

DKT Holdings ApS

Interim Financial Report January – March 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. We also offer integrated solutions to business customers.

The consolidated financial statements

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.

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

The analysis set out below is focusing on the activities in DKT, DKTF and DKTH for Q1 2020. For a separate analysis of the development of TDC's activities, please see the Interim Financial Report for TDC for 1 January to 31 March 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 31 March 2020. EBITDA for DKTH group amounted to DKK 1,662m. Hereof DKK 1,664m stems from TDC.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses are all related to the TDC Group and amounted to DKK 1,598m. Hereof DKK 319m 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 81m before tax, related to the TDC Group.

Financial income and expenses

Of the total financial income and expenses, representing a net expense of DKK 656m, DKK 510m 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)	Q1 2020	Q1 2019	Change in %
Income statements			
Revenue	4,126	4,304	(4.1)
Gross profit	2,976	3,094	(3.8)
Operational expenses	(1,314)	(1,395)	(5.8)
EBITDA	1,662	1,699	(2.2)
EBITDA excl. new lease accounting principles (IFRS 16)	1,557	1,601	(2.7)
Profit/(loss) for the period from continuing operations excluding special items	(602)	(533)	12.9
Profit/(loss) for the period	(672)	(575)	16.9
Capital expenditure, excluding mobile licenses	(1,398)	(975)	43.4
Mobile licenses	-	(1,351)	-
Cash flow			
Total cash flow from operating activities	868	1,318	(34.1)
Total cash flow from investing activities	(1,284)	(1,062)	20.9
Total cash flow from financing activities	258	(65)	-
Total cash flow	(158)	191	(182.7)
Key financial ratios			
Gross margin, %	72.1	71.9	-
EBITDA margin, % ¹	40.3	39.5	-
Net interest-bearing debt excl. impact from IFRS 16, DKKm	50,810	48,035	5.8
Net interest-bearing debt (NIBD), DKKm	56,045	53,334	2.4

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 672m comprised a loss for TDC of DKK 161m and a combined loss in DKT, DKTF and DKTH of DKK 511m related primarily to the net financial expenses.

Net interest-bearing debt

In Q1 2020, net interest-bearing debt excluding the impact from IFRS 16 increased by DKK 408m. The increase was due primarily to the negative cash flows from operating and investing activities (DKK 416m).

Consolidated financial statements

Income statement (DKK ^m)	Note	Q1 2020	Q1 2019	Change in %
Revenue		4,126	4,304	(4.1)
Cost of sales		(1,150)	(1,210)	(5.0)
Gross profit		2,976	3,094	(3.8)
External expenses		(539)	(573)	(5.9)
Personnel expenses		(824)	(863)	(4.5)
Other income		49	41	19.5
Operating profit before depreciation, amortisation and special items (EBITDA)		1,662	1,699	(2.2)
Depreciation, amortisation and impairment losses	2	(1,598)	(1,538)	3.9
Operating profit excluding special items (EBIT excluding special items)		64	161	(60.2)
Special items	3	(81)	(51)	58.8
Operating profit (EBIT)		(17)	110	(115.5)
Financial income and expenses	4	(656)	(668)	(1.8)
Profit/(loss) before income taxes		(673)	(558)	20.6
Income taxes		1	(17)	(105.9)
Profit/(loss) for the period from continuing operations		(672)	(575)	16.9
Profit for the period from discontinued operations		-	-	-
Profit/loss) for the period		(672)	(575)	16.9
Profit/(loss) attributable to:				
Owners of the parent company		(672)	(576)	16.7
Non-controlling interests		-	1	-

Balance sheet

Assets (DKK)	Note	31 March 2020	31 December 2019	31 March 2019
Non-current assets				
Intangible assets		37,078	37,493	39,558
Property, plant and equipment		15,560	15,368	14,538
Lease assets		4,487	4,472	4,661
Joint ventures, associates and other investments		68	70	73
Pension assets	5	8,087	7,463	6,765
Receivables		201	194	193
Prepaid expenses		31	33	40
Total non-current assets		65,512	65,093	65,828
Current assets				
Inventories		244	232	249
Receivables		2,187	2,453	1,995
Derivative financial instruments		325	231	131
Prepaid expenses		723	624	377
Cash		1,523	1,686	2,580
Total current assets		5,002	5,226	5,332
Total assets		70,514	70,319	71,160

Equity and liabilities	Note	31 March 2020	31 December 2019	31 March 2019
Equity				
Share capital		-	-	-
Reserve for exchange rate adjustments		6	21	18
Reserve for cash flow hedges		(11)	(12)	(15)
Retained earnings		(1,759)	(1,764)	363
Equity attributable to owners of the parent company		(1,764)	(1,755)	366
Non-controlling interests		-	2	3
Total equity		(1,764)	(1,753)	369
Non-current liabilities				
Deferred tax liabilities		4,234	4,187	4,527
Provisions		335	331	331
Loans	6	38,520	38,655	38,990
Shareholder loans		17,599	17,599	16,453
Other non-current liabilities		240	138	-
Total non-current liabilities		60,928	60,910	60,301
Current liabilities				
Loans	6	1,607	1,263	601
Trade and other payables		9,307	9,642	9,376
Income tax payable		116	34	153
Derivative financial instruments		237	143	278
Provisions		83	80	82
Total current liabilities		11,350	11,162	10,490
Total liabilities		72,278	72,072	70,791
Total equity and liabilities		70,514	70,319	71,160
Total liabilities excl. impact from IFRS 16		67,043	66,895	65,492

