DKT Holdings ApS

Interim Financial Report January – June 2019

Contents

Management review

About DKTH

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 the Macquarie Infrastructure and Real Assets Europe Limited
- ATP Infrastructure III K/S (16.7%), managed by Arbejdsmarkedets Tillægs-pension (ATP)
- PFA Ophelia InvestCo I 2018 K/S (16.7%), managed by PFA Pension Forsikrings-aktieselskab
- PKA Ophelia Holding K/S (16.7%), managed by Pensionskassernes Administration[1].

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.

[1] On behalf of Pensionskassen for Sygeplejersker og Lægesekretærer, Pensionskassen for Socialrådgivere, Socialpædagoger og Kontor-personale and Pensionskassen for Sundhedsfaglige.

Key figures

DKKm

		Q2 2019	Q2 2018	Change in %	H1 2019	H1 2018
Income statements	DKKm					
Revenue		4,241	2,888	46.8	8,545	2,888
Gross profit		3,088	2,096	47.3	6,182	2,096
EBITDA		1,663	1,143	45.5	3,362	1,143
Profit/(loss) for the period from continuing operations excluding special items		(880)	(764)	15.2	(1,413)	(764)
Profit/(loss) for the period		(910)	(1,236)	(26.4)	(1,485)	(1,236)
Capital expenditure, excluding mobile licences		(1,131)	(604)	87.3	(2,106)	(604)
Capital expenditure, mobile licences		(1)	-	-	(1,352)	-
Cash flow						
Total cash flow from operating activities		(422)	321	-	896	321
Total cash flow from investing activities		(1,326)	(37,083)	(96.4)	(2,388)	(37,083)
Total cash flow from financing activities		949	38,598	(97.5)	884	38,598
Total cash flow from continuing operations		(799)	1,836	(143.5)	(608)	1,836
Total cash flow from discontinued operations		(3)	8	(137.5)	(3)	8
Total cash flow		(802)	1,844	(143.5)	(611)	1,844
Key financial ratios						
Gross margin	%	72.8	-	-	72.3	-
EBITDA margin	%	39.2	-	-	39.3	-

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. The initial accounting for the acquisition of TDC is now complete and adjustments to depreciation and amortisation have been recognised In Q2 2019.

The adoption of the new lease accounting standard, IFRS 16, has had significant effects on the financial statements for H1 2019. Comparative figures for previous periods have not been restated. For further information see note 1 to the consolidated financial statements.

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

The reporting period covers 1 January 2019 to 30 June 2019. As TDC was acquired by DKT as of 4 May 2018, the figures for the DKTH Group do not include the operations of TDC for the full comparative period. Consequently, it is not possible to conduct a meaningful analysis of the consolidated results for the DKTH Group, and the analysis set out below is focusing on the activities in DKT, DKTF and DKTH for H1 2019.

For a separate analysis of the development of TDC's activities, please see the Interim Financial Report for TDC for 1 January to 30 June 2019 included as an appendix to this report.

Group performance

EBITDA

DKTH group revenue, cost of sales, external expenses, personnel expenses and other income, i.e. EBITDA (Operating profit before depreciation, amortisation and special items), largely corresponds to TDC Group's similar items for 1 January to 30 June 2019. EBITDA for DKTH group amounted to DKK 3,362m. Hereof DKK 3,369m stems from TDC.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses are all related to the TDC Group and amounted to DKK 3,199m. Hereof DKK 687m was depreciation and 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, brands and software.

Special items

All special items, representing a net expense of DKK 86m before tax, related to the TDC Group.

Financial income and expenses

Of the total financial income and expenses, representing a net expense of DKK 1,483m, DKK 1,088m 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.

Income taxes

DKTH Group income taxes related to the profit before income taxes for TDC and financial expenses in DKT, DKTF and DKTH. Part of the financial expenses are non-deductible for tax purpose due to the Danish rules on limitation on the tax deductibility of interest expenses.

Loss for the period

The loss for the period of DKK 1,485m comprised a loss for TDC of DKK 392m and a loss in DKT, DKTF and DKTH of DKK 1,093m.

The loss for the period from continuing operations excluding special items of DKK 1,413m comprised a loss for TDC of DKK 320m and a loss in DKT, DKTF and DKTH of DKK 1,093m related primarily to the net financial expenses.

Net interest-bearing debt

Total DKTH Group net interest-bearing debt amounted to DKK 54,950m of which DKK 26,494m related to TDC, DKK 10,377m to Senior Notes issued in DKTF and DKK 17,599m to shareholder loans in DKTH.

Consolidated financial statements

Income statement

DKKm

	Note	Q2 2019	Q2 2018	Change in %	H1 2019	H1 2018
Revenue		**4,241**	**2,888**	**46.8**	**8,545**	**2,888**
Cost of sales		(1,153)	(792)	45.6	(2,363)	(792)
Gross profit		**3,088**	**2,096**	**47.3**	**6,182**	**2,096**
External expenses		(579)	(430)	34.7	(1,152)	(430)
Personnel expenses		(893)	(549)	62.7	(1,756)	(549)
Other income		47	26	80.8	88	26
Operating profit before depreciation, amortisation and special items (EBITDA)		**1,663**	**1,143**	**45.5**	**3,362**	**1,143**
Depreciation, amortisation and impairment losses	2	(1,661)	(631)	163.2	(3,199)	(631)
Operating profit excluding special items (EBIT excluding special items)		**2**	**512**	**(99.6)**	**163**	**512**
Special items	3	(35)	(607)	(94.2)	(86)	(607)
Operating profit (EBIT)		**(33)**	**(95)**	**(65.3)**	**77**	**(95)**
Financial income and expenses	4	(815)	(1,083)	(24.7)	(1,483)	(1,083)
Profit/(loss) before income taxes		**(848)**	**(1,178)**	**(28.0)**	**(1,406)**	**(1,178)**
Income taxes		(62)	(129)	(51.9)	(79)	(129)
Profit/(loss) for the period from continuing operations		**(910)**	**(1,307)**	**(30.4)**	**(1,485)**	**(1,307)**
Profit for the period from discontinued operations		-	71	-	-	71
Profit/(loss) for the period		**(910)**	**(1,236)**	**(26.4)**	**(1,485)**	**(1,236)**
Profit attributable to:						
Owners of the parent company		(910)	(1,294)	(29.7)	(1,486)	(1,294)
Non-controlling interests		-	58	-	1	58

Balance sheet

DKKm

	Note	30 June 2019	31 December 2018	30 June 2018
Assets				
Non-current assets				
Intangible assets		38,642	38,541	52,751
Property, plant and equipment		15,066	14,597	17,859
Lease assets		4,594	-	-
Joint ventures, associates and other investments		67	91	62
Pension assets	5	6,571	6,854	6,523
Receivables		192	194	194
Derivative financial instruments		-	-	48
Prepaid expenses		38	43	46
Total non-current assets		**65,170**	**60,320**	**77,483**
Current assets				
Inventories		235	187	259
Receivables		2,282	2,119	2,664
Income tax receivables		-	38	-
Derivative financial instruments		92	399	482
Prepaid expenses		413	428	553
Cash		1,777	2,381	1,830
Total current assets		**4,799**	**5,552**	**5,788**
Total assets		**69,969**	**65,872**	**83,271**

Balance sheet

DKKm

	Note	30 June 2019	31 December 2018	30 June 2018
Equity and liabilities				
Equity				
Share capital		-	-	-
Reserve for exchange rate adjustments		18	21	133
Reserve for cash flow hedges		(14)	(16)	(11)
Retained earnings		(697)	886	2,398
Equity attributable to owners of the parent company		**(693)**	**891**	**2,520**
Non-controlling interests		2	2	2
Total equity		**(691)**	**893**	**2,522**
Non-current liabilities				
Deferred tax liabilities		4,411	4,663	4,332
Provisions		325	972	985
Pension liabilities		-	-	30
Loans	6	38,551	32,667	31,363
Shareholder loans		17,599	16,453	16,453
Derivative financial instruments		-	-	384
Total non-current liabilities		**60,886**	**54,755**	**53,547**
Current liabilities				
Loans	6	604	117	17,479
Trade and other payables		8,348	9,228	9,092
Income tax payable		384	-	54
Derivative financial instruments		371	763	458
Provisions		67	116	119
Total current liabilities		**9,774**	**10,224**	**27,202**
Total liabilities		**70,660**	**64,979**	**80,749**
Total equity and liabilities		**69,969**	**65,872**	**83,271**

