	(569)	(14.6)	(1,463)	(1,721)	(15.0)
Personnel expenses		(769)	(827)	(7.0)	(2,424)	(2,583)	(6.2)
Other income		34	36	(5.6)	127	124	2.4
Operating profit before depreciation, amortisation and special items (EBITDA)		1,641	1,649	(0.5)	4,911	5,011	(2.0)
Depreciation, amortisation and impairment losses	2	(1,563)	(1,664)	(6.1)	(4,762)	(4,863)	(2.1)
Operating profit excluding special items (EBIT excluding special items)		78	(15)	-	149	148	0.7
Special items	3	(4)	(30)	(86.7)	(163)	(116)	40.5
Operating profit (EBIT)		74	(45)	-	(14)	32	(143.8)
Financial income and expenses	4	(826)	(750)	10.1	(2,292)	(2,233)	2.6
Profit/(loss) before income taxes		(752)	(795)	(5.4)	(2,306)	(2,201)	4.8
Income taxes		38	50	(24.0)	103	(29)	-
Profit/loss) for the period		(714)	(745)	(4.2)	(2,203)	(2,230)	(1.2)
Profit/(loss) attributable to:							
Owners of the parent company		(714)	(745)	(4.2)	(2,203)	(2,231)	(1.3)
Non-controlling interests		-	-	-	-	1	-

Balance sheet

Assets (DKKm)	Note	30 September 2020	31 December 2019	30 September 2019	Equity and liabilities (DKKm)	Note	30 September 2020	31 December 2019	30 September 2019
Non-current assets					Equity				
Intangible assets		36,092	37,493	38,231	Share capital		-	-	-
Property, plant and equipment		16,115	15,368	14,957	Reserve for exchange-rate adjustments		12	21	14
Lease assets		4,321	4,472	4,522	Reserve for cash flow hedges		(9)	(12)	(13)
Joint ventures, associates and other investments		55	70	68	Retained earnings		(3,586)	(1,764)	(1,222)
Pension assets	5	7,676	7,463	6,854	Equity attributable to owners of the parent company		(3,583)	(1,755)	(1,221)
Receivables		201	194	194	Non-controlling interests		-	2	2
Prepaid expenses		26	33	36	Total equity		(3,583)	(1,753)	(1,219)
Total non-current assets		64,486	65,093	64,862	Non-current liabilities				
Current assets					Deferred tax liabilities		3,854	4,187	4,253
Inventories		227	232	218	Provisions		337	331	319
Receivables		2,074	2,453	2,261	Loans	6	33,323	33,904	33,829
Derivative financial instruments		96	231	275	Lease liabilities		4,698	4,751	4,789
Prepaid expenses		661	624	615	Shareholder loans		19,141	17,599	17,599
Cash		1,259	1,686	1,861	Other non-current liabilities		379	138	24
Total current assets		4,317	5,226	5,230	Total non-current liabilities		61,732	60,910	60,813
Total assets		68,803	70,319	70,092	Current liabilities				
					Loans	6	30	772	106
					Lease liabilities		491	491	499
					Trade and other payables		9,480	9,642	8,972
					Income tax payable		306	34	554
					Derivative financial instruments		284	143	316
					Provisions		63	80	51
					Total current liabilities		10,654	11,162	10,498
					Total liabilities		72,386	72,072	71,311
					Total equity and liabilities		68,803	70,319	70,092
					Total liabilities excl. impact from IFRS 16		67,256	66,895	66,090

Statements of cash flow (DKK m)	Q3 2020	Q3 2019	Change in %	Q1-Q3 2020	Q1-Q3 2019	Change in %
EBITDA	1,641	1,649	(0.5)	4,911	5,011	(2.0)
Adjustment for non-cash items	29	38	(23.7)	135	138	(2.2)
Pension contributions	-	(1)	-	198	134	47.8
Payments related to provisions	(4)	(12)	(66.7)	(16)	(36)	(55.6)
Special items	(60)	(36)	66.7	(183)	(111)	64.9
Change in working capital	389	(222)	-	655	(396)	-
Interest paid, net	(110)	(176)	(37.5)	(1,250)	(1,162)	7.6
Income tax paid	(4)	-	-	(65)	24	-
Operating activities in continuing operations	1,881	1,240	51.7	4,385	3,602	21.7
Operating activities in discontinued operations	-	-	-	-	(3)	-
Total cash flow from operating activities	1,881	1,240	51.7	4,385	3,599	21.8
Investment in enterprises	-	-	-	(7)	(125)	(94.4)
Investment in property, plant and equipment	(938)	(700)	34.0	(2,851)	(2,169)	31.4
Investment in intangible assets	(373)	(424)	(12.0)	(1,044)	(1,246)	(16.2)
Investment in other non-current assets	(1)	-	-	(2)	-	-
Divestment of enterprises	-	2	-	-	2	-
Divestment of joint ventures and associates	-	-	-	-	17	-
Sale of other non-current assets	25	(4)	-	24	6	-
Dividends received from joint ventures and associates	-	-	-	-	1	-
Investing activities in continuing operations	(1,287)	(1,126)	14.3	(3,880)	(3,514)	10.4
Investing activities in discontinued operations	-	-	-	-	-	-
Total cash flow from investing activities	(1,287)	(1,126)	14.3	(3,880)	(3,514)	10.4
Repayment of long-term loans	(24)	-	-	(24)	(320)	(92.5)
Settlement of derivatives related to long-term loans	-	-	-	-	(75)	-
Lease repayments	(47)	(36)	30.6	(200)	(222)	(9.9)
Change in short-term bank loans	-	1	-	(681)	1	-
Capital contribution from non-controlling interests	-	-	-	(7)	(1)	-
Financing activities in continuing operations	(71)	(35)	102.9	(912)	(617)	47.8
Financing activities in discontinued operations	-	-	-	-	-	-
Total cash flow from financing activities	(71)	(35)	102.9	(912)	(617)	47.8
Total cash flow	523	79	-	(407)	(532)	(23.5)
Cash and cash equivalents (beginning of period)	749	1,777	(57.9)	1,686	2,381	(29.2)
Effect of exchange-rate changes on cash and cash equivalents	(13)	5	-	(20)	12	-
Cash and cash equivalents (end of period)	1,259	1,861	(32.3)	1,259	1,861	(32.3)