Statements of cash flow (DKK M)	Q1 2020	Q1 2019	Change in %
EBITDA	1,662	1,699	(2.2)
Adjustment for non-cash items	65	51	27.5
Pension contributions	199	135	47.4
Payments related to provisions	(6)	-	-
Special items	(59)	(37)	59.5
Change in working capital	(344)	(89)	-
Interest paid, net	(588)	(465)	26.5
Income tax paid	(61)	24	-
Operating activities in continuing operations	868	1,318	(34.1)
Operating activities in discontinued operations	-	-	-
Total cash flow from operating activities	868	1,318	(34.1)
Investment in enterprises	(4)	(116)	(96.6)
Investment in property, plant and equipment	(920)	(605)	52.1
Investment in intangible assets	(356)	(362)	(1.7)
Divestment of joint ventures and associates	-	17	-
Sale of other non-current assets	(4)	4	(200.0)
Investing activities in continuing operations	(1,284)	(1,062)	20.9
Investing activities in discontinued operations	-	-	-
Total cash flow from investing activities	(1,284)	(1,062)	20.9
Repayment of long-term loans	-	32	-
Lease repayments	(58)	(97)	(40.2)
Change in short-term bank loans	320	-	-
Capital contribution from non-controlling interests	(4)	-	-
Financing activities in continuing operations	258	(65)	-
Financing activities in discontinued operations	-	-	-
Total cash flow from financing activities	258	(65)	-
Total cash flow	(158)	191	(182.7)
Cash and cash equivalents (beginning of period)	1,686	2,381	(29.2)
Effect of exchange-rate changes on cash and cash equivalents	(5)	8	(162.5)
Cash and cash equivalents (end of period)	1,523	2,580	(41.0)

Consolidated financial statements

1 | Accounting policies

DKTH Group's Interim Financial Report for Q1 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.

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.

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

2 | Depreciation, amortisation and impairment losses

(DKKm)	Q1 2020	Q1 2019
Depreciation on property, plant and equipment	(731)	(612)
Amortisation of intangible assets	(770)	(819)
Depreciation of lease assets	(100)	(105)
Impairment losses	(3)	(2)
Capitalised as tangible or intangible assets	6	-
Total	(1,598)	(1,538)

All depreciation, amortisation and impairment losses related to the TDC Group and amounted to DKK 1,598m. Hereof DKK 319m 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)	Q1 2020	Q1 2019
Costs related to redundancy programmes	(42)	(13)
Other restructuring costs, etc.	(2)	(13)
Distribution of "excess capital" to members of the TDC Pension Fund	(35)	(24)
Loss from rulings	-	(1)
Adjustment of purchase price re. acquisition of enterprises	(2)	-
Special items before income taxes	(81)	(51)
Income taxes related to special items	11	7
Special items related to joint ventures and associates	-	2
Total special items	(70)	(42)

4 | Financial income and expenses

Financial income and expenses	Q1 2020	Q1 2019	Change in %
Interest income	3	2	50.0
Interest expenses	(861)	(810)	6.3
Net interest	(858)	(808)	6.2
Currency translation adjustments	149	(196)	(176.0)
Fair value adjustments	41	310	(86.8)
Interest, currency translation adjustments and fair value adjustments	(668)	(694)	(3.7)
Profit/(loss) from joint ventures and associates	(2)	(1)	100.0
Interest on pension assets	14	27	(48.1)
Total	(656)	(668)	(1.8)

Of the total financial income and expenses, representing a net expense of DKK 656m, DKK 510m 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.

Specifications (DKKm)	Q1 2020				Q1 2019			
	Interest	Currency translation adjustments	Fair value adjustments	Total	Interest	Currency translation adjustments	Fair value adjustments	Total
Shareholder loan	(389)	-	-	(389)	(360)	-	-	(360)
Senior Facility Agreement	(108)	15	2	(91)	(96)	2	(15)	(109)
Senior Notes	(189)	9	62	(118)	(183)	1	13	(169)
Euro Medium Term Notes	(53)	20	38	5	(35)	(13)	76	28
Lease liabilities	(61)	-	-	(61)	(62)	-	-	(62)
Other	(26)	5	7	(14)	(31)	7	2	(22)
Total	(826)	49	109	(668)	(767)	(3)	76	(694)

Financial income and expenses represented an expense of DKK 668m in Q1 2020. The decrease of DKK 26m compared with Q1 2019 was driven primarily by:

- Derivative financial instruments relating to Senior Notes positively impacted fair value adjustments in Q1 2020.

- In Q1 2019, 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. Furthermore, the Senior Facility Agreement interest-margin step up was due to an increase in the SFA covenant leverage, resulting in higher interest expenses in Q1 2020. In addition, increasing Shareholder loans compared to Q1 2019 resulted in higher interest expenses in Q1 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 8,087m as of 31 March 2020, see note 7 to TDC's consolidated financial statements for 1 January – 31 March 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	2024	2025	2029	2029	Total
Maturity	Mar 22	Feb 23	Jun 23	Jun 23	Jun 24	Jun 25	Apr 29	Apr 29	
Fixed/Floating rate	Fixed	Fixed	Fixed	Fixed	Floating	Floating	Fixed	Fixed	
					Margin+	Margin+			
					Floored	Floored			
Coupon	5.000%	6.875%	7.000%	9.375%	Euribor ¹	Euribor ¹	8.810%	8.150%	
Currency	EUR	GBP	EUR	USD	EUR/DKK	EUR	DKK	DKK	
Type	EMTN	EMTN	EMTN	EMTN	RCF ²	Bank loan	SHL loan	SHL loan	
Nominal value (DKKm)	Bond	Bond	Bond	Bond					
Nominal value (Currency)	3,732	3,582	7,835	2,788	1,001	14,181	16,036	1,563	50,718
– Of which nominal value swapped to EUR or DKK (Currency) ¹	500	425	1,050	410	1,001	1,900	16,036	1,563	
Nominal value of debt incl. Currency hedging in DKKm	3,731	3,735	7,835	2,682	1,001	14,181	16,036	1,563	50,764
– Of which nominal value swapped to or with floating interest rate (EURm)	100	-	-	-	134	700			934
– Of which nominal value swapped to or with fixed interest rate (EURm) ²	400	500	1,050	359		1,200	2,148	209	5,866

