Q1 highlights

- **Reported EBITDA** declined by 3.9% and adjusted for new lease accounting principles (IFRS 16) EBITDA decreased by 9.5%. The decline was driven by extraordinary high costs related to the separation of TDC as well as investments in the new strategy
- **Organic EBITDA**[1] declined by 3.0%, and in line with expectations. Commercial performance was consistent with prior quarter trends, however compared with Q1 2018, we generated lower year-on-year cost savings and have now annualised the synergies generated from the acquisition of Plenti
- Continued **improved development in gross profit** with growth in Consumer's and Business' mobility services and Consumer broadband driven by price increases and the acquisition of Hiper, despite a continued loss of customers across broadband, landline voice and TV
- **Business revenue growth** of 0.9%, the highest growth in the past 10 years, was driven by growth in mobility services as well as growth in integrated services
- As we prepare for the separation, TDC Group's customer-orientated business line "OpCo" has been relaunched as **Nuuday.** Nuuday is a digital services company that will create value by providing its customers with the best and most digitalised services and experiences, including entertainment. To stabilise and return the TV and Business segments to growth, Nuuday has made major strategic investments during the quarter:
    - **Premier League Agreement** with Nordic Entertainment Group. Half of the matches will be available exclusively on YouSee's new TV and streaming channel Xee from August 2019
    - Strategic acquisitions in **security (Secu) and cloud (Firmafon)**, to better serve our large, medium-sized and small enterprises with a broader range of digital services
- Continued focus on investments in **the best high-speed technologies** with an **open-access and carrier neutral approach:**
    - Successfully acquired **new mobile licences** for the 700 and 2300 MHz bands, and renewed the 900-MHz band licence. TDC won 14 out of 20 lots at the auction, which was the maximum allowed allocation. With the new spectrum, TDC will be able to roll out 5G across Denmark and strengthen capacity in our award winning 4G network
    - **New strategic partnership established to build next-generation 5G infrastructure** between TDC Group and Ericsson to build a nationwide 5G mobile network. The ambition is to offer 5G coverage throughout Denmark by the end of 2020
    - Fibre rollout set to accelerate; **12k addresses** announced across Denmark so far
    - **National roaming agreement with 3**, including voice, messages and data across TDC Group's 2G, 3G and 4G networks. The agreement will benefit Group financials from Q2 2019
- **Guidance 2019** is maintained, excluding effects from IFRS 16; with slightly lower EBITDA, capex of DKK 4.1-4.5bn and leverage of ~3.5x for the year

1. Organic figures are reported figures excluding the impact from regulatory price adjustments, impact from acquisitions and divestments, costs related to the separation of TDC as well as investments in fibre rollout and effects from new lease accounting principles (IFRS 16).

Group performance

Q1 financial performance

Revenue

During Q1 2019, TDC Group's reported revenue decreased by 0.6%, or DKK 25m to DKK 4,304m. Adjusted for the impact from acquisitions, organic revenue decreased by 1.4% due mainly to a decline in landline voice and TV that was partly offset by growth in mobility services.

Gross profit

In the first quarter of 2019, TDC Group's reported gross profit decreased by 1.6% or DKK 50m to DKK 3,094. Organic gross profit decreased by 2.2% or DKK 71m driven by the continued decline in landline voice and TV. However, gross profit on mobility services was flat compared with growth in previous years as the organic YoY impact from the Plenti acquisition has annualised out. The gross profit margin decreased from 72.6% in the first quarter of 2018 to 71.9% in the first quarter 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[1]

In the first quarter of 2019, reported operating expenses increased by 1.4% or DKK 19m to DKK 1,396m. Adjusted for new lease accounting principles (IFRS 16), operating expenses increased by 8.0%. Further adjusted for costs related to the separation of TDC, investments in fibre rollout as well as the impact from acquisitions, organic operating expenses decreased by 1.3%. The improved operating expenses were fuelled by continued cost savings stemming from fewer FTEs in the field force and lower spending in the consumer division.