Statements of cash flow

DKKm

	Q2 2019	Q2 2018	Change in %	H1 2019	H1 2018
EBITDA	1,663	1,143	45.5	3,362	1,143
Adjustment for non-cash items	49	17	188.2	100	17
Pension contributions	-	(1)	-	135	(1)
Payments related to provisions	(24)	-	-	(24)	-
Special items	(38)	(510)	(92.5)	(75)	(510)
Change in working capital	(85)	269	(131.6)	(174)	269
Interest paid, net	(1,987)	(590)	-	(2,452)	(590)
Income tax paid	-	(7)	-	24	(7)
Operating activities in continuing operations	**(422)**	**321**	**-**	**896**	**321**
Operating activities in discontinued operations	(3)	128	(102.3)	(3)	128
Total cash flow from operating activities	**(425)**	**449**	**(194.7)**	**893**	**449**
Investment in enterprises	(9)	(36,503)	(100.0)	(125)	(36,503)
Investment in property, plant and equipment	(864)	(329)	162.6	(1,469)	(329)
Investment in intangible assets	(460)	(275)	67.3	(822)	(275)
Divestment of enterprises	-	(1)	-	-	(1)
Divestment of joint ventures and associates	-	-	-	17	-
Sale of other non-current assets	6	25	(76.0)	10	25
Dividends received from joint ventures and associates	1	-	-	1	-
Investing activities in continuing operations	**(1,326)**	**(37,083)**	**(96.4)**	**(2,388)**	**(37,083)**
Investing activities in discontinued operations	-	(120)	-	-	(120)
Total cash flow from investing activities	**(1,326)**	**(37,203)**	**(96.4)**	**(2,388)**	**(37,203)**
Proceeds from long-term loans	-	23,648	-	-	23,648
Repayment of long-term loans	(107)	(7,443)	(98.6)	(75)	(7,443)
Proceeds from shareholder loans	1,466	16,453	(91.1)	1,466	16,453
Repayment of shareholder loans	(320)	-	-	(320)	-
Lease repayments	(89)	(5)	-	(186)	(5)
Change in short-term bank loans	-	11,165	-	-	11,165
Redemption of non-controlling interests	(1)	(3,745)	(100.0)	(1)	(3,745)
Coupon payments on hybrid capital	-	(5,588)	-	-	(5,588)
Capital contribution	-	4,113	-	-	4,113
Financing activities in continuing operations	**949**	**38,598**	**(97.5)**	**884**	**38,598**
Financing activities in discontinued operations	-	-	-	-	-
Total cash flow from financing activities	**949**	**38,598**	**(97.5)**	**884**	**38,598**
Total cash flow	**(802)**	**1,844**	**(143.5)**	**(611)**	**1,844**
Cash and cash equivalents (beginning-of-period)	2,580	-	-	2,381	-
Effect of exchange-rate changes on cash and cash equivalents	(1)	(14)	(92.9)	7	(14)
Cash and cash equivalents (end-of-period)	**1,777**	**1,830**	**(2.9)**	**1,777**	**1,830**

Consolidated financial statements

Note 1 Accounting policies

DKTH Group's Interim Financial Report for H1 2019 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 2018, cf. DKTH's Annual Report 2018.

Changed accounting for leases
The standard IFRS 16 Leases, effective from 1 January 2019, replaces the previous standard IAS 17 Leases and its associated interpretation guidance.

- IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the lessee. Under the new standard, leases result in the lessee obtaining the right to use an asset during the estimated lease term and, if lease payments are made over time, obtaining financing.
- Consequently, all leases (with a few exceptions) must now be recognised in the balance sheet as lease assets and corresponding lease liabilities.
- The lease expenses, which were previously recognised as a single amount (operating expenses), now consist of two elements: depreciation and interest expenses.
- DKTH has applied the practical expedients to recognise payments associated with short-term leases and leases of low value assets as expenses in the income statement.
- The accounting for leases previously classified as finance leases is unchanged.

DKTH has implemented IFRS 16 using the modified retrospective approach, which means that comparative figures for previous periods have not been restated. The cumulative effect of initially applying the standard was recognised at 1 January 2019.

IFRS 16 impact on initial application at 1 January 2019

	DKKm
Lease assets	4,704
Total assets	**4,704**
Provisions incl. short term part	(682)
Loans incl. short term part (lease liabilities)	5,386
Total liabilities	**4,704**

Impact on Consolidated Financial Statements

DKKm

	Previous accounting policy H1 2019	Changed accounting policy H1 2019	New accounting policy H1 2019
External expenses	(1,310)	158	(1,152)
Personnel expenses	(1,753)	(3)	(1,756)
Other income (re. sublease of vacant tenancies)	48	40	88
Operating profit before depreciation, amortisation and special items (EBITDA)	**3,167**	**195**	**3,362**
Depreciation, amortisation and impairment losses	(3,014)	(185)	(3,199)
Financial income and expenses	(1,363)	(117)	(1,480)
Income taxes	(103)	24	(79)
Profit for the period	**(1,402)**	**(83)**	**(1,485)**
Total assets	**65,439**	**4,530**	**69,969**
Provisions incl. short term part	1,047	(655)	392
Loans incl. short term part	51,522	5,232	56,754
Deferred tax liabilities	4,435	(24)	4,411
Total liabilities	**66,047**	**4,613**	**70,660**
Total cash flow from operating activities	**711**	**182**	**893**
Total cash flow from financing activities	**1,066**	**(182)**	**884**

Except for the changes mentioned above, the accounting policies are unchanged compared with the policies applied in the Annual Report 2018.

Note 2 Depreciation, amortisation and impairment losses

DKKm

	Q2 2019	Q2 2018	H1 2019	H1 2018
Depreciation on property, plant and equipment	(779)	(350)	(1,391)	(350)
Amortisation of intangible assets	(775)	(276)	(1,594)	(276)
Depreciation of lease assets	(85)	-	(190)	-
Impairment losses	(22)	(5)	(24)	(5)
Total	**(1,661)**	**(631)**	**(3,199)**	**(631)**

All depreciation, amortisation and impairment losses related to the TDC Group and amounted to DKK 3,199m. Hereof DKK 687m was depreciation and 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, brands and software.

Note 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 and discontinued operations are recognised in profit from joint ventures and associates and profit for the year from discontinued operations, respectively.

Special items

DKKm

	Q2 2019	Q2 2018	H1 2019	H1 2018
Costs related to redundancy programmes	(19)	(59)	(32)	(59)
Other restructuring costs, etc.	(3)	(70)	(40)	(70)
Loss from rulings	(1)	-	(2)	-
Costs related to acquisition of enterprises	(11)	(286)	(11)	(286)
Loss from divestments of enterprises and property	(1)	-	(1)	-
PSP settlement	-	(192)	-	(192)
Special items before income taxes	**(35)**	**(607)**	**(86)**	**(607)**
Income taxes related to special items	5	64	12	64
Special items related to joint ventures and associates	-	-	2	-
Special items related to discontinued operations	-	(12)	-	(12)
Total special items	**(30)**	**(555)**	**(72)**	**(555)**

Note 4 Financial income and expenses

Financial income and expenses

DKKm

	Q2 2019	Q2 2018	Change in %	H1 2019	H1 2018
Interest income	26	2	-	28	2
Interest expenses	(857)	(1,003)	(14.6)	(1,667)	(1,003)
Net interest	**(831)**	**(1,001)**	**(17.0)**	**(1,639)**	**(1,001)**
Currency translation adjustments	185	(169)	-	(11)	(169)
Fair value adjustments	(193)	69	-	117	69
Interest, currency translation adjustments and fair value adjustments	**(839)**	**(1,101)**	**(23.8)**	**(1,533)**	**(1,101)**
Profit/(loss) from joint ventures and associates	(2)	-	-	(3)	-
Interest on pension assets	26	18	44.4	53	18
Total	**(815)**	**(1,083)**	**(24.7)**	**(1,483)**	**(1,083)**

Of the total financial income and expenses, representing a net expense of DKK 1,483m, DKK 1,088m 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.

Note 4 Financial income and expenses (continued)

Specifications

DKKm

	Q2 2019				Q2 2018			
	Interest	Currency translation adjustments	Fair value ad-justments	Total	Interest	Currency translation adjustments	Fair value ad-justments	Total
Shareholder loans	(382)	-	-	**(382)**	(172)	-	-	**(172)**
Senior Facility Agreement	(101)	3	(12)	**(110)**	(24)	172	15	**163**
Senior Notes	(189)	7	15	**(167)**	-	(15)	-	**(15)**
Euro Medium Term Notes	(65)	15	(64)	**(114)**	(72)	1	(46)	**(117)**
Bank loan (Bridge Facility) incl. Fees	-	-	-	**-**	(675)	(192)	-	**(867)**
Lease liabilities	(61)	-	-	**(61)**	(2)	-	-	**(2)**
Other	(8)	3	-	**(5)**	(55)	(31)	(5)	**(91)**
Total	**(806)**	**28**	**(61)**	**(839)**	**(1,000)**	**(65)**	**(36)**	**(1,101)**

	H1 2019				H1 2018			
	Interest	Currency translation adjustments	Fair value ad-justments	Total	Interest	Currency translation adjustments	Fair value ad-justments	Total
Shareholder loans	(742)	-	-	**(742)**	(172)	-	-	**(172)**
Senior Facility Agreement	(197)	5	(27)	**(219)**	(24)	172	15	**163**
Senior Notes	(372)	8	28	**(336)**	-	(15)	-	**(15)**
Euro Medium Term Notes	(100)	2	12	**(86)**	(72)	1	(46)	**(117)**
Bank loan (Bridge Facility) incl. Fees	-	-	-	**-**	(675)	(192)	-	**(867)**
Lease liabilities	(123)	-	-	**(123)**	(2)	-	-	**(2)**
Other	(39)	10	2	**(27)**	(55)	(31)	(5)	**(91)**
Total	**(1,573)**	**25**	**15**	**(1,533)**	**(1,000)**	**(65)**	**(36)**	**(1,101)**

Note 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 6,571m as of 30 June 2019, see note 6 to TDC's consolidated financial statements for 1 January – 30 June 2019 included as appendix to this report.