Notes to consolidated financial statements

1 | Accounting policies

DKTH Group's Interim Financial Report for Q1-Q3 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)	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019
Depreciation on property, plant and equipment	(660)	(805)	(2,091)	(2,196)
Amortisation of intangible assets	(792)	(758)	(2,367)	(2,352)
Depreciation of lease assets	(98)	(95)	(297)	(285)
Impairment losses	(18)	(6)	(23)	(30)
Capitalised as tangible or intangible assets	5	-	16	-
Total	(1,563)	(1,664)	(4,762)	(4,863)

All depreciation, amortisation and impairment losses related to the TDC Group and amounted to DKK 4,762m. Hereof DKK 975m 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 re-structuring 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)	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019
Costs related to redundancy programmes	(23)	(4)	(141)	(36)
Other restructuring costs, etc.	5	(14)	2	(30)
Distribution of "excess capital" to members of TDC Pension Fund	-	-	(35)	(24)
Profit on sale of other investments	15	-	15	-
Loss from rulings	-	(8)	(1)	(10)
Adjustment of purchase price re. acquisition of enterprises	-	-	(2)	-
Costs related to acquisition of enterprises	(1)	-	(1)	(11)
Loss from divestments of enterprises and property	-	(4)	-	(5)
Special items before income taxes	(4)	(30)	(163)	(116)
Income taxes related to special items	-	5	28	17
Special items related to joint ventures and associates	-	-	-	2
Total special items	(4)	(25)	(135)	(97)

4 | Financial income and expenses

Financial income and expenses (DKKm)	Q3 2020	Q3 2019	Change in %	Q1-Q3 2020	Q1-Q3 2019	Change in %
Interest income	9	3	200.0	15	31	(51.6)
Interest expenses	(896)	(861)	4.1	(2,645)	(2,528)	4.6
Net interest	(887)	(858)	3.4	(2,630)	(2,497)	5.3
Currency translation adjustments	143	(161)	(188.8)	495	(172)	-
Fair value adjustments	(96)	241	(139.8)	(196)	358	(154.7)
Interest, currency translation adjustments and fair value adjustments	(840)	(778)	8.0	(2,331)	(2,311)	0.9
Profit/(loss) from joint ventures and associates	-	1	-	(4)	(2)	100.0
Interest on pension assets	14	27	(48.1)	43	80	(46.3)
Total	(826)	(750)	10.1	(2,292)	(2,233)	2.6

Of the total financial income and expenses, representing a net expense of DKK 2,292m, DKK 1,738m 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)	Q3 2020				Q3 2019			
	Interest	Currency translation adjustments	Fair value adjustments	Total	Interest	Currency translation adjustments	Fair value adjustments	Total
Shareholder loan	(428)	-	-	(428)	(394)	-	-	(394)
Senior Facility Agreement	(111)	15	(1)	(97)	(103)	(5)	(1)	(109)
Senior Notes	(189)	17	(41)	(213)	(189)	(11)	35	(165)
Euro Medium Term Notes	(55)	6	35	(14)	(51)	(3)	15	(39)
Lease liabilities	(59)	-	-	(59)	(61)	-	-	(61)
Other	(22)	(5)	(2)	(29)	(23)	4	9	(10)
Total	(864)	33	(9)	(840)	(821)	(15)	58	(778)

Specifications (DKKm)	Q1-Q3 2020				Q1-Q3 2019			
	Interest	Currency translation adjustments	Fair value adjustments	Total	Interest	Currency translation adjustments	Fair value adjustments	Total
Shareholder loan	(1,230)	-	-	(1,230)	(1,136)	-	-	(1,136)
Senior Facility Agreement	(331)	52	4	(275)	(301)	(1)	(27)	(329)
Senior Notes	(564)	40	30	(494)	(561)	(3)	63	(501)
Euro Medium Term Notes	(162)	42	64	(56)	(151)	(1)	27	(125)
Lease liabilities	(181)	-	-	(181)	(184)	-	-	(184)
Other	(86)	(9)	-	(95)	(62)	14	12	(36)
Total	(2,554)	125	98	(2,331)	(2,395)	9	75	(2,311)

Interest, currency translation adjustments and fair value adjustments represented an expense of DKK 2,331m in Q1-Q3 2020. The increase of DKK 20m compared with Q1-Q3 2019 was driven primarily by:

- Interest: An increase in Shareholder loans compared with 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 Q1-Q3 2020.
- Currency adjustments: Throughout 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 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 7,675m as of 30 September 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)	3,722	3,482	7,815	2,603	14,159	17,448	1,693	50,922
Nominal value (Currency)	500	425	1,050	410	1,900	17,448	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	3,725	3,726	7,815	2,675	14,159	17,448	1,693	51,241
– 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	2,344	227	5,155

¹ The RCF and SFA loans have a Euribor floor at zero and margins of 2.75% and 3.00% per 30-09-2020, 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 150m used for hedging of the long-term SFA loan will mature in January 2021 and nominal EUR 125m will mature in later periods.

Net interest-bearing debt (DKKm)	30 September 2020	31 December 2019	30 September 2019
EMTN loans incl. short-term part	7,538	7,973	7,829
Senior Facility Agreement incl. short term-part	14,111	14,158	14,145
Senior Notes	10,323	10,450	10,511
Shareholder loans	19,141	17,599	17,599
Lease liabilities incl. short-term part	5,189	5,242	5,288
Other long-term loans incl. short-term part	1,381	1,414	1,449
Bank loans	-	681	1
Interest-bearing payables	2	2	2
Derivatives	287	(101)	35
Interest-bearing receivables and investments	(163)	(153)	(153)
Cash	(1,259)	(1,686)	(1,861)
Net interest-bearing debt	56,550	55,579	54,845
Hereof impact from IFRS 16	(5,310)	(5,177)	(5,221)
Net interest-bearing debt excl. impact from IFRS 16	51,240	50,402	49,624

The increase in net interest-bearing debt during Q1-Q3 2020 was due primarily to interest accrued on shareholder loans (DKK 1,566m) partly offset by positive net cash flow from operating and investing activities (DKK 505m).