¹ The RCF and SFA loans have a Euribor floor at zero and margins of 2.75% and 3.00% per 31-03-2020, respectively.

² The Revolving Credit Facility (RCF) totalling EUR 500m will mature in June 2024 and is used for liquidity management.

³ EUR exposures are not considered a significant risk due to the fixed EUR DKK exchange rate policy.

⁴ 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)	31 March 2020	31 December 2019	31 March 2019
EMTN loans incl. short-term part	7,745	7,973	8,026
Senior Facility Agreement incl. short term-part	14,144	14,158	14,140
Senior Notes	10,514	10,450	10,404
Shareholder loans	17,599	17,599	16,453
Lease liabilities incl. short-term part	5,299	5,242	5,369
Other long-term loans incl. short-term part	1,424	1,414	1,652
Bank loans	1,001	681	-
Interest-bearing payables	2	2	2
Derivatives	3	(101)	22
Interest-bearing receivables and investments	(163)	(153)	(154)
Cash	(1,523)	(1,686)	(2,580)
Net interest-bearing debt	56,045	55,579	53,334
Hereof impact from IFRS 16	(5,235)	(5,177)	(5,299)
Net interest-bearing debt excl. impact from IFRS 16	50,810	50,402	48,035

The increase in net interest-bearing debt during Q1 2020 was due primarily to the negative cash flows from operating and investing activities (DKK 416m).

7 | Events after the balance sheet date

There have been no events that materially affect the assessment of this Interim Financial Report January – March 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 those required and recommended by the authorities.

Although employees, except employees in business-critical functions are working from home, we maintain business continuity in all areas.

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 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 31 March 2020 as well as the results of operations and cash flows for Q1 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, 7 May 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 – March 2020

Q1 highlights

- **TDC Group's revenue declined by 4.1% and EBITDA** declined by 2.0% in Q1, stemming mainly from the loss of TV RGUs. This development was partly offset by a **6.0% improvement in operating expenses prompted** by lower costs related to the separation of TDC as well as cost reductions across both Nuuday and TDC NET
 - **Operating expenses in Nuuday** decreased by 2.2% in Q1 YoY due mainly to reductions of external expenses primarily in Consumer
 - **Operating expenses in TDC NET** decreased by 7.5% in Q1 YoY due to lower personnel expenses as well as lower costs related to the separation of TDC
- **TDC Group's gross profit** declined by 3.8% YoY in Q1 triggered mainly by Nuuday:
 - Nuuday's **TV gross profit** showed a decrease of 12.7% YoY, while **internet & network gross profit** decreased by 2.6% YoY, both driven mainly by a loss of RGUs in Q1. The RGU loss showed an improving trend over the quarter with greater losses early in the period. The negative development in internet & network was partly offset by increasing ARPU in Consumer along with an increase of active fibre connections in Q1
 - Nuuday's **mobility services gross profit** rose by 1.0% YoY driven by improving Consumer mobile voice ARPU YoY combined with an increase of RGUs in Business
 - **TDC NET's broadband network market share** declined to 47% in Q1 2020 from 48% in Q4 2019 mainly due to loss of DSL customers that were partly offset by increase in fibre customers
- **Capex increased by 59%** YoY in TDC NET, driven mainly by **fibre rollout** with more than 25k homes passed in Q1 and the upgrade of **~900 mobile sites to 5G; TDC NET's mobile network was named the best network in Denmark** for the fifth consecutive year by the Danish Technological Institute
- **Following the outbreak of COVID-19**, TDC Group has maintained continuity in all business-critical operations with preventive measures being implemented to minimize risk and ensure a stable operation. Nuuday offered all consumer customers travelling abroad free calling and texting to Denmark, while supporting business customers to enable their employees in working from home. During the Easter holidays TV offerings were temporarily expanded and YouSee has offered free data in Denmark for all mobile customers for the Summer period. The effects on TDC Group's financial performance in Q1 2020 were limited. We will evaluate the ongoing effects again at the end of Q2 with a view to our 2020 financial guidance. TDC has a strong liquidity position
- **In Q1, the merger of Fullrate into YouSee** was started in order to provide the best digital products and innovative solutions for both brands. The first customer migrations were completed according to plan and the migrations will continue in Q2

Group performance in Q1 2020

COVID-19 update

As COVID-19 has had a significant impact on many global financial markets and consumption, general uncertainty regarding private enterprises' financial performance has increased. The effects on TDC Group's financial performance in Q1 2020 were limited. We assess that COVID-19 will not significantly impact TDC Group's financial guidance for 2020. However, the outbreak of COVID-19 is ongoing, and the impact on TDC Group and its operations remains uncertain. This relates mainly to reduced roaming profits experienced by Nuuday as a result of travel restrictions and the productivity slowdown due to TDC NET employees remaining at home. We are continuing to roll out fibre as planned, however, the focus is on homes passed whereas homes connected have now been put on hold. We will evaluate the ongoing effects again at the end of Q2 with a view to our 2020 financial guidance.