Note 6 Loans and net interest-bearing debt

Senior Notes, Euro Medium Term Notes (EMTNs) and Senior Facility Agreement (SFA) and bank loans[1]

DKKm

	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%		8,810%	8,150%	
Currency	EUR	GBP	EUR	USD	EUR	DKK	DKK	
Type	EMTN Bond	EMTN Bond	Senior notes	Senior notes	SFA loan	SHL loan	SHL loan	
Nominal value (DKKm)	3.733	3.539	7.837	2.682	14.185	16.036	1.563	49.575
Nominal value (Currency)	500	425	1.050	410	1.900	16.036	1.563	
– Of which nominal value swapped to EUR or DKK (Currency)[1]	200	425		410				
– Of which nominal value swapped to or with floating interest rate (shown in EURm)	100	-	-	-	700	-	-	800
– Of which nominal value swapped to or with fixed interest rate (shown in EURm)[2]	400	500	1.050	359	1.200	2.148	209	5.866

[1] EUR exposures are not considered a significant risk due to the fixed EUR DKK exchange rate policy.
[2] 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 long-term SFA loan matures in June 2020 and nominal EUR 275m matures in later periods.

Net interest-bearing debt

DKKm

	30 June 2019	31 December 2018	30 June 2018
EMTN loans incl. short-term part	7,838	7,915	13,289
Senior Facility Agreement incl. short term part	14,139	14,140	23,668
Senior Notes	10,377	10,346	
Shareholder loans	17,599	16,453	16,453
Lease liabilities incl. short-term part	5,300	72	80
Other long-term loans	1,501	311	415
Short-term bank loans	-	-	11,390
Interest-bearing payables	2	2	2
Derivatives	124	200	30
Interest-bearing receivables and investments	(153)	(156)	(184)
Cash	(1,777)	(2,381)	(1,830)
Net interest-bearing debt	**54,950**	**46,902**	**63,313**

Net interest-bearing debt increased by DKK 8,048m during H1 2019 caused primarily by to the increased recognition of lease liabilities stemming from the adoption of the accounting standard IFRS 16 Leases (DKK 5,386m), TDC's acquisition of mobile licences (DKK 1,352m) and additional shareholder loans (DKK 1,146m).

Note 7 Events after the balance sheet date

There have been no events that materially affect the assessment of this Interim Financial Report January – June 2019 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. At the end of H1 2019, DKTH expects no significant changes in these risks.

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

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

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

Management statement

Management statement
Today, the Board of Directors and the Executive Committee considered and approved the Interim Financial Statements of DKTH Group for H1 2019.

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

In our opinion, the Financial Report gives a true and fair view of the Group's assets, liabilities and financial position at 30 June 2019 as well as the results of operations and cash flows for H1 2019. 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, 13 August 2019

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

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Appendix

TDC Group

Interim Financial Report January – June 2019

Q2 highlights

- **Reported EBITDA** declined by 1.8% and when adjusted for new lease accounting principles (IFRS 16) EBITDA decreased by 7.5%. This decline was driven primarily by costs related to the separation of TDC as well as investments in the new strategy
- **Organic EBITDA**[1] declined by 2.6%, in line with our expectations, with solid commercial and operational performances; Gross profit growth in mobility services and broadband while the decline in landline voice and TV continued
  - **Positive ARPU development** in all segments, except for landline voice; mobile voice ARPU in Business increased for the first time in eight years
  - Strong gross profit growth of 2.7% YoY in **internet & network. TV** shows a declining customer base but this is however in line with recent trend
  - Continued gross profit growth in **mobility services** (2.2% YoY); strong trade-up trend to higher value propositions, partly offset by negative net adds in Consumer due to announced price increases
- **Positive NPS** development of +1.0 pp for TDC Group which was driven by YouSee, where especially the brand perception and service & support functions have contributed to the increase
- **Organic operating expenses**[1] declined by 1.8%. The improvement was driven mainly by productivity improvements allowing for fewer FTEs and a reduced marketing spending in our Consumer division
- A critical TDC Group strategy milestone was accomplished with **the partial demerger on June 11th**, resulting in a legal separation of the two business units TDC NetCo and Nuuday. The next stage, involving separating the IT infrastructure, will be carried out over the coming two years
- Capex increased by 35.6% to DKK 1.1bn, driven mainly by **preparations for 5G** and the swap to Ericsson equipment, and **fibre rollout in TDC NetCo** to 22k addresses announced across Denmark so far. Further, as a part of TDC's ambitious long-term fibre roll out plan, **TDC NetCo and Nordkysten established a joint venture, Fiberkysten**, which will start rolling out fibre in Q3 this year
- **Nuuday strengthened key partnerships during the quarter; Nuuday and Eniig activated a fibre cooperation** that will ensure more than 300k households from North and Central Jutland access to Nuuday's digital entertainment services
- **NetDesign – a part of TDC Business - awarded a large public tender agreement** covering most of local authorities in Denmark and the central government, and includes IT security, Network and Unified Communication incl. telephony services. This agreement enables further growth potential for integrator services in TDC Business.
- **2019 guidance updated excluding effects from IFRS 16:** a low single-digit decline in organic EBITDA and DKK 300-400m in costs related to the separation of TDC (updated from slightly lower EBITDA), capex of DKK 4.4-4.8bn (updated from DKK 4.1-4.5bn) and leverage of ~3.5x for the year (unchanged)

1. Reported figures excluding items affecting comparability; regulatory price adjustments, impact from acquisitions and divestments as well as costs related to the separation of TDC, investments in fibre rollout, effects from new lease accounting principles (IFRS 16) and impact from changed classification of certain costs related to customer installations. See elaboration on page 24.

Group performance

Restated financial figures

Following several organisational changes, primarily to prepare for the legal separation of Nuuday and NetCo, the business lines' financial figures for previous periods are restated accordingly. See the restated figures table on page 3. Following the legal separation, trading on an arm's length basis between Nuuday, NetCo and the shared services centres in Headquarters is under implementation and is expected to be reflected in the financial reporting as of Q4 2019.

H1 financial performance

Revenue

During H1 2019, TDC Group's reported revenue decreased by 1.4%, or DKK 118m, to DKK 8,545m. Organic revenue[1] decreased by 2.0% due mainly to a decline in landline voice and other services that was partly offset by growth in mobility services.

Gross profit

In the first half of 2019, TDC Group's reported gross profit decreased by 1.7%, or DKK 105m, to DKK 6,182m. Organic gross profit[1] decreased by 2.2% or DKK 142m driven by the continued decline in landline voice and TV. However, organic gross profit on mobility services returned to positive growth in Q2 following a flat development in Q1. The gross profit margin decreased from 72.6% in the first half of 2018 to 72.3% in the first half of 2019, driven by declining margins in TV, mobility services, and internet & network, though this was partly offset by increasing margins in landline voice.

Operating expenses

In the first half of 2019, reported operating expenses decreased by 0.2%, or DKK 6m, to DKK 2,813m. Adjusted for new lease accounting principles (IFRS 16), operating expenses increased by 6.3%. Organic operating expenses[1] decreased by 1.6%. The improved operating expenses were fuelled by cost savings stemming from fewer FTEs and reduced marketing spend by the Consumer division, which was somewhat offset by increased spending by the Wholesale division.

EBITDA

In H1 2019, reported EBITDA decreased by 2.9%, or DKK 99m, to DKK 3,369m. Organic EBITDA[1] decreased by 2.8%, triggered by the continued decline in landline voice and TV. The development was impacted mainly by lower cost savings and relatively lower positive development in mobility services compared with the previous year's growth.

1. Reported figures excluding items affecting comparability; regulatory price adjustments, impact from acquisitions and divestments as well as costs related to the separation of TDC, investments in fibre rollout, effects from new lease accounting principles (IFRS 16) and impact from changed classification of certain costs related to customer installations. See elaboration on page 24.

Key figures

DKKm		Q2 2019	Q2 2018	Change in %	H1 2019	H1 2018	Change in %
Income statements	DKKm						
Revenue		4,241	4,334	(2.1)	8,545	8,663	(1.4)
Organic revenue[1]		-	-	(2.6)	-	-	(2.0)
Gross profit		3,088	3,143	(1.7)	6,182	6,287	(1.7)
Organic gross profit[1]		-	-	(2.3)	-	-	(2.2)
Operational expenses		(1,417)	(1,442)	(1.7)	(2,813)	(2,819)	(0.2)
Organic operational expenses[1]		-	-	(1.8)	-	-	(1.6)
EBITDA		1,671	1,701	(1.8)	3,369	3,468	(2.9)
EBITDA excl. IFRS 16				(7.5)			(8.5)
Organic EBITDA[1]		-	-	(2.6)	-	-	(2.8)
Profit/(loss) for the period from continuing operations excluding special items		(157)	468	(133.5)	113	963	(88.3)
Profit/(loss) for the period		(187)	(76)	146.1	41	567	(92.8)
Total comprehensive income/(loss)		(326)	(178)	83.1	(38)	614	(106.2)
Capital expenditure, excluding mobile licenses		(1,131)	(834)	35.6	(2,106)	(1,662)	26.7
Mobile licenses		(1)	-	-	(1,352)	-	-
Key financial ratios							
Gross margin	%	72.8	72.5	-	72.3	72.6	-
EBITDA margin	%	39.4	39.2	-	39.4	40.0	-

1 Reported figures excluding items affecting comparability; regulatory price adjustments, impact from acquisitions and divestments as well as costs related to the separation of TDC, investments in fibre rollout, effects from new lease accounting principles (IFRS 16) and impact from changed classification of certain costs related to customer installations. See elaboration on page 24.