EBITDA

In Q1 2019, reported EBITDA decreased by 3.9% or DKK 69m to DKK 1,698m. Adjusted for IFRS 16, costs related to the separation of TDC, investments in fibre rollout as well as the impact from acquisitions, organic EBITDA decreased by 3.5%, triggered by the continued decline in landline voice and TV. Compared with the 2.3% organic growth in Q1 2018, the development was impacted mainly by lower cost savings and stable development in mobility services compared with the previous year's growth.

Key figures

	DKKm	Q1 2019	Q1 2018	Change in %
Income statements	DKKm			
Revenue		4,304	4,329	(0.6)
Gross profit		3,094	3,144	(1.6)
Operational expenses		(1,396)	(1,377)	1.4
EBITDA		1,698	1,767	(3.9)
EBITDA excl. IFRS 16		-	-	(9.5)
Organic revenue[1]		-	-	(1.4)
Organic gross profit[1]		-	-	(2.2)
Organic operational expenses[1]		-	-	(1.3)
Organic EBITDA[1]		-	-	(3.0)
Profit for the period from continuing operations excluding special items		270	495	(45.5)
Profit for the period		228	643	(64.5)
Total comprehensive income		288	792	(63.6)
Capital expenditure, excluding mobile licences		(975)	(828)	17.8
Mobile licences		(1,351)	-	-
Key financial ratios				
Gross margin	%	71.9	72.6	-
EBITDA margin	%	39.5	40.8	-

1 Organic figures are reported figures excluding the impact from regulatory price adjustments, impact from acquisitions and divestments, costs related to the separation of TDC as well as investments in fibre rollout and effects from new lease accounting principles (IFRS 16).

1. Including other income.

EBITDA per business line

Consumer

In Q1 2019, Consumer's slight revenue decrease of 0.2% or DKK 6m to DKK 2,726m, was attributable to a general loss of RGUs, partly offset by price increases and the intake of the Coop Mobile agreement and acquisition of Hiper. Gross profit decreased by 1.8% or DKK 36m to DKK 1,930m driven by landline voice, TV and handset sales, partly offset by growth in mobility services and internet & network and to some extent affected by the acquisition of Hiper and Coop.

Operating expenses decreased by 2.9% or DKK 13m to DKK -442m, driven by fewer consultants and lower facility & IT costs. The developments resulted in an EBITDA decline of 1.5% or DKK 23m to DKK 1,488m in Q1 2019. Consumer's organic EBITDA decreased by 1.7% in the first quarter of 2019. Compared with the organic increase of 0.8% in 2018, the development reflected slower growth in mobility services and other services, which was partly offset by internet & network.

Business

In Q1 2019, Business' revenue rose by 0.9% or DKK 10m to DKK 1,066m, triggered mainly by an increase in integrated services, with additional hardware and software sales, consultants and cloud solutions as well as growth in mobility services, which were partly offset by a decrease in landline voice and internet & network. The decline in internet & network reflected a smaller customer base and, to a lesser extent, declining ARPU stemming from pressure on legacy products in the competitive market. Gross profit decreased by 3.5% or DKK 29m to DKK 778m as the increase in hardware and software sales had a limited impact on gross profit. Operating expenses increased by 2.0% or DKK 4m to DKK -208m, due to the acquisition of CC Factory, which was level with Q4 2018.

These developments resulted in an EBITDA decline of 5.3% or DKK 32m to DKK 570m. Business' organic EBITDA decline of 5.4% in Q1 2019 compared favourably with the organic decline of 7.8% in Q1 2018, an improved trend driven by landline voice, integrated services and mobility services.

Wholesale

In the first quarter of 2019, Wholesale reported a revenue decline of 4.0% or DKK 16m to DKK 412m and a gross profit decrease of 6.9% or DKK 21m to DKK 285m, both attributable mainly to mobility services, with a DKK 13m YoY decrease in revenue and 17m decrease YoY in gross profit due mainly to the movement of Coop Mobil to Consumer in Q3 2018. The decline was partly offset by growth in the remaining mobile customer base combined with a positive ARPU increase. Gross profit on broadband increased by DKK 1m YoY due to an ARPU uplift fuelled by a regulatory price increase as of 1 January 2019.