The general credit risk has increased due to COVID-19, and TDC Group is therefore closely monitoring the allowances for bad debts, especially those related to our business customers. Thanks to the Danish welfare system and government support schemes, the risk of an increase in bad debtors is considered relatively low.

Revenue

In the first quarter of 2020, TDC Group's revenue decreased by 4.1% or DKK 178m to DKK 4,126m, when compared with the first quarter of 2019. The decline was driven mainly by TV, other services and the continued decline in landline voice.

The decline was partially offset by growth in mobility services.

Gross profit

TDC Group's gross profit decreased by 3.8% or DKK 118m to DKK 2,976m in the first quarter of 2020. The decline was driven primarily by TV, other services and the continued decline in landline voice.

Operating expenses

In the first quarter of 2020, operating expenses decreased by 6.0% or DKK 84m to DKK 1,312m. The improved operating expenses were fuelled by cost savings across TDC NET, Nuuday and Group functions, the latter driven by Facility Management savings.

EBITDA

In the first quarter of 2020, EBITDA decreased by 2.0% or DKK 34m to DKK 1,664m. The development was triggered by declines in TV, other services and landline voice that were somewhat offset by an increase in mobility services and improved cost savings.

Capital expenditure

Capital expenditure totalled DKK 1,398m in the first quarter of 2020, up by 43.4% or DKK 423m compared with the same period last year. This trend resulted mainly from increased investments in upgrading our mobile network in preparation for 5G and fibre rollout.

Group key figures (DKK m)	Q1 2020	Q1 2019	Change in %
Revenue	4,126	4,304	(4.1)
Gross profit	2,976	3,094	(3.8)
Operating expenses	(1,312)	(1,396)	(6.0)
EBITDA	1,664	1,698	(2.0)
EBITDA excl. impact from IFRS 16		1,600	
Profit/(loss) for the period from continuing operations excluding special items	91	270	(66.3)
Profit for the period	21	228	(90.8)
Total comprehensive income	695	288	141.3
Capital expenditure, excluding mobile licenses	(1,398)	(975)	43.4
Mobile licenses	-	(1,351)	-
Key financial ratios			
Gross margin, %	72.1	71.9	-
EBITDA margin, %	40.3	39.5	-

Cash flow

Total cash flow decreased by DKK 247m to DKK -148m.

The DKK 409m decrease in cash flow from operating activities in continuing operations in Q1 2020, down to DKK 878m, was driven primarily by net working capital (DKK -260m) related mainly to lower net payables. Other contributors to the decrease were the different timing of income tax paid (DKK -85m), higher net interest paid (DKK -83m) due to interest-margin step ups related to EMTN and SFA loans as well as lower EBITDA (DKK -34m). This was partly offset by a larger distribution of “excess capital” from the TDC Pension Fund compared with 2019 (DKK 64m before tax).

The DKK 222m increase in cash outflow from investing activities in continuing operations, up to DKK 1,284m, was driven primarily by higher capex compared with Q1 2019.

Cash flow from financing activities in continuing operations in Q1 2020 increased by DKK 384m to DKK 258m, stemming mainly from changes in short term bank loans.

Profit for the period

Excluding special items, profit for the period declined by 66.3% or DKK 179m to DKK 91m. Profit for the period (including special items) declined by DKK 207m to DKK 21m. The declines were both driven primarily by increased depreciation².

2. See also note 4 to the Consolidated Financial Statements.

Comprehensive income

Total comprehensive income increased by DKK 407m to DKK 695m. The DKK 207m decline in profit for the period was far more than offset by a positive development in defined benefit plans for Danish employees (DKK 626m after tax).

Net interest-bearing debt

Net interest-bearing debt excluding the impact from IFRS 16 increased by DKK 455m to DKK 22,482m. The increase was due primarily to the negative Equity Free Cash Flow of DKK 456m.

Cash flow and net interest-bearing debt (DKKm)

	Q1 2020	Q1 2019	Change in %
Cash flow from operating activities	878	1,287	(31.8)
Investment in property, plant and equipment	(920)	(605)	52.1
Investment in intangible assets	(356)	(362)	(1.7)
Lease repayments	(58)	(97)	(40.2)
Coupon payments on hybrid capital	-	-	-
Equity free cash flow	(456)	223	-
Total cash flow from operating activities	878	1,287	(31.8)
Total cash flow from investing activities	(1,284)	(1,062)	20.9
Total cash flow from financing activities	258	(126)	-
Total cash flow from continuing operations	(148)	99	-
Total cash flow from discontinued operations	0	0	-
Total cash flow	(148)	99	-
Net interest-bearing debt (NIBD) excl. impact from IFRS 16	(22,482)	(20,844)	7.9
Net interest-bearing debt (NIBD)	(27,717)	(26,143)	6.0
NIBD/EBITDA ¹ , x	3.7	3.2	-

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 405m for the last twelve months. Including IFRS 16 the NIBD/EBITDA ratio amounts to 4.3 at 31 March 2020.