EBITDA per business line

Consumer

In H1 2019, Consumer's revenue decreased by 0.8% or DKK 46m to DKK 5,439m. The financials were impacted positively by the acquisitions of Hiper and Firmafon (included from December and March, respectively). Organic revenue[1] decreased by 2.1%. This development was driven by lower mobile handset sales and a loss of RGUs in landline voice and TV, which were only partly offset by price increases on mobile voice, broadband and TV. Gross profit decreased by 2.1% or DKK 84m to DKK 3,846m. Organic gross profit[1] decreased by 3.1%, which was driven by landline voice, handset sales and increased TV content costs. Growth in mobility services and internet & network only partly offset the negative developments.

Savings of 2.7% or DKK 25m on operating expenses were achieved, resulting in total operating expenses of DKK 907m. Organic operating expenses[1] decreased by 6.3% driven by fewer consultants and FTEs, SAC and lower bad debt.

These developments resulted in an EBITDA decline of 2.0% or DKK 59m to DKK 2,939m in H1 2019. Consumer's organic EBITDA[1] decreased by 2.1% in H1 2019. Compared with the organic increase of 1.1% in H1 2018, the development reflected slower growth in mobility services and other services, which was partly offset by internet & network, where ARPU increased by 5%.

Business

In H1 2019, Business' revenue decreased by 2.6% or DKK 56m to DKK 2,059m. The financials were impacted positively by the acquisitions of CC Factory and Secu (included from October and April, respectively). Organic revenue[1] decreased by 3.2%, which was driven by a decrease in landline voice and internet & network, where a decreasing customer base was the primary driver. Positive developments in cloud solutions, hardware sales and mobility services partly offset the negative revenue effects. Gross profit decreased by 3.2% or DKK 51m to DKK 1,563m. Organic gross profit[1] decreased by 3.5% due to the loss of landline voice and low-speed broadband customers.

Operating expenses increased by 0.9% or DKK 4m to DKK 443m, due to the acquisitions of CC Factory and Secu, while organic operating expenses[1] decreased by 1.0%. These developments resulted in an EBITDA decline of 4.7% or DKK 55m to DKK 1,120m. Business' organic EBITDA[1] decline of 4.5% in H1 2019 compared favourably with the organic decline of 6.8% in H1 2018. This was primarily to the improved development within mobility services where ARPU stabilised after eight years of steady decline.

Restated figures

DKKm

	Q1 18	Q2 18	Q3 18	Q4 18	2018	Q1 19	Q2 19
EBITDA	**1,767**	**1,701**	**1,659**	**1,564**	**6,691**	**1,698**	1,671
Consumer	1,503	1,495	1,504	1,454	5,955	1,479	1,460
Business	596	579	584	581	2,339	561	559
Wholesale	273	273	260	229	1,035	246	257
Other operations	(602)	(641)	(686)	(693)	(2,622)	(579)	(589)
Organic EBITDA growth²	**2.3**	**2.9**	**(3.5)**	**(1.1)**	**0.1**	**(3.0)**	(2.6)
Consumer	0.8	1.5	0.6	1.8	1.1	(2.1)	(2.1)
Business	(7.8)	(5.7)	(7.6)	0.2	(5.4)	(5.9)	(3.1)
Wholesale	2.3	3.7	(6.4)	(3.4)	(1.0)	(6.9)	(2.5)
Other operations	11.0	7.5	(0.5)	(5.6)	3.1	(5.3)	(1.9)

Note:
During Q2 2019 TDC made several organisational changes, primarily to prepare for the legal separation of Nuuday and NetCo. The organisational changes are reflected in the financial reporting for the business lines for January-June 2019 and comparative figures for Q1 2018-Q1 2019 are restated accordingly.

Costs are still not allocated but are included in the business line responsible for the service. Following the legal separation, trading on an arm's length basis between Nuday, NetCo and the shared services centers in Headquarters is under implementation and is expected to be reflected in the financial reporting as of Q4 2019.

1 Reported figures excluding items affecting comparability; regulatory price adjustments, impact from acquisitions and divestments as well as costs related to the separation of TDC, investments in fibre rollout, effects from new lease accounting principles (IFRS 16) and impact from changed classification of certain costs related to customer installations. See elaboration on page 24.
2. Growth is shown using mathematical notation. Thus a reduction in a cost base such as Other operations will result in negative growth.

1. Reported figures excluding items affecting comparability; regulatory price adjustments, impact from acquisitions and divestments as well as costs related to the separation of TDC, investments in fibre rollout, effects from new lease accounting principles (IFRS 16) and impact from changed classification of certain costs related to customer installations. See elaboration on page 24.

Wholesale

In the first two quarters of 2019, Wholesale reported a revenue decline of 2.1% or DKK 18m to DKK 833m and a gross profit decrease of 3.9% or DKK 24m to DKK 587m. Wholesales' organic gross profit decreased by 1.8%, which was attributable to mobility services and internet & network. The mobility services development was driven by growth in the mobile customer base, and the national roaming agreement with Hi3G. This improvement was more than offset by mobile interconnect. The internet & network development was driven by an ARPU uplift due to a regulatory price increase as of 1 January 2019. This was more than offset by a declining copper customer base and a decrease in the international business area following the divestment of TDC Sweden and Get.

Operational expenditure increased by 29.2% or DKK 19m to DKK 84m. Organic operational expenditure increased by 16.5%, reflecting increased marketing spending. Wholesales' reported EBITDA decreased by 7.9% or DKK 43m to DKK 503m. Wholesales' organic EBITDA[1] decreased by 4.7%.

Other operations

Other operations consists of TDC Group's support functions such as IT, procurement, network, installation, digital activities, facility management and Headquarters.

In H1 2019, Other operations' revenue increased by 17.3% or DKK 43m to DKK 291m, and gross profit improved by 32.9% or DKK 46m to DKK 186m. Other operations' organic gross profit increased by 37.2%. This resulted from increased external revenue from DKTV generated by additional installation activities in relation to upgrading privately owned cable networks to DOCSIS 3.1, as the internal project on upgrading our cable network to DOCSIS 3.1 was completed successfully in Q4 2018. However, this effect decreased in Q2 compared with Q1.

Operating expenses decreased by 2.1% or DKK 29m to DKK 1,354m. Organic operating expenses[1] increased by 0.6%. This increase was driven by additional costs for digitalisation and increased external installation activities in DKTV that were partly offset by efficiency improvements e.g. stemming from increased digitalisation and fewer FTEs in the field force, which were triggered by fewer faults.

Other operations' EBITDA improved by 6.0% or DKK 75m to DKK -1,168m, driven by positive effects from IFRS 16. Adjusted for IFRS 16 EBITDA declined by 9.7%. Other operations' organic EBITDA[1] improved by 3.6% driven by efficiency improvements, fewer FTEs in the field force and increased external activity in DKTV.

Capital expenditure

In H1 2019, capital expenditure totalled DKK 2,106m, up by 26.7% or DKK 444m compared with the same period last year. This trend resulted mainly from increased investments in upgrading our mobile network in preparation for 5G and the swap to Ericsson equipment, fibre rollout and digital activities.

Our IT investment and digitalisation journey remains a priority, and ensuring the further strengthening of our digital solutions and a TV platform to support our new media strategy is contingent on successful IT separation.

1. Reported figures excluding items affecting comparability; regulatory price adjustments, impact from acquisitions and divestments as well as costs related to the separation of TDC, investments in fibre rollout, effects from new lease accounting principles (IFRS 16) and impact from changed classification of certain costs related to customer installations. See elaboration on page 24.

Cash flow

The increase of DKK 1,299m in cash flow from operating activities in continuing operations in H1 2019 to DKK 2,705m was driven primarily by special items cash flow related to the takeover of TDC in 2018 (DKK 843m). Also, the different timing of income tax (DKK 247m) and net working capital (DKK 223m) compared with H1 2018 and a distribution of "excess capital" in Q1 from TDC Pension Fund (DKK 102m net of tax) contributed positively. This was partly offset by lower EBITDA (DKK -99m). The increase of DKK 690m in cash outflow from investing activities in continuing operations, up to DKK 2,388m, was driven primarily by higher capex compared with H1 2018. Cash outflow from financing activities in continuing operations in H1 2019 increased by DKK 570m to DKK 843m and stems primarily from the cessation of coupon payments on hybrid capital after the redemption of hybrid capital in 2018 (DKK 261m) and an increase in lease repayments (DKK 162m) related to the implementation of IFRS 16 in 2019.

Profit for the period

Excluding discontinued operations and special items, profit for the period declined by 88.3% or DKK 850m driven primarily by increased depreciation[1] and increased financial expenses due to the refinancing in H1 2018.

Profit for the period (including discontinued operations and special items) declined by DKK 526m. The negative effect from the depreciation and financial expenses mentioned above was partly offset by an improvement in special items stemming mainly from costs related to the takeover of TDC in May 2018.

Comprehensive income

Total comprehensive income decreased by DKK 652m. Profit for the period declined by DKK 526m, and the decrease of DKK 126m in other comprehensive income related primarily to a negative development of DKK 238m in exchange-rate adjustments of foreign enterprises (primarily in Norway). This was partly offset by a positive development in defined benefit plans for Danish employees (DKK 58m after tax) and a positive development in value adjustments of hedging instruments (DKK 54m).