Operational expenditure increased by DKK 7m to 36m, reflecting increased marketing spending resulting from fibre rollout investments. Wholesales' reported EBITDA decreased by 10.1% or DKK 28m to DKK 249m.

Other operations

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

In Q1 2019, Other operations' revenue increased by 15.7% or DKK 19m to DKK 140m, and gross profit improved by 72.6% or DKK 45m to DKK 107m resulting from increased external revenue from DKTV generated by 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.

Operating expenses increased by 3.7% or DKK 25m to DKK -708m. Adjusted for IFRS 16 operating expenses increased by 17.1%. Further adjusted for costs related to the separation of TDC as well as investments in fibre rollout, organic operating expenses decreased by 0.2%. The decrease was driven by fewer FTEs in the field force triggered by fewer faults. This positive trend was almost offset by extra costs at Digital and fewer eliminations due to a higher share of external activities in DKTV.

Other operations' EBITDA improved by 3.2% or DKK 20m to DKK -601m, driven by positive effects from IFRS 16, partly offset by costs related to the separation of TDC as well as investments in fibre rollout. Adjusted for these effects, Other operations' organic EBITDA improved by 5.4% driven by positive effects from more external activities in DKTV and fewer FTEs in the field force, which were partly offset by extra costs at Digital.

Capital expenditure

In Q1 2019, capital expenditure totalled DKK 975m, up by 17.8% or DKK 147m compared with the same period last year. This trend resulted from increased investments in fibre rollout, a TV platform to support the new media strategy, and IT separation.

In Q1 2019, TDC invested in new mobile licences for the 700 and 2300 MHz bands, and renewed the licence for the 900 MHz band. TDC won 14 of the 20 lots up for auction, which was the maximum permitted allocation. With the new spectrum, TDC can roll out 5G throughout Denmark and strengthen the capacity in the 4G network.[1]

1. TDC has paid DKK 162m in April 2019 and is going to pay DKK 162m per year in April from 2022 to 2030 both years included. The payments lead to an increase of DKK 1351m in TDC's long-term debt.

Cash flow

The decrease of DKK 94m in cash flow from operating activities in Q1 2019 was explained primarily by the different timing in net working capital (DKK -196m) compared with Q1 2018 and lower EBITDA (DKK -69m). This was partly offset by annual distribution of "excess capital" from TDC Pension Fund net of tax (DKK 102m) (cf. note 6) as well as lower net interest paid (DKK 69m) due to the changed timing following refinancing during 2018. Cash flow from financing activities in the first quarter of 2019 increased by a total of DKK 824m stemming from net repayment of loans in Q1 2018 and the cessation of coupon payments on hybrid capital after the redemption of hybrid capital in 2018.

Profit for the period

Excluding discontinued operations and special items, profit for the period declined by 45.5% or DKK 225m triggered primarily by the decrease in EBITDA explained above. Profit for the period (including discontinued operations and special items) declined by DKK 415m reflecting the decrease in EBITDA mentioned above and the divestment of Get.

Comprehensive income

Total comprehensive income decreased by DKK 504m, profit for the period declined by DKK 415m, and the decrease of DKK 89m in other comprehensive income related primarily to a negative development of DKK 132m in exchange-rate adjustments of foreign enterprises (primarily in Norway). This was partly offset by a positive development in value adjustments of hedging instruments (DKK 47m).

Net interest-bearing debt

Net interest-bearing debt increased by DKK 6,533m to DKK 26,143m during Q1 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 1,351m).