7 | Events after the balance sheet date

There have been no events that materially affect the assessment of this Interim Financial Report January – September 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 Q1-Q3 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 September 2020 as well as the results of operations and cash flows for Q1-Q3 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, 6 November 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, Teglholmsgade 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 – September 2020

Q3 highlights

- **Improved commercial performance across all main products** as well as continued cost savings resulted in a stabilised EBITDA development in Q3 (-0.8% YoY). EBITDA declined by 2.2% YTD and a flat to slightly declining EBITDA development is expected in 2020 as communicated in August
 - **The net loss of customers in Q3 substantially improved** compared with the previous three quarters, and as a result the market share development stabilised across all main products
 - **TDC Group's operating expenses improved by 9.8%** driven by cost reductions across TDC Group as well as lower costs related to the separation of TDC. Operating expenses in Nuuday and TDC NET decreased by 13.6% and 8.4% respectively in Q3 vs the same period last year
- **Capex increased by 42.4% YoY at TDC NET**, driven mainly by fibre rollout with more than 28k homes passed in Q3, the total in 2020 is over 80k in 2020 to date. In Q3, TDC NET reached a milestone, having swapped more than 3100 mobile sites to 5G while simultaneously improving the existing network quality
- **The effects of COVID-19 on TDC Group's financial performance in Q3 2020** related mainly to reduced roaming profits experienced by Nuuday
- Other **key milestones** from the quarter include;
 - Nuuday took an important step in Q3 by **launching its new mobile brand Eesy**. Eesy complements the current mobile offerings from YouSee and Telmore and offers a simple mobile product at very competitive pricing, but still on Denmark's best mobile network
 - **Nuuday launched YouTV**, a new flexible TV and streaming service that enables customers to combine their favourite TV channels and streaming services in one app offering easy and flexible access to the same entertainment via mobile phone, smart TV and Chromecast as in the fixed packages – without the customers being dependent on other subscriptions
 - **TDC NET officially launched 5G in Denmark** on 7 September and became the first service provider to bring 5G to Denmark

Group performance in Q1-Q3 2020

Revenue

In Q1-Q3 2020, TDC Group's revenue decreased by 5.7% or DKK 726m to DKK 12,034m, compared with the first three quarters of 2019. The decline was driven mainly by TV, internet & network and landline voice.

Gross profit

TDC Group's gross profit decreased by 5.7% or DKK 520m to DKK 8,671m in the first three quarters of 2020. The decline was driven primarily by TV, other services and the continued decline in landline voice.

Operating expenses

In Q1-Q3 2020, operating expenses decreased by 9.8% or DKK 410m to DKK 3,755m. The improved operating expenses were fuelled by cost savings across TDC Group.

EBITDA

In Q1-Q3 2020, EBITDA decreased by 2.2% or DKK 110m to DKK 4,916m. 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 3,974m in the first three quarters of 2020, up by 24.7% or DKK 787m compared with the same period last year. This trend resulted mainly from increased investments in fibre rollout.

TDC Group, key figures DKKm	Q3 2020	Q3 2019	Change in %	Q1-Q3 2020	Q1-Q3 2019	Change in %
Income statements						
Revenue	3,993	4,215	(5.3)	12,034	12,760	(5.7)
Gross profit	2,862	3,009	(4.9)	8,671	9,191	(5.7)
Operational expenses	(1,219)	(1,352)	(9.8)	(3,755)	(4,165)	(9.8)
EBITDA	1,643	1,657	(0.8)	4,916	5,026	(2.2)
Profit for the period from continuing operations excluding special items	147	122	20.5	251	235	6.8
Profit for the period	149	97	53.6	122	138	(11.6)
Total comprehensive income	395	325	21.5	524	287	82.6
Capital expenditure, excluding mobile licenses	(1,263)	(1,080)	16.9	(3,974)	(3,186)	24.7
Mobile licenses	-	3	-	-	(1,349)	-
Key financial ratios						
Gross margin, %	71.7	71.4	-	72.1	72.0	-
EBITDA margin, %	41.1	39.3	-	40.9	39.4	-

Cash flow

Total cash flow from continuing operations decreased by DKK 52m to DKK -482m.

The DKK 809m increase in cash flow from operating activities in continuing operations in Q1-Q3 2020, up to DKK 4,771m, was driven primarily by net working capital (DKK 1,050m) due mainly to the COVID-19 temporary liquidity support package (postponing VAT and employee tax payments) from the Danish State (approx. DKK 600m). Another positive contribution was a larger distribution of excess capital from the TDC Pension Fund compared with 2019 (DKK 64m before tax). The increase in cash flow was partly offset by lower EBITDA (DKK -110m) and the different timing of income tax paid (DKK -89m). Another negative growth impact came from higher cash flow related to special items (DKK -72m) due to a higher level of redundancies. Finally, net interest paid (DKK -53m) was higher mainly due to interest margin step ups related to EMTN and SFA loans.

The DKK 366m increase in cash outflow from investing activities in continuing operations, up to DKK 3,880m, was driven primarily by higher capex compared with Q1-Q3 2019.

Cash outflow from financing activities in continuing operations in Q1-Q3 2020 increased by DKK 495m to DKK 1,373m, driven mainly by repayment of short-term bank loans.

Profit for the period

Excluding special items, profit for the period increased by 6.8% or DKK 16m to DKK 251m. The decrease in EBITDA mentioned above was more than offset by a decrease in income taxes and

decreased depreciation, amortisation and write-downs.

Profit for the period (including special items) declined by DKK 16m to DKK 122m.

Comprehensive income

Total comprehensive income increased by DKK 237m to DKK 524m. The DKK 16m decline in profit for the period was more than offset by a positive development in defined benefit plans for Danish employees (DKK 261m after tax).