Net interest-bearing debt

Net interest-bearing debt increased by DKK 6,884m to DKK 26,494m during H1 2019 following the increased recognition of lease liabilities due to the adoption of IFRS 16 (DKK 5,386m) and the acquisition of mobile licences (DKK 1,352m).

Cash flow and Net interest-bearing debt, key figures

DKKm

		Q2 2019	Q2 2018	Change in %	H1 2019	H1 2018	Change in %
Cash flow from operating activities		1,418	25	-	2,705	1,406	92.4
Investment in property, plant and equipment		(864)	(471)	83.4	(1,469)	(1,015)	44.7
Investment in intangible assets		(460)	(369)	24.7	(822)	(687)	19.7
Lease repayments		(89)	(11)	-	(186)	(24)	-
Coupon payments on hybrid capital		-	(66)	-	-	(261)	-
Equity free cash flow		**5**	**(892)**	**(100.6)**	**228**	**(581)**	**(139.2)**
Total cash flow from operating activities		1,418	25	-	2,705	1,406	92.4
Total cash flow from investing activities		(1,326)	(839)	58.0	(2,388)	(1,698)	40.6
Total cash flow from financing activities		(717)	677	-	(843)	(273)	-
Total cash flow from continuing operations		(625)	(137)	-	(526)	(565)	(6.9)
Total cash flow from discontinued operations		(3)	56	(105.4)	(3)	72	(104.2)
Total cash flow		**(628)**	**(81)**	**-**	**(529)**	**(493)**	**7.3**
Net interest-bearing debt (NIBD)		(26,494)	(36,959)	(28.3)	(26,494)	(36,959)	(28.3)
NIBD/EBITDA[1]	x	4.0	4.5	-	4.0	5.4	-

1 The leverage ratio is calculated based on reported LTM EBITDA, i.e. only EBITDA for H1 2019 is including impact from IFRS 16 (DKK 195m). Calculated based on annualized impact from IFRS 16 for 2019 of DKK 390m, the leverage ratio would be 3.9 at 30 June 2019. Calculated without the impact from IFRS 16, the NIBD/EBITDA ratio amounts to 3.3 at 30 June 2019.

1. See also note 3 to the Consolidated Financial Statements.

TDC Group's performance per business line in H1 2019

The illustration below reflects TDC Group's H1 2019 performance based on our traditional business line reporting. Costs are not allocated but are included in the business line responsible for the service.

DKKm	TDC Group	Consumer	Business	Wholesale	Other operations
Revenue[1]	**8,545** (1.4%)	**5,439** (0.8%)	**2,059** (2.6%)	**833** (2.1%)	**291** 17.3%
Gross profit[1]	**6,182** (1.7%)	**3,846** (2.1%)	**1,563** (3.2%)	**587** (3.9%)	**186** 32.9%
EBITDA[1]	**3,369** (2.9%)	**2,939** (2.0%)	**1,120** (4.7%)	**503** (7.9%)	**(1,168)** (6.0%)

1. Both absolute figures and growth rates are excluding eliminations and therefore do not amount to 100%.

Consolidated financial statements

Income statement

DKKm

	Note	Q2 2019	Q2 2018	Change in %	H1 2019	H1 2018	Change in %
Revenue	2	**4,241**	**4,334**	**(2.1)**	**8,545**	**8,663**	**(1.4)**
Cost of sales		(1,153)	(1,191)	(3.2)	(2,363)	(2,376)	(0.5)
Gross profit		**3,088**	**3,143**	**(1.7)**	**6,182**	**6,287**	**(1.7)**
External expenses		(571)	(620)	(7.9)	(1,145)	(1,219)	(6.1)
Personnel expenses		(893)	(852)	4.8	(1,756)	(1,653)	6.2
Other income		47	30	56.7	88	53	66.0
Operating profit before depreciation, amortisation and special items (EBITDA)	2	**1,671**	**1,701**	**(1.8)**	**3,369**	**3,468**	**(2.9)**
Depreciation, amortisation and impairment losses	3	(1,366)	(962)	42.0	(2,512)	(1,973)	27.3
Operating profit excluding special items (EBIT excluding special items)		**305**	**739**	**(58.7)**	**857**	**1,495**	**(42.7)**
Special items	4	(35)	(709)	(95.1)	(86)	(692)	(87.6)
Operating profit (EBIT)		**270**	**30**	**-**	**771**	**803**	**(4.0)**
Financial income and expenses	5	(328)	(26)	-	(498)	(130)	-
Profit/(loss) before income taxes		**(58)**	**4**	**-**	**273**	**673**	**(59.4)**
Income taxes		(129)	(179)	(27.9)	(232)	(345)	(32.8)
Profit/(loss) for the period from continuing operations		**(187)**	**(175)**	**6.9**	**41**	**328**	**(87.5)**
Profit for the period from discontinued operations		-	99	-	-	239	-
Profit/loss) for the period		**(187)**	**(76)**	**146.1**	**41**	**567**	**(92.8)**
Profit/(loss) attributable to:							
Owners of the parent company		(187)	(134)	39.6	40	331	(87.9)
Coupon payments on hybrid capital, net of tax		-	57	-	-	235	-
Non-controlling interests		-	1	-	1	1	-

Statement of comprehensive income

	Note	Q2 2019	Q2 2018	H1 2019	H1 2018
					DKKm
Profit/(loss) for the period		**(187)**	**(76)**	**41**	**567**
Items that may subsequently be reclassified to the income statement:					
Exchange-rate adjustments of foreign enterprises	5	-	106	(3)	235
Value adjustments of hedging instruments	5	11	4	22	(32)
Items that cannot subsequently be reclassified to the income statement:					
Remeasurement of defined benefit pension plans		(192)	(272)	(125)	(200)
Income tax relating to remeasurement of defined benefit pension plans		42	60	27	44
Other comprehensive income/(loss)		**(139)**	**(102)**	**(79)**	**47**
Total comprehensive income/(loss)		**(326)**	**(178)**	**(38)**	**614**

Balance sheet

DKKm

	Note	30 June 2019	31 December 2018	30 June 2018
Assets				
Non-current assets				
Intangible assets		25,036	23,764	32,657
Property, plant and equipment		14,489	14,597	17,859
Lease assets		4,594	-	-
Joint ventures, associates and other investments		67	91	62
Pension assets	6	6,571	6,854	6,523
Receivables		192	194	194
Derivative financial instruments		-	-	48
Prepaid expenses		38	43	46
Total non-current assets		**50,987**	**45,543**	**57,389**
Current assets				
Inventories		235	187	259
Receivables		2,285	2,119	2,664
Income tax receivables		-	77	-
Derivative financial instruments		54	309	482
Prepaid expenses		413	427	553
Cash		1,721	2,244	1,295
Total current assets		**4,708**	**5,363**	**5,253**
Total assets		**55,695**	**50,906**	**62,642**

Balance sheet

DKKm

	Note	30 June 2019	31 December 2018	30 June 2018
Equity and liabilities				
Equity				
Share capital		812	812	812
Reserve for exchange rate adjustments		4	7	(1,272)
Reserve for cash flow hedges		(163)	(185)	(207)
Retained earnings		14,248	14,826	10,009
Equity attributable to owners of the parent company		**14,901**	**15,460**	**9,342**
Non-controlling interests		2	2	2
Total equity		**14,903**	**15,462**	**9,344**
Non-current liabilities				
Deferred tax liabilities		3,458	3,653	4,332
Provisions		325	972	985
Pension liabilities		-	-	30
Loans	7	27,628	21,691	31,363
Derivative financial instruments		-	-	384
Total non-current liabilities		**31,411**	**26,316**	**37,094**
Current liabilities				
Loans	7	604	117	7,043
Trade and other payables		7,991	8,134	8,530
Income tax payable		348	-	54
Derivative financial instruments		371	761	458
Provisions		67	116	119
Total current liabilities		**9,381**	**9,128**	**16,204**
Total liabilities		**40,792**	**35,444**	**53,298**
Total equity and liabilities		**55,695**	**50,906**	**62,642**