Cash flow and Net interest-bearing debt, key figures

DKKm

		Q1 2019	Q1 2018	Change in %
Cash flow from operating activities		1,287	1,381	(6.8)
Investment in property, plant and equipment		(605)	(544)	11.2
Investment in intangible assets		(362)	(318)	13.8
Lease repayments		(97)	(13)	-
Coupon payments on hybrid capital		-	(195)	-
Equity free cash flow		**223**	**311**	**(28.3)**
Total cash flow from operating activities		1,287	1,381	(6.8)
Total cash flow from investing activities		(1,062)	(859)	23.6
Total cash flow from financing activities		(126)	(950)	(86.7)
Total cash flow from continuing operations		99	(428)	(123.1)
Total cash flow from discontinued operations		0	16	-
Total cash flow		**99**	**(412)**	**(124.0)**
Net interest-bearing debt (NIBD)[1]		(26,143)	(22,560)	15.9
NIBD/EBITDA[2]	x	3.9	2.8	-

1 NIBD figures for 2018 include 50% of hybrid capital as rating agencies provide 50% equity credit for hybrid bonds.
2 Calculated without the additional lease liabilities due to the adoption of IFRS 16, the NIBD/EBITDA ratio amounts to 3.1 at 31 March 2019.

TDC Group's performance per business line in Q1 2019

The illustration below reflects TDC Group's Q1 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]	**4,304** (0.6%)	**2,726** (0.2%)	**1,066** 0.9%	**412** (4.0%)	**140** 15.7%
Gross profit[1]	**3,094** (1.6%)	**1,930** (1.8%)	**778** (3.5%)	**285** (6.9%)	**107** 72.6%
EBITDA[1]	**1,698** (3.9%)	**1,488** (1.5%)	**570** (5.3%)	**249** (10.1%)	**(601)** (3.2%)

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

Consolidated financial statements

Income statement

DKKm

	Note	Q1 2019	Q1 2018	Change in %
Revenue	2	**4,304**	**4,329**	**(0.6)**
Cost of sales		(1,210)	(1,185)	2.1
Gross profit		**3,094**	**3,144**	**(1.6)**
External expenses		(574)	(599)	(4.2)
Personnel expenses		(863)	(801)	7.7
Other income		41	23	78.3
Operating profit before depreciation, amortisation and special items (EBITDA)	2	**1,698**	**1,767**	**(3.9)**
Depreciation, amortisation and impairment losses	3	(1,146)	(1,011)	13.4
Operating profit excluding special items (EBIT excluding special items)		**552**	**756**	**(27.0)**
Special items	4	(51)	17	-
Operating profit (EBIT)		**501**	**773**	**(35.2)**
Financial income and expenses	5	(170)	(104)	63.5
Profit before income taxes		**331**	**669**	**(50.5)**
Income taxes		(103)	(166)	(38.0)
Profit for the period from continuing operations		**228**	**503**	**(54.7)**
Profit for the period from discontinued operations		-	140	-
Profit for the period		**228**	**643**	**(64.5)**
Profit attributable to:				
Owners of the parent company		227	465	(51.2)
Coupon payments on hybrid capital, net of tax		-	178	-
Non-controlling interests		1	-	-

Statement of comprehensive income

DKKm

	Note	Q1 2019	Q1 2018
Profit for the period		**228**	**643**
Items that may subsequently be reclassified to the income statement:			
Exchange-rate adjustments of foreign enterprises	5	(3)	129
Value adjustments of hedging instruments	5	11	(36)
Items that cannot subsequently be reclassified to the income statement:			
Remeasurement of defined benefit pension plans		67	72
Income tax relating to remeasurement of defined benefit pension plans		(15)	(16)
Other comprehensive income/(loss)		**60**	**149**
Total comprehensive income/(loss)		**288**	**792**

Balance sheet

DKKm

	Note	31 March 2019	31 December 2018	31 March 2018
Assets				
Non-current assets				
Intangible assets		25,173	23,764	32,677
Property, plant and equipment		14,538	14,597	17,832
Lease assets		4,661	-	-
Joint ventures, associates and other investments		73	91	77
Pension assets	6	6,765	6,854	6,819
Receivables		193	194	196
Derivative financial instruments		-	-	47
Prepaid expenses		40	43	8
Total non-current assets		**51,443**	**45,543**	**57,656**
Current assets				
Inventories		249	187	266
Receivables		1,995	2,119	2,424
Income tax receivables		-	77	-
Derivative financial instruments		57	309	289
Prepaid expenses		377	427	529
Cash		2,351	2,244	1,365
Total current assets		**5,029**	**5,363**	**4,873**
Total assets		**56,472**	**50,906**	**62,529**