Net interest-bearing debt

During Q1-Q3 2020, net interest-bearing debt excluding the impact from IFRS 16 decreased by DKK 287m to DKK 21,740m. The decrease was due primarily to the positive equity free cash flow of DKK 676m which was partly offset by the dividend payment of DKK 485m.

2020 guidance

Our 2020 guidance assumes a flat to slightly declining EBITDA-development, 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.

Cash flow and net interest-bearing debt (DKKm)

	Q3 2020	Q3 2019	Change in %	Q1-Q3 2020	Q1-Q3 2019	Change in %
Cash flow from operating activities	1,895	1,257	50.8	4,771	3,962	20.4
Investment in property, plant and equipment	(938)	(700)	34.0	(2,851)	(2,169)	31.4
Investment in intangible assets	(373)	(424)	(12.0)	(1,044)	(1,246)	(16.2)
Lease repayments	(47)	(36)	30.6	(200)	(222)	(9.9)
Equity free cash flow	537	97	-	676	325	108.0
Total cash flow from operating activities	1,895	1,257	50.8	4,771	3,962	20.4
Total cash flow from investing activities	(1,287)	(1,126)	14.3	(3,880)	(3,514)	10.4
Total cash flow from financing activities	(47)	(35)	34.3	(1,373)	(878)	56.4
Total cash flow from continuing operations	561	96	-	(482)	(430)	12.1
Total cash flow from discontinued operations	0	0	-	0	(3)	-
Total cash flow	561	96	-	(482)	(433)	11.3
Net interest-bearing debt (NIBD) excl. impact from IFRS 16	(21,740)	(21,119)	2.9	(21,740)	(21,119)	2.9
Net interest-bearing debt (NIBD)	(26,870)	(26,340)	2.0	(26,870)	(26,340)	2.0
NIBD/EBITDA ¹	x 3.6	3.4	-	3.6	3.4	-

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 amounts to DKK 416m for the last twelve months. Including IFRS 16 the NIBD/EBITDA ratio amounts to 4.2 at 30 September 2020.

TDC NET performance in Q1-Q3 2020

Revenue

In the first three quarters of 2020, TDC NET's revenue decreased by 2.9% or DKK 152m to DKK 5,149m compared with the same period in 2019. The main contributor to the decreased revenue was the continued decline in landline voice, TV revenue due to decreasing customer bases and internet and network due to customer losses on DSL, 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 2.8% or DKK 139m to DKK 4,844m in the first three quarters of 2020. This was 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. Q3 also saw slight declines in internet and network due to customer losses on DSL. This was partly offset by growth in mobility services from the national roaming agreement with Hi3G, especially in Q1. The overall gross profit margin improved from 94.0% in 2019 to 94.1% in 2020, due to improved margins on internet & network, landline voice and mobility services, partly offset by lower margins on installation activities and other services.

Operating expenses

In the first three quarters of 2020, operating expenses decreased by 8.6% or DKK 154m to DKK 1,631m, driven by lower personnel expenses and lower costs related to the separation of TDC as only the recurring separation costs remain. The personnel expenses decreased despite a 6% increase in FTEs, driven by efficiency improvements in operations and increased investments in fibre roll-out and the 5G swap, leading to increased capitalised salary costs.

EBITDA

In the first three quarters of 2020, EBITDA increased by DKK 14m to DKK 3,212m triggered by the improvement in operating expenses and mobility services gross profit, which was partly offset by a decrease in landline voice, TV and gross profit from installation activity.

Capital expenditure

In Q1-Q3 2020, capital expenditure totalled DKK 2,848m, up by 38.1% or DKK 786m, compared with the same period last year. This trend resulted mainly from increased investments in the fibre rollout, with more than 80k homes passed and from upgrading and launching our 5G mobile network as well as swapping to Ericsson equipment, TDC NET has swapped over 3100 sites to date.

TDC NET, key figures DKKm	Q3 2020	Q3 2019	Change in %	Q1-Q3 2020	Q1-Q3 2019	Change in %
Income statements						
Revenue	1,677	1,731	(3.1)	5,149	5,301	(2.9)
hereof external revenue	411	403	2.0	1,259	1,317	(4.4)
Gross profit	1,596	1,634	(2.3)	4,844	4,983	(2.8)
Operational expenses	(556)	(607)	(8.4)	(1,631)	(1,785)	(8.6)
EBITDA	1,040	1,027	1.3	3,212	3,198	0.4
Capital expenditure, excluding mobile licenses	(944)	(663)	42.4	(2,848)	(2,062)	38.1
Key financial ratios						
Gross margin, %	95.2	94.4	-	94.1	94.0	-
EBITDA margin, %	62.0	59.3	-	62.4	60.3	-

Nuuday performance in Q1-Q3 2020

Revenue

In the first three quarters of 2020, Nuuday's revenue decreased by 5.5% or DKK 647m YoY to DKK 11,024m. The decline was driven primarily by lower TV revenue along with lower internet & network and landline voice revenue. Declining customer bases in Consumer, compared with the same period last year, were the main drivers of the declining revenue. The revenue decline was partly offset by increasing Consumer ARPU in mobile as well as internet & network due mainly to price increases and speed upgrades, respectively.

Gross profit

Nuuday's gross profit decreased by 9.0% or DKK 400m YoY to DKK 4,068m in the first three quarters of 2020. The decrease in gross profit was primarily driven by declining TV gross profit due to a customer base that experienced extraordinary losses particularly early in 2020. Gross profit for the period was also impacted by declining customer bases in mobile as well as internet & network along with the general trend in the landline voice market and Covid-19 effects on roaming. However, improvements in net adds trends, especially in mobile and TV, were experienced in Q3.

Operating expenses

Nuuday's operating expenses in the first three quarters of 2020 totaled DKK 2,625m, down by DKK 256m or 8.9%, from the same period last year. This improvement was driven primarily by lower personnel expenses after going enterprise agile combined with reduced acquisition costs, lower personnel-related costs and a decrease in marketing costs.