Statements of cash flow

DKKm

	Q2 2019	Q2 2018	Change in %	H1 2019	H1 2018	Change in %
EBITDA	1,671	1,701	(1.8)	3,369	3,468	(2.9)
Adjustment for non-cash items	50	26	92.3	100	78	28.2
Pension contributions	-	(1)	-	135	(5)	-
Payments related to provisions	(24)	(2)	-	(24)	(6)	-
Special items	(38)	(944)	(96.0)	(75)	(918)	(91.8)
Change in working capital	(87)	(506)	(82.8)	(168)	(391)	(57.0)
Interest paid, net	(154)	(26)	-	(656)	(597)	9.9
Income tax paid	-	(223)	-	24	(223)	(110.8)
Operating activities in continuing operations	**1,418**	**25**	**-**	**2,705**	**1,406**	**92.4**
Operating activities in discontinued operations	(3)	240	(101.3)	(3)	452	(100.7)
Total cash flow from operating activities	**1,415**	**265**	**-**	**2,702**	**1,858**	**45.4**
Investment in enterprises	(9)	(24)	(62.5)	(125)	(25)	-
Investment in property, plant and equipment	(864)	(471)	83.4	(1,469)	(1,015)	44.7
Investment in intangible assets	(460)	(369)	24.7	(822)	(687)	19.7
Investment in other non-current assets	-	-	-	-	(1)	-
Divestment of enterprises	-	(1)	-	-	(1)	-
Divestment of joint ventures and associates	-	-	-	17	-	-
Sale of other non-current assets	6	26	(76.9)	10	31	(67.7)
Dividends received from joint ventures and associates	1	-	-	1	-	-
Investing activities in continuing operations	**(1,326)**	**(839)**	**58.0**	**(2,388)**	**(1,698)**	**40.6**
Investing activities in discontinued operations	-	(184)	-	-	(380)	-
Total cash flow from investing activities	**(1,326)**	**(1,023)**	**29.6**	**(2,388)**	**(2,078)**	**14.9**
Proceeds from long-term loans	-	23,648	-	-	27,372	-
Repayment of long-term loans	(107)	(7,443)	(98.6)	(136)	(11,910)	(98.9)
Lease repayments	(89)	(11)	-	(186)	(24)	-
Change in short-term bank loans	-	954	-	-	954	-
Repayment of hybrid capital	-	(5,588)	-	-	(5,588)	-
Coupon payments on hybrid capital	-	(66)	-	-	(261)	-
Dividends paid	(520)	(10,816)	(95.2)	(520)	(10,816)	(95.2)
Capital contribution from non-controlling interests	(1)	(1)	-	(1)	-	-
Financing activities in continuing operations	**(717)**	**677**	**-**	**(843)**	**(273)**	**-**
Financing activities in discontinued operations	-	-	-	-	-	-
Total cash flow from financing activities	**(717)**	**677**	**-**	**(843)**	**(273)**	**-**
Total cash flow	**(628)**	**(81)**	**-**	**(529)**	**(493)**	**7.3**
Cash and cash equivalents (beginning-of-period)	2,351	1,365	72.2	2,244	1,767	27.0
Effect of exchange-rate changes on cash and cash equivalents	(2)	11	(118.2)	6	21	(71.4)
Cash and cash equivalents (end-of-period)	**1,721**	**1,295**	**32.9**	**1,721**	**1,295**	**32.9**

Statement of changes in equity

DKKm

	Equity attributable to owners of the parent company							
	Share capital	**Reserve for currency translation adjustments**	**Reserve for cash flow hedges**	**Retained earnings**	**Total**	**Hybrid capital**	**Non-controlling interests**	**Total**
Equity at 1 January 2018	812	(1,507)	(175)	20,881	20,011	5,552	1	25,564
Profit for the period				331	331	235	1	567
Exchange-rate adjustments of foreign enterprises		235			235			235
Value adjustments of hedging instruments			(32)		(32)			(32)
Remeasurement effects of defined benefit pension plans				(200)	(200)			(200)
Income tax relating to remeasurement effects of defined benefit pension plans				44	44			44
Total comprehensive income	**-**	**235**	**(32)**	**175**	**378**	**235**	**1**	**614**
Distributed dividends				(10,816)	(10,816)			(10,816)
Repayment of hybrid capital				(36)	(36)	(5,552)		(5,588)
Share-based remuneration				(291)	(291)			(291)
Income tax relating to share-based remuneration				96	96			96
Coupon payments on hybrid capital					-	(261)		(261)
Income tax relating to coupon payments on hybrid capital					-	26		26
Additions to non-controlling interests					-		1	1
Decrease in non-controlling interests					-		(1)	(1)
Total transactions with shareholders	**-**	**-**	**-**	**(11,047)**	**(11,047)**	**(5,787)**	**-**	**(16,834)**
Equity at 30 June 2018	**812**	**(1,272)**	**(207)**	**10,009**	**9,342**	**-**	**2**	**9,344**

Statement of changes in equity (continued)

DKKm

	Equity attributable to owners of the parent company							
	Share capital	Reserve for currency translation adjustments	Reserve for cash flow hedges	Retained earnings	Total	Hybrid capital	Non-controlling interests	Total
Equity at 1 January 2019	812	7	(185)	14,826	15,460	-	2	15,462
Profit for the period				40	40		1	41
Exchange-rate adjustments of foreign enterprises		(3)			(3)			(3)
Value adjustments of hedging instruments			22		22			22
Remeasurement effects related to defined benefit pension plans				(125)	(125)			(125)
Income tax relating to remeasurement effects from defined benefit pension plans				27	27			27
Total comprehensive income	**-**	**(3)**	**22**	**(58)**	**(39)**	**-**	**1**	**(38)**
Distributed dividends				(520)	(520)		(1)	(521)
Total transactions with shareholders	**-**	**-**	**-**	**(520)**	**(520)**	**-**	**(1)**	**(521)**
Equity at 30 June 2019	**812**	**4**	**(163)**	**14,248**	**14,901**	**-**	**2**	**14,903**

Consolidated financial statements

Note 1 Accounting policies

TDC's Interim Financial Report for H1 2019 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 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 2018, cf. TDC's Annual Report 2018.

Changed accounting for leases
The standard IFRS 16 Leases, effective from 1 January 2019, replaces the previous standard IAS 17 Leases and its associated interpretation guidance.

- IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the lessee. Under the new standard, leases result in the lessee obtaining the right to use an asset during the estimated lease term and, if lease payments are made over time, obtaining financing.
- Consequently, all leases (with a few exceptions) must now be recognised in the balance sheet as lease assets and corresponding lease liabilities.
- The lease expenses, which were previously recognised as a single amount (operating expenses), now consist of two elements: depreciation and interest expenses.
- TDC has applied the practical expedients to recognise payments associated with short-term leases and leases of low value assets as expenses in the income statement.
- The accounting for leases previously classified as finance leases is unchanged.

TDC has implemented IFRS 16 using the modified retrospective approach, which means that comparative figures for previous periods have not been restated. The cumulative effect of initially applying the standard was recognised at 1 January 2019.

IFRS 16 impact on initial application at 1 January 2019

	DKKm
Lease assets	4,704
Total assets	**4,704**
Provisions incl. short term part	(682)
Loans incl. short term part (lease liabilities)	5,386
Total liabilities	**4,704**

Impact on Consolidated Financial Statements

DKKm

	Previous accounting policy H1 2019	Changed accounting policy H1 2019	New accounting policy H1 2019
External expenses	(1,303)	158	(1,145)
Personnel expenses	(1,753)	(3)	(1,756)
Other income (re. sublease of vacant tenancies)	48	40	88
Operating profit before depreciation, amortisation and special items (EBITDA)	**3,174**	**195**	**3,369**
Depreciation, amortisation and impairment losses	(2,327)	(185)	(2,512)
Financial income and expenses	(378)	(117)	(495)
Income taxes	(256)	24	(232)
Profit for the period	**124**	**(83)**	**41**
Total assets	**51,165**	**4,530**	**55,695**
Provisions incl. short term part	1,047	(655)	392
Loans incl. short term part	23,000	5,232	28,232
Deferred tax liabilities	3,482	(24)	3,458
Total liabilities	**36,179**	**4,613**	**40,792**
Total cash flow from operating activities	**2,520**	**182**	**2,702**
Total cash flow from financing activities	**(661)**	**(182)**	**(843)**

Except for the changes mentioned above, the accounting policies are unchanged compared with the policies applied in the Annual Report 2018.

Note 2 Segment reporting

Activities

DKKm

	Consumer[1]		Business		Wholesale		Other Operations[2]	
	Q2 2019	Q2 2018	Q2 2019	Q2 2018	Q2 2019	Q2 2018	Q2 2019	Q2 2018
Mobility services	776	747	287	280	149	140	1	1
Landline voice	126	150	146	174	32	39	2	2
Internet and network	659	614	296	311	196	196	62	44
TV	980	995	7	8	10	12	(0)	0
Other services	172	247	256	285	34	35	86	80
Revenue	**2,713**	**2,753**	**992**	**1,058**	**421**	**422**	**151**	**127**
Cost of sales	(797)	(789)	(206)	(250)	(119)	(117)	(72)	(50)
Gross profit	**1,916**	**1,964**	**786**	**808**	**302**	**305**	**79**	**77**
Operating expenses	(456)	(470)	(227)	(229)	(45)	(32)	(724)	(759)
Other income and expenses	-	1	-	-	-	-	56	41
EBITDA	**1,460**	**1,495**	**559**	**579**	**257**	**273**	**(589)**	**(641)**
Specification of revenue:								
External revenue	2,711	2,750	983	1,039	397	418	150	127
Revenue across segments	2	3	9	19	24	4	1	-

	Eliminations		Total	
	Q2 2019	Q2 2018	Q2 2019	Q2 2018
Mobility services	(4)	(3)	1,209	1,165
Landline voice	-	-	306	365
Internet and network	(21)	(3)	1,192	1,162
TV	1	(1)	998	1,014
Other services	(12)	(19)	536	628
Revenue	**(36)**	**(26)**	**4,241**	**4,334**
Cost of sales	41	15	(1,153)	(1,191)
Gross profit	**5**	**(11)**	**3,088**	**3,143**
Operating expenses	(12)	18	(1,464)	(1,472)
Other income and expenses	(9)	(12)	47	30
EBITDA	**(16)**	**(5)**	**1,671**	**1,701**
Specification of revenue:				
External revenue	-	-	4,241	4,334
Revenue across segments	(36)	(26)	-	-

Note 2 Segment reporting (continued)

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

DKKm

	Q2 2019	Q2 2018
EBITDA from reportable segments	1,671	1,701
Unallocated:		
Depreciation, amortisation and impairment losses	(1,366)	(962)
Special items	(35)	(709)
Financial income and expenses	(328)	(26)
Consolidated profit before income taxes	**(58)**	**4**

1 The two operating segments YouSee and Online Brands are aggregated to the reportable segment Consumer as both render telecoms services B2C on the same telecoms network and under the same regulatory environment.