Balance sheet

DKKm

	Note	31 March 2019	31 December 2018	31 March 2018
Equity and liabilities				
Equity				
Share capital		812	812	812
Reserve for exchange rate adjustments		4	7	(1,378)
Reserve for cash flow hedges		(174)	(185)	(211)
Retained earnings		15,105	14,826	21,378
Equity attributable to owners of the parent company		**15,747**	**15,460**	**20,601**
Hybrid capital	8	-	-	5,552
Non-controlling interests		3	2	2
Total equity		**15,750**	**15,462**	**26,155**
Non-current liabilities				
Deferred tax liabilities		3,604	3,653	4,310
Provisions		331	972	992
Pension liabilities		-	-	30
Loans	7	27,983	21,691	21,078
Derivative financial instruments		-	-	376
Total non-current liabilities		**31,918**	**26,316**	**26,786**
Current liabilities				
Loans	7	601	117	170
Trade and other payables		7,729	8,134	8,667
Income tax payable		114	-	230
Derivative financial instruments		278	761	404
Provisions		82	116	117
Total current liabilities		**8,804**	**9,128**	**9,588**
Total liabilities		**40,722**	**35,444**	**36,374**
Total equity and liabilities		**56,472**	**50,906**	**62,529**

Statements of cash flow

DKKm

	Q1 2019	Q1 2018	Change in %
EBITDA	1,698	1,767	(3.9)
Adjustment for non-cash items	50	52	(3.8)
Pension contributions	135	(4)	-
Payments related to provisions	-	(4)	-
Special items	(37)	26	-
Change in working capital	(81)	115	(170.4)
Interest paid, net	(502)	(571)	(12.1)
Income tax received/(paid)	24	-	-
Operating activities in continuing operations	**1,287**	**1,381**	**(6.8)**
Operating activities in discontinued operations	-	212	-
Total cash flow from operating activities	**1,287**	**1,593**	**(19.2)**
Investment in enterprises	(116)	(1)	-
Investment in property, plant and equipment	(605)	(544)	11.2
Investment in intangible assets	(362)	(318)	13.8
Investment in other non-current assets	-	(1)	-
Divestment of joint ventures and associates	17	-	-
Sale of other non-current assets	4	5	(20.0)
Investing activities in continuing operations	**(1,062)**	**(859)**	**23.6**
Investing activities in discontinued operations	-	(196)	-
Total cash flow from investing activities	**(1,062)**	**(1,055)**	**0.7**
Proceeds from long-term loans	-	3,724	-
Repayment of long-term loans	(29)	(4,467)	(99.4)
Lease repayments	(97)	(13)	-
Coupon payments on hybrid capital	-	(195)	-
Capital contribution from non-controlling interests	-	1	-
Financing activities in continuing operations	**(126)**	**(950)**	**(86.7)**
Financing activities in discontinued operations	-	-	-
Total cash flow from financing activities	**(126)**	**(950)**	**(86.7)**
Total cash flow	**99**	**(412)**	**(124.0)**
Cash and cash equivalents (beginning-of-period)	2,244	1,767	27.0
Effect of exchange-rate changes on cash and cash equivalents	8	10	(20.0)
Cash and cash equivalents (end-of-period)	**2,351**	**1,365**	**72.2**

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				465	465	178		643
Exchange-rate adjustments of foreign enterprises		129			129			129
Value adjustments of hedging instruments			(36)		(36)			(36)
Remeasurement effects of defined benefit pension plans				72	72			72
Income tax relating to remeasurement effects of defined benefit pension plans				(16)	(16)			(16)
Total comprehensive income	**-**	**129**	**(36)**	**521**	**614**	**178**	**-**	**792**
Share-based remuneration				(24)	(24)			(24)
Coupon payments on hybrid capital					-	(195)		(195)
Income tax relating to coupon payments on hybrid capital					-	17		17
Additions to non-controlling interests					-		1	1
Total transactions with shareholders	**-**	**-**	**-**	**(24)**	**(24)**	**(178)**	**1**	**(201)**
Equity at 31 March 2018	**812**	**(1,378)**	**(211)**	**21,378**	**20,601**	**5,552**	**2**	**26,155**