TDC NET performance in Q1 2020

Revenue

In the first quarter of 2020, TDC NET's revenue decreased by 0.7% or DKK 12m to DKK 1,773m compared with the same period in 2019. This was attributable mainly to a continued decline in landline voice and TV revenue due to decreasing customer bases. This was partly offset by growth in mobility services sparked by the national roaming agreement with Hi3G.

Gross profit

TDC NET's gross profit decreased by 2.1% or DKK 36m to DKK 1,653m in Q1 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. The internet & network gross profit was stable in Q1 as the customer losses at Nuuday were offset by an increase among other service providers and improved ARPU. The gross profit margin declined from 94.6% in 2019 to 93.2% in 2020 due to higher margins on installation activities in Q1 2019.

Operating expenses

In Q1 2020, operating expenses decreased by 7.5% or DKK 43m to DKK 528m 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 13% increase in FTEs as these and many of the existing FTEs are used for the fibre rollout and hence the salary cost is capitalised.

EBITDA

In Q1 2020, EBITDA increased by 0.6% or DKK 7m to DKK 1,125m triggered by the improvement in operating expenses and mobility services gross profit that was somewhat offset by a decrease in landline voice, TV and gross profit from installation activity.

Capital expenditure

In Q1 2020, capital expenditure totalled DKK 932m, up by 59% or DKK 346m, compared with the same period last year. This trend resulted mainly from increased investments in the fibre rollout, with more than 25k homes passed and upgrading our mobile network to 5G and swapping to Ericsson equipment.

TDC NET key figures (DKKm)

	Q1 2020	Q1 2019	Change in %
Revenue	1,773	1,785	(0.7)
Hereof external revenue	439	449	(2.2)
Gross profit	1,653	1,689	(2.1)
Operating expenses	(528)	(571)	(7.5)
EBITDA	1,125	1,118	0.6
Capital expenditure, excluding mobile licenses	(932)	(586)	59.0
Key financial ratios			
Gross margin, %	93.2	94.6	-
EBITDA margin, %	63.5	62.6	-

Nuuday performance in Q1 2020

Revenue

In Q1 2020, Nuuday's revenue decreased by 4.2% or DKK 167m to DKK 3,764m. This decline was driven by lower landline voice and TV revenue due to decreasing customer bases across Consumer and Business. This was partly offset by an increase in mobility services and handsets revenue, stemming from higher ARPU in Consumer along with increasing RGUs in Business.

Gross profit

Nuuday's gross profit decreased by 4.5% or DKK 67m YoY to DKK 1,406m in Q1 2020. The decrease in gross profit was driven by a declining TV gross profit due to a lower customer base that continues to be impacted by the termination of the Discovery contract. Furthermore, landline voice gross profit in both Consumer and Business declined due to decreasing customer bases. The decrease in gross profit was partly offset by an increase in internet & network gross profit driven primarily by higher ARPU in Consumer.

Operating expenses

Nuuday's operating expenses in Q1 totalled DKK 948m, down by DKK 21m or 2.2%, from Q1 2019 and down by 102m or 9.7% from Q4 2019. This was primarily caused by lower acquisition costs and a decrease in marketing costs.

EBITDA

Nuuday recorded an EBITDA decline of 9.1% or DKK 46m to DKK 458m in Q1 compared with the same period last year. The EBITDA decline was driven primarily by the negative gross profit development in TV and landline voice and was partly offset by savings on operating expenses.

Capital expenditure

In Q1, Nuuday's capital expenditure declined by 8.7% or DKK 33m to DKK 345m compared with the same period in 2019. The lower spending was primarily driven by lower costs related to customer installations and partly offset by higher IT investments.

Nuuday key figures (DKKm)	Q1 2020	Q1 2019	Change in %
Revenue	3,764	3,931	(4.2)
Hereof external revenue	3,681	3,851	(4.4)
Gross profit	1,406	1,473	(4.5)
Operating expenses	(948)	(969)	(2.2)
EBITDA	458	504	(9.1)
Capital expenditure, excluding mobile licenses	(345)	(378)	(8.7)
Key financial ratios:			
Gross margin, %	37.4	37.5	-
EBITDA margin, %	12.2	12.8	-

Consolidated financial statements

Income statement	Note	Q1 2020	Q1 2019	Change in %
Revenue	2,3	4,126	4,304	(4.1)
Cost of sales		(1,150)	(1,210)	(5.0)
Gross profit		2,976	3,094	(3.8)
External expenses		(538)	(574)	(6.3)
Personnel expenses		(824)	(863)	(4.5)
Other income		50	41	22.0
Operating profit before depreciation, amortisation and special items (EBITDA)	2	1,664	1,698	(2.0)
Depreciation, amortisation and impairment losses	4	(1,279)	(1,146)	11.6
Operating profit excluding special items (EBIT excluding special items)		385	552	(30.3)
Special items	5	(81)	(51)	58.8
Operating profit (EBIT)		304	501	(39.3)
Financial income and expenses	6	(214)	(170)	25.9
Profit before income taxes		90	331	(72.8)
Income taxes		(69)	(103)	(33.0)
Profit for the period from continuing operations		21	228	(90.8)
Profit for the period from discontinued operations		-	-	-
Profit for the period		21	228	(90.8)
Profit attributable to:				
Owners of the parent company		21	227	(90.7)
Coupon payments on hybrid capital, net of tax		-	-	-
Non-controlling interests		-	1	-