EBITDA

Nuuday recorded an EBITDA decline of 9.0% or DKK 143m to DKK 1,444m in the first three quarters of 2020 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 Q1-Q3, Nuuday's capital expenditure declined by 13.2% or DKK 143m to DKK 943m compared with the same period in 2019. The lower spending was driven by lower costs related to customer installations, lower investments in privately owned networks along with a decrease in IT investments.

Nuuday, key figures DKKm

	Q3 2020	Q3 2019	Change in %	Q1-Q3 2020	Q1-Q3 2019	Change in %
Income statements						
Revenue	3,660	3,892	(6.0)	11,024	11,671	(5.5)
Hereof external revenue	3,579	3,807	(6.0)	10,771	11,431	(5.8)
Gross profit	1,335	1,478	(9.7)	4,068	4,468	(9.0)
Operational expenses	(811)	(939)	(13.6)	(2,625)	(2,881)	(8.9)
EBITDA	524	539	(2.8)	1,444	1,587	(9.0)
Capital expenditure, excluding mobile licences	(291)	(394)	(26.1)	(943)	(1,086)	(13.2)
Key financial ratios						
Gross margin, %	36.5	38.0	-	36.9	38.3	-
EBITDA margin, %	14.3	13.8	-	13.1	13.6	-

Consolidated financial statements

Income statement(DKKm)	Note	Q3 2020	Q3 2019	Change in %	Q1-Q3 2020	Q1-Q3 2019	Change in %
Revenue	2,3	3,993	4,215	(5.3)	12,034	12,760	(5.7)
Cost of sales		(1,131)	(1,206)	(6.2)	(3,363)	(3,569)	(5.8)
Gross profit		2,862	3,009	(4.9)	8,671	9,191	(5.7)
External expenses		(486)	(565)	(14.0)	(1,461)	(1,710)	(14.6)
Personnel expenses		(769)	(827)	(7.0)	(2,424)	(2,583)	(6.2)
Other income		36	40	(10.0)	130	128	1.6
Operating profit before depreciation, amortisation and special items (EBITDA)	2	1,643	1,657	(0.8)	4,916	5,026	(2.2)
Depreciation, amortisation and impairment losses	4	(1,224)	(1,290)	(5.1)	(3,787)	(3,802)	(0.4)
Operating profit excluding special items (EBIT excluding special items)		419	367	14.2	1,129	1,224	(7.8)
Special items	5	2	(30)	(106.7)	(157)	(116)	35.3
Operating profit (EBIT)		421	337	24.9	972	1,108	(12.3)
Financial income and expenses	6	(234)	(240)	(2.5)	(736)	(738)	(0.3)
Profit before income taxes		187	97	92.8	236	370	(36.2)
Income taxes		(38)	-	-	(114)	(232)	(50.9)
Profit for the period from continuing operations		149	97	53.6	122	138	(11.6)
Profit for the period from discontinued operations		-	-	-	-	-	-
Profit for the period		149	97	53.6	122	138	(11.6)
Profit attributable to:							
Owners of the parent company		149	97	53.6	122	137	(10.9)
Coupon payments on hybrid capital, net of tax		-	-	-	-	-	-
Non-controlling interests		-	-	-	-	1	-

Statement of comprehensive income (DKKm)	Note	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019
Profit/(loss) for the period		149	97	122	138
Items that may subsequently be reclassified to the income statement:					
Exchange-rate adjustments of foreign enterprises	6	(12)	(3)	(14)	(6)
Value adjustments of hedging instruments	6	11	11	33	33
Items that cannot subsequently be reclassified to the income statement:					
Remeasurement of defined benefit pension plans		317	281	492	156
Income tax relating to remeasurement of defined benefit pension plans		(70)	(61)	(109)	(34)
Other comprehensive income/(loss)		246	228	402	149
Total comprehensive income		395	325	524	287

Balance sheet

Assets (DKKm)	Note	30 September 2020	31 December 2019	30 September 2019
Non-current assets				
Intangible assets		24,535	24,903	25,017
Property, plant and equipment		15,441	14,752	14,361
Lease assets		4,321	4,472	4,522
Joint ventures, associates and other investments		55	70	68
Pension assets	7	7,676	7,463	6,854
Receivables		201	194	194
Prepaid expenses		26	33	36
Total non-current assets		52,255	51,887	51,052
Current assets				
Inventories		227	232	218
Receivables		2,072	2,458	2,266
Derivative financial instruments		49	116	64
Prepaid expenses		660	624	613
Cash		1,075	1,577	1,822
Total current assets		4,083	5,007	4,983
Total assets		56,338	56,894	56,035

Equity and liabilities (DKKm)	Note	30 September 2020	31 December 2019	30 September 2019
Equity				
Share capital		812	812	812
Reserve for exchange-rate adjustments		(7)	7	1
Reserve for cash flow hedges		(107)	(140)	(152)
Retained earnings		14,621	14,605	14,565
Equity attributable to owners of the parent company		15,319	15,284	15,226
Non-controlling interests		-	2	2
Total equity		15,319	15,286	15,228
Non-current liabilities				
Deferred tax liabilities		3,291	3,406	3,383
Provisions		337	331	319
Loans	8	22,672	22,976	22,811
Lease liabilities		4,698	4,751	4,789
Other non-current liabilities		379	138	24
Total non-current liabilities		31,377	31,602	31,326
Current liabilities				
Loans	8	30	772	106
Lease liabilities		491	491	499
Trade and other payables		8,500	8,518	8,025
Income tax payable		274	2	484
Derivative financial instruments		284	143	316
Provisions		63	80	51
Total current liabilities		9,642	10,006	9,481
Total liabilities		41,019	41,608	40,807
Total equity and liabilities		56,338	56,894	56,035
Total liabilities excl. impact from IFRS 16		35,889	36,431	35,586