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				227	227		1	228
Exchange-rate adjustments of foreign enterprises		(3)			(3)			(3)
Value adjustments of hedging instruments			11		11			11
Remeasurement effects related to defined benefit pension plans				67	67			67
Income tax relating to remeasurement effects from 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**

Consolidated financial statements

Note 1 Accounting policies

TDC's Interim Financial Report for Q1 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 Q1 2019	Changed accounting policy Q1 2019	New accounting policy Q1 2019
External expenses	(652)	78	(574)
Personnel expenses	(862)	(1)	(863)
Other income (re. sublease of vacant tenancies)	20	21	41
Operating profit before depreciation, amortisation and special items (EBITDA)	**1,600**	**98**	**1,698**
Depreciation, amortisation and impairment losses	(1,043)	(103)	(1,146)
Financial income and expenses	(112)	(58)	(170)
Income taxes	(117)	14	(103)
Profit for the period	**277**	**(49)**	**228**
Total assets	**51,879**	**4,593**	**56,472**
Provisions incl. short term part	1,084	(671)	413
Loans incl. short term part	23,257	5,327	28,584
Deferred tax liabilities	3,618	(14)	3,604
Total liabilities	**36,080**	**4,642**	**40,722**
Total cash flow from operating activities	**1,192**	**95**	**1,287**
Total cash flow from financing activities	**(31)**	**(95)**	**(126)**

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]	
	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018
Mobility services	770	748	294	291	125	138	1	1
Landline voice	133	157	148	171	38	38	2	3
Internet and network	659	610	300	319	199	201	42	43
TV	991	1,015	7	8	11	14	-	0
Other services	173	202	317	268	39	38	95	74
Revenue	**2,726**	**2,732**	**1,066**	**1,057**	**412**	**429**	**140**	**121**
Cost of sales	(796)	(766)	(288)	(251)	(127)	(123)	(33)	(59)
Gross profit	**1,930**	**1,966**	**778**	**806**	**285**	**306**	**107**	**62**
Operating expenses	(442)	(455)	(208)	(204)	(36)	(29)	(759)	(715)
Other income and expenses	-	-	-	-	-	-	51	32
EBITDA	**1,488**	**1,511**	**570**	**602**	**249**	**277**	**(601)**	**(621)**
Specification of revenue:								
External revenue	2,725	2,730	1,051	1,053	388	425	140	121
Revenue across segments	1	2	15	4	24	4	-	-

	Eliminations		Total	
	Q1 2019	Q1 2018	Q1 2019	Q1 2018
Mobility services	-	(3)	1,190	1,175
Landline voice	-	(1)	321	368
Internet and network	(22)	(3)	1,178	1,170
TV	1	1	1,010	1,038
Other services	(19)	(4)	605	578
Revenue	**(40)**	**(10)**	**4,304**	**4,329**
Cost of sales	34	14	(1,210)	(1,185)
Gross profit	**(6)**	**4**	**3,094**	**3,144**
Operating expenses	8	3	(1,437)	(1,400)
Other income and expenses	(10)	(9)	41	23
EBITDA	**(8)**	**(2)**	**1,698**	**1,767**
Specification of revenue:				
External revenue	-	-	4,304	4,329
Revenue across segments	(40)	(10)	-	-

Note 2 Segment reporting (continued)

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

DKKm	Q1 2019	Q1 2018
EBITDA from reportable segments	1,698	1,767
Unallocated:		
Depreciation, amortisation and impairment losses	(1,146)	(1,011)
Special items	(51)	17
Financial income and expenses	(170)	(104)
Consolidated profit before income taxes	**331**	**669**

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 132m (Q1 2018: DKK 115m), revenue across segments amounted to DKK 18m (Q1 2018: DKK 2m) and EBITDA amounted to DKK (190)m (Q1 2018: DKK (248)m. At Digital, external revenue amounted to DKK 4m (Q1 2018: DKK 3m), revenue across segments totalled DKK 0m (Q1 2018: DKK 0m) and EBITDA amounted to DKK (92)m (Q1 2018: DKK (67)m. At Headquartes, external revenue amounted to DKK 4m (Q1 2018: DKK 3m), revenue across segments totalled DKK 9m (Q1 2018: DKK 10m) and EBITDA amounted to DKK (319)m (Q1 2018: DKK (306)m. Elimination of revenue across segments within Other operations totalled DKK (27)m (Q1 2018: DKK(12)m).