Statement of comprehensive income

	Note	Q1 2020	Q1 2019
Profit for the period		21	228
Items that may subsequently be reclassified to the income statement:			
Exchange-rate adjustments of foreign enterprises	6	(15)	(3)
Value adjustments of hedging instruments	6	11	11
Items that cannot subsequently be reclassified to the income statement:			
Remeasurement of defined benefit pension plans		869	67
Income tax relating to remeasurement of defined benefit pension plans		(191)	(15)
Other comprehensive income		674	60
Total comprehensive income		695	288

Balance sheet

Assets	Note	31 March 2020	31 December 2019	31 March 2019
Non-current assets				
Intangible assets		24,827	24,903	25,173
Property, plant and equipment		14,925	14,752	14,538
Lease assets		4,487	4,472	4,661
Joint ventures, associates and other investments		68	70	73
Pension assets	7	8,087	7,463	6,765
Receivables		201	194	193
Prepaid expenses		31	33	40
Total non-current assets		52,626	51,887	51,443
Current assets				
Inventories		244	232	249
Receivables		2,192	2,458	1,995
Derivative financial instruments		62	116	57
Prepaid expenses		723	624	377
Cash		1,424	1,577	2,351
Total current assets		4,645	5,007	5,029
Total assets		57,271	56,894	56,472

Equity and liabilities	Note	31 March 2020	31 December 2019	31 March 2019
Equity				
Share capital		812	812	812
Reserve for exchange rate adjustments		(8)	7	4
Reserve for cash flow hedges		(129)	(140)	(174)
Retained earnings		15,302	14,605	15,105
Equity attributable to owners of the parent company		15,977	15,284	15,747
Non-controlling interests		-	2	3
Total equity		15,977	15,286	15,750
Non-current liabilities				
Deferred tax liabilities		3,523	3,406	3,604
Provisions		335	331	331
Loans	8	27,585	27,727	27,983
Other non-current liabilities		241	138	-
Total non-current liabilities		31,684	31,602	31,918
Current liabilities				
Loans	8	1,607	1,263	601
Trade and other payables		7,599	8,518	7,729
Income tax payable		84	2	114
Derivative financial instruments		237	143	278
Provisions		83	80	82
Total current liabilities		9,610	10,006	8,804
Total liabilities		41,294	41,608	40,722
Total equity and liabilities		57,271	56,894	56,472
Total liabilities excl. impact from IFRS 16		36,059	36,431	35,423

Statements of cash flow (DKKm)		Q1 2020	Q1 2019	Change in %
EBITDA	1,664	1,698		(2.0)
Adjustment for non-cash items	67	50		34.0
Pension contributions	199	135		47.4
Payments related to provisions	(6)	-		-
Special items	(59)	(37)		59.5
Change in working capital	(341)	(81)		-
Interest paid, net	(585)	(502)		16.5
Income tax paid	(61)	24		-
Operating activities in continuing operations	878	1,287		(31.8)
Operating activities in discontinued operations	-	-		-
Total cash flow from operating activities	878	1,287		(31.8)
Investment in enterprises	(4)	(116)		(96.6)
Investment in property, plant and equipment	(920)	(605)		52.1
Investment in intangible assets	(356)	(362)		(1.7)
Divestment of joint ventures and associates	-	17		-
Sale of other non-current assets	(4)	4		(200.0)
Investing activities in continuing operations	(1,284)	(1,062)		20.9
Investing activities in discontinued operations	-	-		-
Total cash flow from investing activities	(1,284)	(1,062)		20.9
Repayment of long-term loans	-	(29)		-
Lease repayments	(58)	(97)		(40.2)
Change in short-term bank loans	320	-		-
Capital contribution from non-controlling interests	(4)	-		-
Financing activities in continuing operations	258	(126)		-
Financing activities in discontinued operations	-	-		-
Total cash flow from financing activities	258	(126)		-
Total cash flow	(148)	99		-
Cash and cash equivalents (beginning of period)	1,577	2,244		(29.7)
Effect of exchange-rate changes on cash and cash equivalents	(5)	8		(162.5)
Cash and cash equivalents (end of period)	1,424	2,351		(39.4)

Statement of changes in equity (DKKm)	Equity attributable to owners of the parent company						Non-control- ling interests	Total
	Share capital	Reserve for currency translation ad- justments	Reserve for cash flow hedges	Retained earnings	Total			
Equity at 1 January 2019	812	7	(185)	14,826	15,460	2	15,462	
Profit for the period				227	227	1	228	
Exchange-rate adjustments of foreign enterprises		(3)			(3)		(3)	
Value adjustments of hedging instruments			11		11		11	
Remeasurement effects of defined benefit pension plans				67	67		67	
Income tax relating to remeasurement effects of defined benefit pension plans				(15)	(15)		(15)	
Total comprehensive income	-	(3)	11	279	287	1	288	
Distributed dividends				-	-	-	-	
Total transactions with shareholders	-	-	-	-	-	-	-	
Equity at 31 March 2019	812	4	(174)	15,105	15,747	3	15,750	
Equity at 1 January 2020	812	7	(140)	14,605	15,284	2	15,286	
Profit for the period				21	21	-	21	
Exchange-rate adjustments of foreign enterprises		(15)			(15)		(15)	
Value adjustments of hedging instruments			11		11		11	
Remeasurement effects related to defined benefit pension plans				869	869		869	
Income tax relating to remeasurement effects from defined benefit pension plans				(191)	(191)		(191)	
Total comprehensive income	-	(15)	11	699	695	-	695	
Distributed dividends				-	-		-	
Decrease in non-controlling interest				(2)	(2)	(2)	(4)	
Total transactions with shareholders	-	-	-	(2)	(2)	(2)	(4)	
Equity at 31 March 2020	812	(8)	(129)	15,302	15,977	-	15,977	

1 | Accounting policies

TDC's Interim Financial Report for Q1 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: derivatives financial instruments held for trading, and financial instruments classified as available for sale.