Statements of cash flow (DKKm)	Q3 2020	Q3 2019	Change in %	Q1-Q3 2020	Q1-Q3 2019	Change in %
EBITDA	1,643	1,657	(0.8)	4,916	5,026	(2.2)
Adjustment for non-cash items	30	37	(18.9)	136	137	(0.7)
Pension contributions	-	(1)	-	198	134	47.8
Payments related to provisions	(4)	(12)	(66.7)	(16)	(36)	(55.6)
Special items	(60)	(36)	66.7	(183)	(111)	64.9
Change in working capital	397	(216)	-	666	(384)	-
Interest paid, net	(107)	(172)	(37.8)	(881)	(828)	6.4
Income tax paid	(4)	-	-	(65)	24	-
Operating activities in continuing operations	1,895	1,257	50.8	4,771	3,962	20.4
Operating activities in discontinued operations	-	-	-	-	(3)	-
Total cash flow from operating activities	1,895	1,257	50.8	4,771	3,959	20.5
Investment in enterprises	-	-	-	(7)	(125)	(94.4)
Investment in property, plant and equipment	(938)	(700)	34.0	(2,851)	(2,169)	31.4
Investment in intangible assets	(373)	(424)	(12.0)	(1,044)	(1,246)	(16.2)
Investment in other non-current assets	(1)	-	-	(2)	-	-
Divestment of enterprises	-	2	-	-	2	-
Divestment of joint ventures and associates	-	-	-	-	17	-
Sale of other non-current assets	25	(4)	-	24	6	-
Dividends received from joint ventures and associates	-	-	-	-	1	-
Investing activities in continuing operations	(1,287)	(1,126)	14.3	(3,880)	(3,514)	10.4
Investing activities in discontinued operations	-	-	-	-	-	-
Total cash flow from investing activities	(1,287)	(1,126)	14.3	(3,880)	(3,514)	10.4
Repayment of long-term loans	-	-	-	-	(136)	-
Lease repayments	(47)	(36)	30.6	(200)	(222)	(9.9)
Change in short-term bank loans	-	1	-	(681)	1	-
Dividends paid	-	-	-	(485)	(520)	(6.7)
Capital contribution from non-controlling interests	-	-	-	(7)	(1)	-
Financing activities in continuing operations	(47)	(35)	34.3	(1,373)	(878)	56.4
Financing activities in discontinued operations	-	-	-	-	-	-
Total cash flow from financing activities	(47)	(35)	34.3	(1,373)	(878)	56.4
Total cash flow	561	96	-	(482)	(433)	11.3
Cash and cash equivalents (beginning of period)	527	1,721	(69.4)	1,577	2,244	(29.7)
Effect of exchange-rate changes on cash and cash equivalents	(13)	5	-	(20)	11	-
Cash and cash equivalents (end of period)	1,075	1,822	(41.0)	1,075	1,822	(41.0)

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				137	137	1	138
Exchange-rate adjustments of foreign enterprises		(6)			(6)		(6)
Value adjustments of hedging instruments			33		33		33
Remeasurement effects of defined benefit pension plans				156	156		156
Income tax relating to remeasurement effects of defined benefit pension plans				(34)	(34)		(34)
Total comprehensive income	-	(6)	33	259	286	1	287
Distributed dividends				(520)	(520)	(1)	(521)
Total transactions with shareholders	-	-	-	(520)	(520)	(1)	(521)
Equity at 30 September 2019	812	1	(152)	14,565	15,226	2	15,228
Equity at 1 January 2020	812	7	(140)	14,605	15,284	2	15,286
Profit/(loss) for the period				122	122	-	122
Exchange-rate adjustments of foreign enterprises		(14)			(14)		(14)
Value adjustments of hedging instruments			33		33		33
Remeasurement effects related to defined benefit pension plans				492	492		492
Income tax relating to remeasurement effects from defined benefit pension plans				(109)	(109)		(109)
Total comprehensive income	-	(14)	33	505	524	-	524
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 September 2020	812	(7)	(107)	14,621	15,319	-	15,319

1 | Accounting policies

TDC's Interim Financial Report for Q1-Q3 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	
	Q3 2020	Q3 2019	Q3 2020	Q3 2019	Q3 2020	Q3 2019
External revenue	3,579	3,807	411	403	3	5
Revenue across segments	81	85	1,266	1,328	-	9
Total revenue	3,660	3,892	1,677	1,731	3	14
Cost of sales	(2,325)	(2,414)	(81)	(97)	(1)	-
Gross profit	1,335	1,478	1,596	1,634	2	14
Operating expenses	(822)	(972)	(614)	(665)	(219)	(217)
Other income and expenses	11	33	58	58	327	342
EBITDA	524	539	1,040	1,027	110	139
			Eliminations		Total	
			Q3 2020	Q3 2019	Q3 2020	Q3 2019
External revenue			-	-	3,993	4,215
Revenue across segments			(1,347)	(1,422)	-	-
Total revenue			(1,347)	(1,422)	3,993	4,215
Cost of sales			1,276	1,305	(1,131)	(1,206)
Gross profit			(71)	(117)	2,862	3,009
Operating expenses			400	462	(1,255)	(1,392)
Other income and expenses			(360)	(393)	36	40
EBITDA			(31)	(48)	1,643	1,657

¹ Nuuday comprises the business units Consumer, Business and Other. Gross profit amounted to DKK 1,394m (DKK 1,487m in Q3 2019) for Consumer, DKK 576m (DKK 622m in Q3 2019) for Business, and DKK (635)m (DKK (631)m in Q3 2019) for Other.