Note 3 Depreciation, amortisation and impairment losses

DKKm

	Q1 2019	Q1 2018
Depreciation on property, plant and equipment	(612)	(601)
Amortisation of intangible assets	(427)	(393)
Depreciation of lease assets	(105)	-
Impairment losses	(2)	(17)
Total	**(1,146)**	**(1,011)**

The increase in depreciation, amortisation and impairment losses from Q1 2018 to Q1 2019 is due primarily to 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 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

	Q1 2019	Q1 2018
Costs related to redundancy programmes and vacant tenancies [1]	(13)	(43)
Other restructuring costs, etc.	(37)	(7)
Income from rulings	-	85
Loss from rulings	(1)	-
Costs related to acquisition of enterprises	-	(18)
Special items before income taxes	**(51)**	**17**
Income taxes related to special items	7	(9)
Special items related to joint ventures and associates	2	-
Total special items	**(42)**	**8**

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 cost related to vacant tenancies.

The negative trend in special items is due primarily to the decrease in income from rulings.

Note 5 Financial income and expenses

Financial income and expenses

DKKm

	Q1 2019	Q1 2018	Change in %
Interest income	2	2	-
Interest expenses	(277)	(149)	85.9
Net interest	**(275)**	**(147)**	**87.1**
Currency translation adjustments	(132)	10	-
Fair value adjustments	211	7	-
Interest, currency translation adjustments and fair value adjustments	**(196)**	**(130)**	**50.8**
Profit/(loss) from joint ventures and associates	(1)	(1)	-
Interest on pension assets	27	27	-
Total	**(170)**	**(104)**	**63.5**

Net financials recognised in other comprehensive income

DKKm

	Q1 2019	Q1 2018
Currency translation adjustment, foreign enterprises	(3)	129
Reversal of currency translation adjustment related to disposal of foreign enterprises	-	-
Exchange-rate adjustments of foreign enterprises	**(3)**	**129**
Change in fair value adjustments of cash flow hedges	-	(34)
Change in fair value adjustments of cash flow hedges transferred to financial expenses	11	(2)
Value adjustments of hedging instruments	**11**	**(36)**

Note 5 Financial income and expense (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

	Q1 2019				Q1 2018			
	Interest	Currency translation adjustments	Fair value adjustments	Total	Interest	Currency translation adjustments	Fair value adjustments	Total
Senior Facility Agreement	(96)	2	(15)	**(109)**	-	-	-	**-**
Euro Medium Term Notes	(78)	3	66	**(9)**	(129)	(15)	18	**(126)**
Lease liabilities	(62)	-	-	**(62)**	(3)	-	-	**(3)**
Other	(25)	7	2	**(16)**	(14)	24	(11)	**(1)**
Total	**(261)**	**12**	**53**	**(196)**	**(146)**	**9**	**7**	**(130)**

Interest, currency translation adjustments and fair value adjustments represented an expense of DKK 196m in Q1 2019, corresponding to an increase of DKK 66m compared with Q1 2018 driven primarily by the following:

- As of 1 January 2019, IFRS 16 was implemented resulting in additional interest expenses of DKK 58m relating to lease liabilities.
- Interest expenses during the first quarter in 2019 were higher by DKK 51m compared to Q1 2018 due to the new debt facilities put in place following DKT Telekommunikation ApS' acquisition of TDC in Q2 2018.
- In Q1 2019 GBP interest rates decreased more than EUR interest rates resulting in a fair value gain of DKK 78m from GBP/EUR cross currency swaps.