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.

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

2 | Segment reporting

Activities (DKKm)	Nuuday ¹		TDC NET		Group functions	
	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019
External revenue	3,681	3,851	439	449	6	4
Revenue across segments	83	80	1,334	1,336	9	9
Total revenue	3,764	3,931	1,773	1,785	15	13
Cost of sales	(2,358)	(2,458)	(120)	(96)	-	(1)
Gross profit	1,406	1,473	1,653	1,689	15	12
Operating expenses	(963)	(999)	(593)	(631)	(245)	(255)
Other income and expenses	15	30	65	60	352	336
EBITDA	458	504	1,125	1,118	122	93
			Eliminations		Total	
			Q1 2020	Q1 2019	Q1 2020	Q1 2019
External revenue			-	-	4,126	4,304
Revenue across segments			(1,426)	(1,425)	-	-
Total revenue			(1,426)	(1,425)	4,126	4,304
Cost of sales			1,328	1,345	(1,150)	(1,210)
Gross profit			(98)	(80)	2,976	3,094
Operating expenses			439	448	(1,362)	(1,437)
Other income and expenses			(382)	(385)	50	41
EBITDA			(41)	(17)	1,664	1,698

¹ Nuuday comprises the business units Consumer, Business and Other. Gross profit amounted to DKK 1,439m (DKK 1,498m in Q1 2019) for Consumer, DKK 603m (DKK 616m in Q1 2019) for Business, and DKK (636)m (DKK (641)m in Q1 2019) for Other.

2 | Segment reporting (continued)

Reconciliation of profit before depreciation, amortisation and special items (EBITDA) (DKKm)	Q1 2020	Q1 2019
EBITDA from reportable segments	1,664	1,698
Unallocated:		
Depreciation, amortisation and impairment losses	(1,279)	(1,146)
Special items	(81)	(51)
Financial income and expenses	(214)	(170)
Consolidated profit before income taxes	90	331

3 | Revenue

	Consumer		Business		Other		Nuuday	
	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019
	External revenue on products (DKKm)							
Landline voice	111	133	134	148	-	-	245	281
Mobility services	785	770	280	294	65	55	1,130	1,119
Internet & network	646	659	278	301	-	-	924	960
TV	893	992	6	7	10	-	909	999
Other services	184	185	286	302	3	5	473	492
External revenue, total	2,619	2,739	984	1,052	78	60	3,681	3,851

	TDC NET		Group functions		Eliminations		Total	
	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019
	External revenue, total							
Landline voice	31	40	-	-	-	-	276	321
Mobility services	91	71	-	-	-	-	1,221	1,190
Internet & network	227	218	-	-	-	-	1,151	1,178
TV	6	11	-	-	-	-	915	1,010
Other services	84	109	6	4	-	-	563	605
External revenue, total	439	449	6	4	-	-	4,126	4,304

4 | Depreciation, amortisation and impairment losses

(DKKm)	Q1 2020	Q1 2019
Depreciation on property, plant and equipment	(750)	(612)
Amortisation of intangible assets	(432)	(427)
Depreciation of lease assets	(100)	(105)
Impairment losses	(3)	(2)
Capitalised as tangible or intangible assets	6	-
Total	(1,279)	(1,146)

The increase in depreciation from Q1 2019 to Q1 2020 is due primarily to the reduced useful lives of existing mobile equipment as a result of the ongoing replacement with Ericsson equipment.

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	Q1 2020	Q1 2019
Costs related to redundancy programmes and vacant tenancies	(42)	(13)
Other restructuring costs, etc.	(2)	(13)
Distribution of "excess capital" to members of the TDC Pension Fund	(35)	(24)
Impairment losses	-	-
Income from rulings	-	-
Loss from rulings	-	(1)
Adjustment of purchase price re. acquisition of enterprises	(2)	-
Special items before income taxes	(81)	(51)
Income taxes related to special items	11	7
Special items related to joint ventures and associates	-	2
Total special items	(70)	(42)

6 | Financial income and expenses

Financial income and expenses	Q1 2020	Q1 2019	Change in %
Interest income	3	2	50.0
Interest expenses	(301)	(277)	8.7
Net interest	(298)	(275)	8.4
Currency translation adjustments	190	(132)	-
Fair value adjustments	(118)	211	(155.9)
Interest, currency translation adjustments and fair value adjustments	(226)	(196)	15.3
Profit/(loss) from joint ventures and associates	(2)	(1)	100.0
Interest on pension assets	14	27	(48.1)
Total	(214)	(170)	25.9

Net financials recognised in other comprehensive income	Q1 2020	Q1 2019
Currency translation adjustment, foreign enterprises	(15)	(3)
Reversal of currency translation adjustment related to disposal of foreign enterprises	-	-
Exchange-rate adjustments of foreign enterprises	(15)	(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
Value adjustments of hedging instruments	11	11

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	Q1 2020				Q1 2019			
	Interest	Currency translation adjustments	Fair value adjustments	Total	Interest	Currency translation adjustments	Fair value adjustments	Total
Senior Facility Agreement	(108)	15	2	(91)	(96)	2	(15)	(109)
Euro Medium Term Notes	(96)	6	28	(62)	(78)	3	66	(9)
Lease liabilities	(61)	-	-	(61)	(62)	-	-	(62)
Other	(23)	4	7	(12)	(25)	7	2	(16)
Total	(288)	25	37	(226)	(261)	12	53	(196)

Financial income and expenses represented an expense of DKK 226m in Q1 2020. The increase of DKK 30m compared with Q1 2019 was driven primarily by:

- In Q1 2019, 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. Furthermore, 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 in Q1 2020.