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

	Q3 2020	Q3 2019
EBITDA from reportable segments	1,643	1,657
Unallocated:		
Depreciation, amortisation and impairment losses	(1,224)	(1,290)
Special items	2	(30)
Financial income and expenses	(234)	(240)
Consolidated profit/(loss) before income taxes	187	97

2 | Segment reporting (continued)

Activities (DKKm)	Nuuday ¹		TDC NET		Group functions	
	Q1-Q3 2020	Q1-Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Q1-Q3 2020	Q1-Q3 2019
External revenue	10,771	11,431	1,259	1,317	4	12
Revenue across segments	253	240	3,890	3,984	-	27
Total revenue	11,024	11,671	5,149	5,301	4	39
Cost of sales	(6,956)	(7,203)	(305)	(318)	-	-
Gross profit	4,068	4,468	4,844	4,983	4	39
Operating expenses	(2,663)	(2,974)	(1,820)	(1,963)	(679)	(701)
Other income and expenses	39	93	188	178	1,038	1,020
EBITDA	1,444	1,587	3,212	3,198	363	358
			Eliminations		Total	
			Q1-Q3 2020	Q1-Q3 2019	Q1-Q3 2020	Q1-Q3 2019
External revenue			-	-	12,034	12,760
Revenue across segments			(4,143)	(4,251)	-	-
Total revenue			(4,143)	(4,251)	12,034	12,760
Cost of sales			3,898	3,952	(3,363)	(3,569)
Gross profit			(245)	(299)	8,671	9,191
Operating expenses			1,277	1,345	(3,885)	(4,293)
Other income and expenses			(1,135)	(1,163)	130	128
EBITDA			(103)	(117)	4,916	5,026

¹ Nuuday comprises the business units Consumer, Business and Other. Gross profit amounted to DKK 4,224m (DKK 4,502m in Q1-Q3 2019) for Consumer, DKK 1,759m (DKK 1,875m in Q1-Q3 2019) for Business, and DKK (1,915)m (DKK (1,909)m in Q1-Q3 2019) for Other.

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

	Q1-Q3 2020	Q1-Q3 2019
EBITDA from reportable segments	4,916	5,026
Unallocated:		
Depreciation, amortisation and impairment losses	(3,787)	(3,802)
Special items	(157)	(116)
Financial income and expenses	(736)	(738)
Consolidated profit before income taxes	236	370

3 | Revenue

External revenue on products (DKKm)	Consumer		Business		Nuuday		Other		Nuuday	
	Q3 2020	Q3 2019	Q3 2020	Q3 2019	Q3 2020	Q3 2019	Q3 2020	Q3 2019	Q3 2020	Q3 2019
	Landline voice	102	123	123	140	-	-	225	263	
Mobility services	774	803	268	282	64	70	1,106	1,155		
Internet and network	625	654	272	291	-	-	897	945		
TV	840	966	6	7	11	-	857	973		
Other services	213	201	278	266	3	4	494	471		
External revenue, total	2,554	2,747	947	986	78	74	3,579	3,807		

External revenue on products (DKKm)	TDC NET		Group functions		Eliminations		Total	
	Q3 2020	Q3 2019	Q3 2020	Q3 2019	Q3 2020	Q3 2019	Q3 2020	Q3 2019
	Landline voice	29	31	-	-	-	-	254
Mobility services	90	83	-	-	-	-	1,196	1,238
Internet and network	211	210	-	-	-	-	1,108	1,155
TV	-	10	-	-	-	-	857	983
Other services	81	69	3	5	-	-	578	545
External revenue, total	411	403	3	5	-	-	3,993	4,215

3 | Revenue (continued)

External revenue on products (DKKm)	Consumer		Business		Nuuday		Nuuday	
	Q1-Q3 2020	Q1-Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Q1-Q3 2020	Q1-Q3 2019
	Landline voice	321	382	386	435	-	-	707
Mobility services	2,326	2,349	812	862	192	186	3,330	3,397
Internet & network	1,904	1,972	823	889	-	-	2,727	2,861
TV	2,580	2,938	18	21	31	-	2,629	2,959
Other services	579	571	791	813	8	13	1,378	1,397
External revenue, total	7,710	8,212	2,830	3,020	231	199	10,771	11,431

External revenue on products (DKKm)	TDC NET		Group functions		Eliminations		Total	
	Q1-Q3 2020	Q1-Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Q1-Q3 2020	Q1-Q3 2019
	Landline voice	89	104	-	-	-	-	796
Mobility services	275	240	-	-	-	-	3,605	3,637
Internet & network	655	665	-	-	-	-	3,382	3,526
TV	7	31	-	-	-	-	2,636	2,990
Other services	233	277	4	12	-	-	1,615	1,686
External revenue, total	1,259	1,317	4	12	-	-	12,034	12,760

4 | Depreciation, amortisation and impairment losses

(DKKm)	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019
Depreciation on property, plant and equipment	(680)	(823)	(2,149)	(2,268)
Amortisation of intangible assets	(433)	(366)	(1,334)	(1,219)
Depreciation of lease assets	(98)	(95)	(297)	(285)
Impairment losses	(18)	(6)	(23)	(30)
Capitalised as tangible or intangible assets	5	-	16	-
Total	(1,224)	(1,290)	(3,787)	(3,802)

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)	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019
Costs related to redundancy programmes	(23)	(4)	(141)	(36)
Other restructuring costs, etc.	5	(14)	2	(30)
Distribution of "excess capital" to members of TDC Pension Fund	-	-	(35)	(24)
Profit on sale of other investments	21	-	21	-
Loss from rulings	-	(8)	(1)	(10)
Adjustment of purchase price re. acquisition of enterprises	-	-	(2)	-
Costs related to acquisition of enterprises	(1)	-	(1)	(11)
Loss from divestments of enterprises and property	-	(4)	-	(5)
Special items before income taxes	2	(30)	(157)	(116)
Income taxes related to special items	-	5	28	17
Special items related to joint ventures and associates	-	-	-	2
Total special items	2	(25)	(129)	(97)

6 | Financial income and expenses

Financial income and expenses (DKKm)	Q3 2020	Q3 2019	Change in %	Q1-Q3 2020	Q1-Q3 2019	Change in %
Interest income	9	3	200.0	15	31	(51.6)
Interest expenses	(301)	(295)	2.0	(908)	(875)	3.8
Net interest	(292)	(292)	-	(893)	(844)	5.8
Currency translation adjustments	16	(33)	(148.5)	320	(30)	-
Fair value adjustments	28	57	(50.9)	(202)	58	-
Interest, currency translation adjustments and fair value adjustments	(248)	(268)	(7.5)	(775)	(816)	(5.0)
Profit/(loss) from joint ventures and associates	-	1	-	(4)	(2)	100.0
Interest on pension assets	14	27	(48.1)	43	80	(46.3)
Total	(234)	(240)	(2.5)	(736)	(738)	(0.3)