Note 6 Pension assets and pension obligations

Domestic defined benefit plan

DKKm

	Q1 2019	Q1 2018
Pension (costs)/income		
Service cost	(23)	(27)
Administrative expenses	(3)	(3)
Personnel expenses (included in EBITDA)	**(26)**	**(30)**
Interest on pension assets	27	27
Pension (costs)/income	**1**	**(3)**
Redundancy programmes recognised in special items	-	(6)
Members part of distribution of ”excess capital”	(24)	-
Total pension (costs)/income recognised in the income statement	**(23)**	**(9)**

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

	31 March 2019	31 December 2018	31 March 2018
Assets and obligations			
Specification of pension assets			
Fair value of plan assets	30,641	29,990	30,982
Defined benefit obligation	(23,876)	(23,136)	(24,163)
Pension assets recognised in the balance sheet	**6,765**	**6,854**	**6,819**
Change in pension assets			
Pension assets recognised at 1 January	6,854	6,752	6,752
Pension (costs)/income	1	(43)	(9)
Remeasurement effects	67	131	72
Distribution of ”excess capital”	(160)	-	-
TDC's contribution	3	14	4
Pension assets recognised in the balance sheet	**6,765**	**6,854**	**6,819**
Assumptions used to determine defined benefit obligations			
Discount rate	1.11	1.55	1.55
General price/wage inflation	1.33	1.51	1.66
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 Q1 2019 (a net gain of DKK 67m) cover primarily a gain related to the plan assets (DKK 957m) as the actual return was higher than the expected return[1]. The gain was partly offset by a loss related to the benefit obligation (DKK 890m) resulting from the decreasing discount rate (from 1.55% to 1.11%) and the decreasing inflation rate (from 1.51% to 1.33%).

[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	Bank loan	
Nominal value (DKKm)	3,733	3,670	14,184	21,587
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)	500	508	950	
– Of which nominal value swapped to or with fixed interest rate (EURm)[2]	-	-	950	950

[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 of long-term EMTN bonds matches the maturity the underlying EMTN bonds. Derivatives of nominal EUR 925m used for hedging long-term SFA loan matures in June 2020 and nominal EUR 25m matures in later periods.

Net interest-bearing debt

DKKm

	31 March 2019	31 December 2018	31 March 2018
EMTN loans incl. short-term part	7,423	7,285	13,260
Senior Facility Agreement incl. short-term part	14,140	14,140	-
Bank loans	-	-	7,452
Debt regarding leasing incl. short-term part	5,369	72	90
Other long-term loans incl. short-term part	1,652	311	446
Interest-bearing payables	2	2	2
Derivatives	62	200	100
Interest-bearing receivables and investments	(154)	(156)	(201)
Cash	(2,351)	(2,244)	(1,365)
	26,143	**19,610**	**19,784**
50% of hybrid capital	-	-	2,776
Net interest-bearing debt	**26,143**	**19,610**	**22,560**

Net interest-bearing debt increased by DKK 6,533m during Q1 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) and the acquisition of mobile licences (DKK 1,351m).

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

None.

Corporate matters

Lasse Pilgaard appointed as new Chief Financial Officer

On 27 March 2019, TDC announced that Chief Strategy Officer Lasse Pilgaard was appointed as the new Chief Financial Officer of TDC Group. Lasse Pilgaard was appointed to the Executive Committee in 2018 as Chief Strategy Officer, after starting his career at TDC in 2016. He holds an M.Sc. in Business and Economics from Aarhus University. Prior to joining TDC, he held senior positions at McKinsey & Co, Venture Capital investment Funds and was COO of a leading Danish tech start-up. Lasse Pilgaard replaced Stig Pastwa, who has served as Chief Financial Officer for TDC Group since 2016.

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 Q1 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 Q1 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 31 March 2019 as well as the results of operations and cash flows for Q1 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, 16 May 2019

Executive Committee

Allison Kirkby
Group Chief Executive Officer and President

Lasse Pilgaard
Senior Executive Vice President, Chief Financial Officer

Michael Moyell Juul
Senior Executive Vice President of TDC Business

Jaap Postma
Senior Executive Vice President of Nuuday

Andreas Pfisterer
Senior Executive Vice President of NetCo

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

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