7 | Pension assets and pension obligations

Domestic defined benefit plan	Q1 2020	Q1 2019
Pension (costs)/income		
Service cost	(21)	(23)
Administrative expenses	(2)	(3)
Personnel expenses (included in EBITDA)	(23)	(26)
Interest on pension assets	14	27
Pension (costs)/income	(9)	1
Redundancy programmes recognised in special items	(2)	
Members part of distribution of "excess capital"	(35)	(24)
Total pension (costs)/income recognised in the income statement	(46)	(23)

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, of which TDC received DKK 200m before tax, and the members of the fund received DKK 35m (recognised as special items).

Assets and obligations	31 March 2020	31 December 2019	31 March 2019
Specification of pension assets			
Fair value of plan assets	28,089	31,430	30,641
Defined benefit obligation	(20,002)	(23,967)	(23,876)
Pension assets recognised in the balance sheet	8,087	7,463	6,765
Change in pension assets			
Pension assets recognised at 1 January	7,463	6,854	6,854
Pension (costs)/income	(11)	-	1
Remeasurement effects	869	762	67
Distribution of 'excess capital'	(235)	(160)	(160)
TDC's contribution	1	7	3
Pension assets recognised in the balance sheet	8,087	7,463	6,765
Assumptions used to determine defined benefit obligations			
Discount rate	1.26	0.77	1.11
General price/wage inflation	0.68	1.30	1.33
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 2020 (a net gain of DKK 869m) cover primarily a gain related to the plan assets (DKK 3,783m) resulting from the increased discount rate (from 0.77% to 1.26%) and decreased inflation rate (from 1.30% to 0.68%). The gain was partly offset by a loss related to the plan assets (DKK 2,914m) 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	2024	2025	Total
Maturity	Mar 22	Feb 23	Jun 24	Jun 25	
Fixed/Floating rate	Fixed	Fixed	Floating Margin+ floored	Floating Margin+ floored	
Coupon	5.000%	6.875%	Euribor ¹	Euribor ¹	
Currency	EUR	GBP	EUR/DKK	EUR	
Type	EMTN Bond	EMTN Bond	RCF ²	Bank loan	
Nominal value (DKKm)	3,732	3,582	1,001	14,181	22,496
Nominal value (Currency)	500	425	1,001	1,900	
– Of which nominal value swapped to EUR or DKK (Currency) ¹	200	425			
Nominal value of debt incl. Currency hedging in DKKm	3,731	3,735	1,001	14,181	22,648
– Of which nominal value swapped to or with floating interest rate (EURm)	100	-	134	700	934
– Of which nominal value swapped to or with fixed interest rate (EURm) ²	400	500	-	1,200	2,100

¹ The RCF and SFA Loan have a Euribor floor at zero and margins of 2.75% and 3.00% per 31-03-2020, respectively.

² The Revolving Credit Facility (RCF) totalling EUR 500m will mature in June 2024 and is used for liquidity management.

³ EUR exposures are not considered a significant risk due to the fixed EUR/DKK exchange rate policy.

⁴ 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	31 March 2020	31 December 2019	31 March 2019
EMTN loans incl. short-term part	7,324	7,495	7,423
Senior Facility Agreement incl. short-term part	14,144	14,158	14,140
Bank loans	1,001	681	-
Debt regarding leasing incl. short-term part	5,299	5,242	5,369
Other long-term loans incl. short-term part	1,424	1,414	1,652
Interest-bearing payables	2	2	2
Derivatives	110	(58)	62
Interest-bearing receivables and investments	(163)	(153)	(154)
Cash	(1,424)	(1,577)	(2,351)
Net interest-bearing debt	27,717	27,204	26,143
Hereof impact from IFRS 16	(5,235)	(5,177)	(5,299)
Net interest-bearing debt excl. impact from IFRS 16	22,482	22,027	20,844

Net interest-bearing debt excluding the impact from IFRS 16 increased by DKK 455m to DKK 22,482m. This was caused primarily by negative Equity Free Cash Flow of DKK 456m.

9 | Events after the balance sheet date

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

Corporate matters

Changes to the Board of Directors of TDC A/S

At TDC A/S' Annual General Meeting on April 29 Martin Præstegaard, Frank Hyldmar and Marianne Dahl were elected to the Board of Directors. Chairman Bert Nordberg, Vice Chairman Michael Parton, as well as directors Martin Bradley and Nathan Luckey were all re-elected. In addition, Lars Jørgensen who was elected as employee representative in February will join the Board. Zanne Stensballe, Thomas Lech Pedersen and John Schwartzbach will continue as employee representatives in the Board. In addition, Sofia Arhall Bergendorff was elected to the Board of Directors on an Extraordinary General Meeting on May 4.

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 those required and recommended by the authorities. Although employees, except employees in business-critical functions are working from home, we maintain business continuity in all areas.

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 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 31 March 2020 as well as the results of operations and cash flows for Q1 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, 7 May 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

Martin Præstegaard

Lars Jørgensen

Thomas Lech Pedersen

John Schwartzbach

Zanne Stensballe

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