2 Consists of the three operating segments Operations, Digital and Headquarters. At Operations, external revenue amounted to DKK 143m (Q2 2018: DKK 117m), revenue across segments amounted to DKK 28m (Q2 2018: DKK 4m) and EBITDA amounted to DKK (254)m (Q2 2018: DKK (266)m). At Digital, external revenue amounted to DKK 3m (Q2 2018: DKK 3m), revenue across segments totalled DKK 0m (Q2 2018: DKK 0m) and EBITDA amounted to DKK (92)m (Q2 2018: DKK (86)m). At Headquarters, external revenue amounted to DKK 4m (Q2 2018: DKK 7m), revenue across segments totalled DKK 9m (Q2 2018: DKK 6m) and EBITDA amounted to DKK (243)m (Q2 2018: DKK (289)m). Elimination of revenue across segments within Other operations totalled DKK (36)m (Q2 2018: DKK(10)m).

During Q2 2019 TDC made several organisational changes, primarily to prepare for the legal separation of Nuuday and NetCo. The organisational changes are reflected in the financial reporting for the business lines for January-June 2019 and comparative figures are restated accordingly.

Costs are still not allocated but are included in the business line responsible for the service. Following the legal separation, trading on an arm's length basis between Nuuday, NetCo and the shared service centres at Headquarters is under implementation and is expected to be reflected in the financial reporting as of Q4 2019.

Note 2 Segment reporting (continued)

Activities

DKKm

	Consumer[1]		Business		Wholesale		Other Operations[2]	
	H1 2019	H1 2018	H1 2019	H1 2018	H1 2019	H1 2018	H1 2019	H1 2018
Mobility services	1,546	1,495	581	571	274	278	2	2
Landline voice	259	307	294	345	70	77	4	5
Internet and network	1,318	1,224	596	630	395	397	104	87
TV	1,971	2,010	14	16	21	26	-	-
Other services	345	449	574	553	73	73	181	154
Revenue	**5,439**	**5,485**	**2,059**	**2,115**	**833**	**851**	**291**	**248**
Cost of sales	(1,593)	(1,555)	(496)	(501)	(246)	(240)	(105)	(108)
Gross profit	**3,846**	**3,930**	**1,563**	**1,614**	**587**	**611**	**186**	**140**
Operating expenses	(907)	(933)	(443)	(439)	(84)	(65)	(1,461)	(1,456)
Other income and expenses	-	1	-	-	-	-	107	73
EBITDA	**2,939**	**2,998**	**1,120**	**1,175**	**503**	**546**	**(1,168)**	**(1,243)**
Specification of revenue:								
External revenue	5,436	5,480	2,034	2,092	785	843	290	248
Revenue across segments	3	5	25	23	48	8	1	-

	Eliminations		Total	
	H1 2019	H1 2018	H1 2019	H1 2018
Mobility services	(4)	(6)	2,399	2,340
Landline voice	-	(1)	627	733
Internet and network	(43)	(6)	2,370	2,332
TV	2	-	2,008	2,052
Other services	(32)	(23)	1,141	1,206
Revenue	**(77)**	**(36)**	**8,545**	**8,663**
Cost of sales	77	28	(2,363)	(2,376)
Gross profit	**-**	**(8)**	**6,182**	**6,287**
Operating expenses	(6)	21	(2,901)	(2,872)
Other income and expenses	(19)	(21)	88	53
EBITDA	**(25)**	**(8)**	**3,369**	**3,468**
Specification of revenue:				
External revenue	-	-	8,545	8,663
Revenue across segments	(77)	(36)	-	-

Note 2 Segment reporting (continued)

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

DKKm

	H1 2019	H1 2018
EBITDA from reportable segments	3,369	3,468
Unallocated:		
Depreciation, amortisation and impairment losses	(2,512)	(1,973)
Special items	(86)	(692)
Financial income and expenses	(498)	(130)
Consolidated profit before income taxes	**273**	**673**

1 The two operating segments YouSee and Online Brands are aggregated to the reportable segment Consumer as both render telecoms services B2C on the same telecoms network and under the same regulatory environment.

2 Consists of the three operating segments Operations, Digital and Headquarters. At Operations, external revenue amounted to DKK 275m (H1 2018: DKK 232m), revenue across segments amounted to DKK 46m (H1 2018: DKK 6m) and EBITDA amounted to DKK (455)m (H1 2018: DKK (514)m). At Digital, external revenue amounted to DKK 7m (H1 2018: DKK 6m), revenue across segments totalled DKK 0m (H1 2018: DKK 0m) and EBITDA amounted to DKK (186)m (H1 2018: DKK (155)m). At Headquarters, external revenue amounted to DKK 8m (H1 2018: DKK 10m), revenue across segments totalled DKK 18m (H1 2018: DKK 16m) and EBITDA amounted to DKK (526)m (H1 2018: DKK (574)m). Elimination of revenue across segments within Other operations amounted to DKK (63)m (H1 2018: DKK (22)m).

Note 3 Depreciation, amortisation and impairment losses

DKKm

	Q2 2019	Q2 2018	H1 2019	H1 2018
Depreciation on property, plant and equipment	(833)	(550)	(1,445)	(1,151)
Amortisation of intangible assets	(426)	(406)	(853)	(799)
Depreciation of lease assets	(85)	-	(190)	-
Impairment losses	(22)	(6)	(24)	(23)
Total	**(1,366)**	**(962)**	**(2,512)**	**(1,973)**

The increase in depreciation, amortisation and impairment losses from H1 2018 to H1 2019 is due primarily to the reduced useful lives of existing mobile equipment as a result of the ongoing replacement with Ericsson equipment as well as higher depreciation on lease assets as a result of implementing IFRS 16 Leases.

Note 4 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 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 and discontinued operations are recognised in profit from joint ventures and associates and profit for the year from discontinued operations, respectively.

Special items

DKKm

	Q2 2019	Q2 2018	H1 2019	H1 2018
Costs related to redundancy programmes and vacant tenancies	(19)	(68)	(32)	(111)
Other restructuring costs, etc.	(3)	(446)	(40)	(453)
Income from rulings	-	-	-	85
Loss from rulings	(1)	-	(2)	-
Costs related to acquisition of enterprises	(11)	(3)	(11)	(21)
Loss from divestments of enterprises and property	(1)	-	(1)	-
PSP settlement	-	(192)	-	(192)
Special items before income taxes	**(35)**	**(709)**	**(86)**	**(692)**
Income taxes related to special items	5	66	12	57
Special items related to joint ventures and associates	-	-	2	-
Special items related to discontinued operations	-	(12)	-	(12)
Total special items	**(30)**	**(655)**	**(72)**	**(647)**

1 Following the adoption of IFRS 16 Leases from 1 January 2019, costs related to vacant tenancies are no longer recognised as special items. The comparative figures still include costs related to vacant tenancies.

The positive development in special items is due primarily to costs in Q2 2018 related to the takeover of TDC.

Note 5 Financial income and expenses

Financial income and expenses

DKKm

	Q2 2019	Q2 2018	Change in %	H1 2019	H1 2018	Change in %
Interest income	26	2	-	28	4	-
Interest expenses	(303)	(195)	55.4	(580)	(344)	68.6
Net interest	**(277)**	**(193)**	**43.5**	**(552)**	**(340)**	**62.4**
Currency translation adjustments	135	65	107.7	3	75	(96.0)
Fair value adjustments	(210)	74	-	1	81	(98.8)
Interest, currency translation adjustments and fair value adjustments	**(352)**	**(54)**	**-**	**(548)**	**(184)**	**197.8**
Profit/(loss) from joint ventures and associates	(2)	1	-	(3)	-	-
Interest on pension assets	26	27	(3.7)	53	54	(1.9)
Total	**(328)**	**(26)**	**-**	**(498)**	**(130)**	**-**

Net financials recognised in other comprehensive income

DKKm

	Q2 2019	Q2 2018	H1 2019	H1 2018
Currency translation adjustment, foreign enterprises	-	106	(3)	235
Reversal of currency translation adjustment related to disposal of foreign enterprises	-	-	-	-
Exchange-rate adjustments of foreign enterprises	**-**	**106**	**(3)**	**235**
Change in fair value adjustments of cash flow hedges	-	5	-	(29)
Change in fair value adjustments of cash flow hedges transferred to financial expenses	11	(1)	22	(3)
Value adjustments of hedging instruments	**11**	**4**	**22**	**(32)**

Note 5 Financial income and expenses (continued)

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

Specifications

DKKm

	Q2 2019				Q2 2018			
	Interest	Currency translation adjustments	Fair value adjustments	Total	Interest	Currency translation adjustments	Fair value adjustments	Total
Senior Facility Agreement	(101)	3	(12)	**(110)**	(24)	172	15	**163**
Euro Medium Term Notes	(108)	2	(74)	**(180)**	(108)	6	(47)	**(149)**
Lease liabilities	(61)	-	-	**(61)**	(3)	-	-	**(3)**
Other	(4)	3	-	**(1)**	(57)	(7)	1	**(63)**
Total	**(274)**	**8**	**(86)**	**(352)**	**(192)**	**171**	**(31)**	**(52)**

	H1 2019				H1 2018			
	Interest	Currency translation adjustments	Fair value adjustments	Total	Interest	Currency translation adjustments	Fair value adjustments	Total
Senior Facility Agreement	(198)	4	(27)	**(221)**	(24)	172	15	**163**
Euro Medium Term Notes	(186)	6	(8)	**(188)**	(237)	(9)	(29)	**(275)**
Lease liabilities	(123)	-	-	**(123)**	(6)	-	-	**(6)**
Other	(29)	11	2	**(16)**	(72)	17	(10)	**(65)**
Total	**(536)**	**21**	**(33)**	**(548)**	**(339)**	**180**	**(24)**	**(183)**

Interest, currency translation adjustments and fair value adjustments represented an expense of DKK 548m in H1 2019, corresponding to an increase of DKK 365m compared with H1 2018 which was driven primarily by the following:

- As of 1 January 2019, IFRS 16 was implemented resulting in additional interest expenses of DKK 116m relating to lease liabilities.
- Interest expenses during the first half year in 2019 were DKK 80m higher than in H1 2018 due to the new debt facilities put in place following DKT Telekommunikation ApS' acquisition of TDC in Q2 2018.
- Currency translation adjustments in H1 2018 were positively impacted by a gain of DKK 180m related to the USD 1,418m SFA loan established on 28 June 2018 and pre-hedged from 11 June 2018.