Net financials recognised in other comprehensive income (DKKm)	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019
Currency translation adjustment, foreign enterprises	(12)	(3)	(14)	(6)
Reversal of currency translation adjustment related to disposal of foreign enterprises	-	-	-	-
Exchange-rate adjustments of foreign enterprises	(12)	(3)	(14)	(6)
Change in fair value adjustments of cash flow hedges	-	-	-	-
Change in fair value adjustments of cash flow hedges transferred to financial expenses	11	11	33	33
Value adjustments of hedging instruments	11	11	33	33

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)	Q3 2020				Q3 2019			
	Interest	Currency translation adjustments	Fair value adjustments	Total	Interest	Currency translation adjustments	Fair value adjustments	Total
	Senior Facility Agreement	(111)	15	(1)	(97)	(103)	(5)	(1)
Euro Medium Term Notes	(98)	6	25	(67)	(94)	(2)	7	(89)
Lease liabilities	(59)	-	-	(59)	(61)	-	-	(61)
Other	(18)	(5)	(2)	(25)	(23)	5	9	(9)
Total	(286)	16	22	(248)	(281)	(2)	15	(268)

Specifications (DKKm)	Q1-Q3 2020				Q1-Q3 2019			
	Interest	Currency translation adjustments	Fair value adjustments	Total	Interest	Currency translation adjustments	Fair value adjustments	Total
	Senior Facility Agreement	(331)	52	4	(275)	(301)	(1)	(27)
Euro Medium Term Notes	(291)	21	33	(237)	(280)	4	(1)	(277)
Lease liabilities	(181)	-	-	(181)	(184)	-	-	(184)
Other	(72)	(10)	-	(82)	(53)	15	12	(26)
Total	(875)	63	37	(775)	(818)	18	(16)	(816)

Interest, currency translation adjustments and fair value adjustments represented an expense of DKK 775m in Q1-Q3 2020. The decrease of DKK 41m compared with Q1-Q3 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 Q1-Q3 2020.
- Currency adjustments: Throughout 2020, the lower EUR exchange rate resulted in gains relating to EUR loans and GBP loans swapped to EUR.
- Fair value adjustments: Declining GBP interest rates related to cross currency swaps related to GBP loans resulted in a gain in 2020.

7 | Pension assets and pension obligations

Domestic defined benefit plan (DKKm)	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019
Pension (costs)/income				
Service cost	(21)	(23)	(63)	(68)
Administrative expenses	(2)	(3)	(8)	(10)
Personnel expenses (included in EBITDA)	(23)	(26)	(71)	(78)
Interest on pension assets	14	27	43	80
Pension (costs)/income	(9)	1	(28)	2
Redundancy programmes recognised in special items	(8)	(1)	(19)	(3)
Members part of distribution of "excess capital"	-	-	(35)	(24)
Total pension (costs)/income recognised in the income statement	(17)	-	(82)	(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 September 2020	31 December 2019	30 September 2019
Specification of pension assets			
Fair value of plan assets	30,782	31,430	31,587
Defined benefit obligation	(23,106)	(23,967)	(24,733)
Pension assets recognised in the balance sheet	7,676	7,463	6,854
Change in pension assets			
Pension assets recognised at 1 January	7,463	6,854	6,854
Pension (costs)/income	(46)	-	(2)
Remeasurement effects	492	762	156
Distribution of "excess capital"	(235)	(160)	(160)
TDC's contribution	2	7	6
Pension assets recognised in the balance sheet	7,676	7,463	6,854
Assumptions used to determine defined benefit obligations (%)			
Discount rate	0.50	0.77	0.55
General price/wage inflation	0.95	1.30	1.12
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 Q1-Q3 2020 (a net gain of DKK 492m) cover primarily a gain related to the benefit obligation (DKK 303m) resulting from the decreasing discount rate (from 0.77% to 0.50%) and a decreasing inflation rate (from 1.30% to 0.95%). Furthermore the plan assets resulted in a gain (DKK 189m) as the actual return was higher 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	
			Margin- +floored	
Coupon	5.000%	6.875%	Euribor ¹	
Currency	EUR	GBP	EUR	
Type	EMTN Bond	EMTN Bond	SFA loan	
Nominal value (DKKm)	3,722	3,482	14,145	21,349
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	3,725	3,726	14,145	21,596
– 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 30-09-2020, 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 150m used for the hedging the long-term SFA loan will mature in January 2021 and nominal EUR 175m will mature in later periods.

Net interest-bearing debt (DKKm)	30 September 2020	31 December 2019	30 September 2019
EMTN loans incl. short-term part	7,210	7,495	7,322
Senior Facility Agreement incl. short term part	14,111	14,158	14,145
Bank loans	-	681	1
Debt regarding leasing incl. short-term part	5,189	5,242	5,288
Other long-term loans incl. short-term part	1,381	1,414	1,449
Interest-bearing payables	2	2	2
Derivatives	215	(58)	108
Interest-bearing receivables and investments	(163)	(153)	(153)
Cash	(1,075)	(1,577)	(1,822)
Net interest-bearing debt	26,870	27,204	26,340
Hereof impact from IFRS 16	(5,130)	(5,177)	(5,221)
Net interest-bearing debt excl. impact from IFRS 16	21,740	22,027	21,119

During Q1-Q3 2020, net interest-bearing debt excluding the impact from IFRS 16 decreased by DKK 287m to DKK 21,740m. The decrease was due primarily to the positive equity free cash flow of DKK 676m which was partly offset by the dividend payment of DKK 485m.

9 | Events after the balance sheet date

There have been no events that materially affect the assessment of this Interim Financial Report January – September 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 Q1-Q3 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 September 2020 as well as the results of operations and cash flows for Q1-Q3 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, 6 November 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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