Note 6 Pension assets and pension obligations

Domestic defined benefit plan

DKKm

	Q2 2019	Q2 2018	H1 2019	H1 2018
Pension (costs)/income				
Service cost	(22)	(27)	(45)	(54)
Administrative expenses	(4)	(4)	(7)	(7)
Personnel expenses (included in EBITDA)	**(26)**	**(31)**	**(52)**	**(61)**
Interest on pension assets	26	27	53	54
Pension (costs)/income	**(2)**	**(4)**	**1**	**(7)**
Redundancy programmes recognised in special items			(2)	(32)
Members part of distribution of "excess capital"	-	(26)	(24)	-
Total pension (costs)/ income recognised in the income statement	**(2)**	**(30)**	**(25)**	**(39)**

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, TDC Pension Fund can under certain circumstances distribute "excess capital" annually as described and defined in the fund's articles of association and pension regulation. Regarding the financial year 2018, DKK 160m was distributed, of which TDC received DKK 136m before tax, and the members of the fund received DKK 24m (recognised as special items).

Domestic defined benefit plan

DKKm

	30 June 2019	31 December 2018	30 June 2018
Assets and obligations			
Specification of pension assets			
Fair value of plan assets	30,896	29,990	30,938
Defined benefit obligation	(24,325)	(23,136)	(24,415)
Pension assets recognised in the balance sheet	**6,571**	**6,854**	**6,523**
Change in pension assets			
Pension assets recognised at 1 January	6,854	6,752	6,752
Pension (costs)/income	(1)	(43)	(39)
Remeasurement effects	(125)	131	(199)
Distribution of "excess capital"	(160)	-	-
TDC's contribution	3	14	9
Pension assets recognised in the balance sheet	**6,571**	**6,854**	**6,523**
Assumptions used to determine defined benefit obligations			
Discount rate	0.80	1.55	1.44
General price/wage inflation	1.20	1.51	1.75
Assumptions used to determine pension (costs)/income			
Discount rate	1.55	1.56	1.56
General price/wage inflation	1.51	1.73	1.73

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

The remeasurement effects in H1 2019 (a net loss of DKK 125m) cover primarily a loss related to the benefit obligation (DKK 1,507m) resulting from the decreasing discount rate (from 1.55% to 0.80%) and the decreasing inflation rate (from 1.51% to 1.20%). The loss was partly offset by a gain related to the plan assets (DKK 1,382m) as the actual return was higher than the expected return[1].

[1] 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.

Note 7 Loans and net interest-bearing debt

Euro Medium Term Notes (EMTNs) and Senior Facility Agreement (SFA)

DKKm

	2022	2023	2025	Total
Maturity	Mar 22	Feb 23	Jun 25	
Fixed/Floating rate	Fixed	Fixed	Floating	
Coupon	5.000%	6.875%		
Currency	EUR	GBP	EUR	
Type	EMTN Bond	EMTN Bond	SFA loan	
Nominal value (DKKm)	3,733	3,539	14,185	21,457
Nominal value (Currency)	500	425	1,900	
– Of which nominal value swapped to EUR or DKK (Currency)[1]	200	425		
– Of which nominal value swapped to or with floating interest rate (EURm)	100	-	700	800
– Of which nominal value swapped to or with fixed interest rate (EURm)[2]	400	500	1,200	2,100

[1] EUR exposures are not considered a significant risk due to the fixed EURDKK exchange rate policy.
[2] 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 hedging long-term SFA loan mature in June 2020 and nominal EUR 275m mature in later periods.

Net interest-bearing debt

DKKm

	30 June 2019	31 December 2018	30 June 2018
EMTN loans incl. short-term part	7,292	7,285	13,289
Senior Facility Agreement incl. short-term part	14,139	14,140	23,668
Bank loans	-	-	-
Debt regarding leasing incl. short-term part	5,300	72	80
Other long-term loans incl. short-term part	1,501	311	415
Short-term bank loans	-	-	954
Interest-bearing payables	2	2	2
Derivatives	134	200	30
Interest-bearing receivables and investments	(153)	(156)	(184)
Cash	(1,721)	(2,244)	(1,295)
Net interest-bearing debt	**26,494**	**19,610**	**36,959**

Net interest-bearing debt increased by DKK 6,884m during H1 2019. This was caused primarily by the increased recognition of lease liabilities stemming from the adoption of the accounting standard IFRS 16 Leases (DKK 5,386m), and acquisition of mobile licences (DKK 1,352m).

Note 8 Hybrid capital

Until repayment in June 2018, TDC Group had EUR 750m in callable subordinated capital securities (hybrid bonds) outstanding that was accounted for as equity. The hybrid capital was subordinated to the Group's other creditors.

Coupon payments were recognised directly in equity at the time the payment obligation arose.

Coupon payments were recognised in the statement of cash flow as a separate item within financing activities.

The hybrid bonds issued by TDC Group provided 50% equity credit from rating agencies. Accordingly, 50% of the hybrid capital was included in NIBD.

Note 9 Events after the balance sheet date

There have been no events that materially affect the assessment of this Interim Financial Report January – June 2019 after the balance sheet date and up to today.

Organic figures

In order to evaluate TDC Group's underlying organic growth, TDC Group's figures are adjusted for a number of factors affecting comparability; regulatory price adjustments, impact from acquisitions and divestments as well as costs related to the separation of TDC, investments in fibre rollout, effects from new lease accounting principles (IFRS 16) and impact from changed classification of certain costs related to customer installations.

TDC Group, adjustments

DKKm

	Q1	Q2	H1
Reported EBITDA 2018	**1,767**	**1,701**	**3,468**
Acquisitions, divestments & regulation	3	(2)	1
IFRS 16 and classification	95	86	181
Costs related to the separation of TDC incl. investments in fibre rollout	(114)	(70)	(185)
Adjusted EBITDA 2018	**1,751**	**1,715**	**3,465**
Reported EBITDA 2019	**1,698**	**1,671**	**3,369**
Organic Growth %	**-3.0%**	**-2.6%**	**-2.8%**

Corporate matters

Legal separation

On 11 June 2019, TDC completed a partial demerger of TDC in accordance with the strategy communicated earlier.

The demerger involves a legal separation of the two business units established in June 2018 (OpCo and NetCo), which were transferred to TDC's subsidiaries, Nuuday A/S and TDC Netco A/S, with effect from 1 January 2019, as further described in the demerger plan dated 10 May 2019. Certain headquarter functions and the primary part of TDC's external debt financing will remain in TDC after completion of the demerger.

Trading on an arm's length basis between Nuuday, NetCo and the shared service centres at Headquarters is under implementation and is expected to be reflected in the financial reporting as of Q4 2019.

Jaap Postma, Senior Executive Vice President, responsible for Nuuday has resigned from the executive committee of TDC A/S but will continue as president and as a member of the executive committee of Nuuday A/S, Michael Moyell Juul, Senior Executive Vice President, responsible for TDC Business has resigned from the executive committee of TDC A/S but will continue as a member of the executive committee of Nuuday A/S, and Andreas Pfisterer, Senior Executive Vice President, responsible for NetCo has resigned from the executive committee of TDC A/S but will continue as president and member of the executive committee of TDC Netco A/S.

Risk factors

TDC Group's Annual Report describes certain risks that could materially and adversely affect TDC Group's business, financial condition, results of operations and/or cash flows. At the end of H1 2019, TDC expects no significant changes in these risks.

Forward-looking statements

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

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

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

Management statement

Management statement
Today, the Board of Directors and the Executive Committee considered and approved the Interim Financial Statements of TDC Group for H1 2019.

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

In our opinion, the Financial Report gives a true and fair view of the Group's assets, liabilities and financial position at 30 June 2019 as well as the results of operations and cash flows for H1 2019. 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, 13 August 2019

Executive Committee

Allison Kirkby
Group Chief Executive Officer and President

Lasse Pilgaard
Senior Executive Vice President, Chief Financial Officer

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

Board of Directors

Bert Nordberg
Chairman

Mike Parton
Vice Chairman

Marianne Rørslev Bock

Martin Bradley

Nathan Luckey

Arthur Rakowski

Mogens Jensen

Thomas Lech Pedersen

John Schwartzbach

Zanne Stensballe

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