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TDC Group enters into agreement to combine with MTG's Nordic Entertainment and Studio businesses to create Europe's first fully convergent media and communications provider

Today, TDC A/S ("TDC") announces that TDC has entered into a merger agreement (the "Agreement") with Modern Times Group MTG AB (publ) ("MTG"), whereby TDC and MTG have agreed to combine MTG's Nordic Entertainment and Studio businesses ("MTG Nordics") with TDC (the "Transaction"). The Transaction brings together TDC's direct-to-consumer offering in mobile, broadband and TV services with MTG Nordics' content production, broadcasting and streaming services.

MTG Nordic has been valued at SEK 19.55bn (DKK 14.86bn¹), on a cash and debt free basis as of 31 December 2017 corresponding to a 2017 EV/OpFCF multiple of 12.1x pre-synergies and 8.1x post run-rate synergies. At closing of the Transaction, TDC will issue a total of 308,880,260 newly issued shares in TDC; the shares will be distributed to MTG's shareholders in proportion to their shareholdings in MTG in connection with the closing. In addition, MTG will at closing receive SEK 3.3bn (equal to DKK 2.51bn²) in cash as well as its proforma pro rata share (28 per cent) of the TDC dividend for 2018.

Key financial figures of MTG Nordics are included at the bottom of this release together with proforma figures for the combined group.

Financial rationale

The combined group will have an attractive combined financial profile with a stronger growth trajectory and with high cash conversion.

The valuation of the combined group is done at fair-value and drives clear financial benefits:

- Cost synergies of DKK 400m yearly with an additional revenue potential of approximately DKK 200m. Cost synergies will primarily

¹ Based on a SEK:DKK exchange rate of 0.7588

² Based on a SEK:DKK exchange rate of 0.7588

stem from general and administrative savings in central and common functions, sales costs, optimized product, tech and TV investments etc.

- Accretive to cashflow immediately from year 1 after closing
- Accretive to growth profile and cash conversion
- Dividend upside due to value of synergies and Transaction leading to improved capital structure. Subject to closing of the Transaction occurring prior to the calling of TDC's 2019 AGM, TDC's Board of Directors intends to increase 2018 dividend per share (DPS) to DKK 1.40³

The financial policies of the combined group will in essence be identical to TDC's existing financial policies:

- Ambition to pay an attractive return to shareholders through either dividends or through share buy backs
- Ambition to grow DPS dependent on financial performance, investment needs and ability to honor our commitment to an investment grade rating
- Medium-term ambition of reported adjusted⁴ net debt / EBITDA in the mid 2's, while maintaining investment grade rating at all times

Strategic rationale

MTG Nordics and TDC will be combined to form Europe's first fully converged media and communications provider. As a result, YouSee, Get, Viasat, TV3, Viaplay and numerous other well-known brands will be combined in one new media and communications group. The combination will strengthen the new group's innovation capabilities, enabling the delivery of more quality content and next generation entertainment solutions.

The future group will benefit from a compelling content offering and true Nordic reach. Combined, the new group will have close to 3m TV subscribers across Sweden, Denmark, Norway and Finland and a reach of more than 10 million households in the Nordic region.

Benefitting from the scale of having more than 1,000 dedicated tech developers, the combined group will be able to pioneer next generation entertainment solutions, including enhanced and more personalized viewing experiences.

The combined group will have an ambition to strengthen local content offering and eco system through further investment. By also focusing on

³ Subject to (i) approval by TDC Board of Directors and AGM, and (ii) distributable reserves

⁴ Adjusted NIBD / EBITDA included 50% of the nominal value of TDC's hybrid bond

its many important partnerships with local and international content providers, the group aims to create an open platform to distribute the most compelling local and international content to the Nordic consumer.

Management of combined group

The chairman of the Board of Directors of the combined group will be Pierre Danon, current chairman of the TDC Board of Directors. Shortly after closing of the Transaction, TDC's Board of Directors will convene a general meeting for the purpose of electing two MTG nominated directors to the TDC Group Board of Directors. MTG has already informed TDC that they will propose Jørgen Madsen Lindemann, current CEO of MTG, to be nominated for one of the two seats.

TDC's Pernille Erenbjerg will be Group CEO & President, while Anders Jensen, EVP of MTG Group, at closing will become Deputy CEO.

Transaction structure

The Transaction is conducted by way of a statutory, taxable merger between TDC and MTG's fully owned subsidiary, MTG Nordics A/S (MTG Nordics), with TDC as the surviving entity.

According to the Agreement, TDC shall pay at closing of the Transaction a cash amount of SEK 3.3bn and issue a total of 308,880,260 TDC shares (the "Consideration Shares"). The number of Consideration Shares has been determined on the basis of the 10 trading days volume weighted average share price of TDC's shares on Nasdaq Copenhagen in the period 18 January 2018 – 31 January 2018 and a SEK/DKK foreign exchange rate of 0.7588. The cash consideration will be retained by MTG that will also receive the proforma pro rata share (28 per cent) of the TDC dividend for 2018, whereas the Consideration Shares, subject to restrictions arising out of laws in relevant jurisdictions outside EU/EEA, in connection with closing will be distributed to MTG's shareholders in proportion to their shareholdings in MTG immediately prior to closing. The distribution of the Consideration Shares is a condition to closing of the Transaction and shall be decided on at a general meeting in MTG. Time and place of the general meeting yet to be announced. The requisite majority for the shareholders of MTG approving the Transaction, including the distribution of the Consideration Shares, is 50 per cent of the votes present or represented at the MTG general meeting.

Also on part of TDC, closing of the Transaction is subject to approval by TDC's shareholders. The approval will be in the form of the shareholders of TDC approving the merger plan signed concurrently with the Agreement by the boards of directors of TDC and MTG Nordics and which sets out the statutory terms of the merger between the two companies. The requisite majority for the shareholders of TDC approving the merger is 2/3 of the

votes present or represented at the TDC general meeting. It is currently expected that the Transaction (including the merger) will be presented for approval at TDC's ordinary general meeting. Time and place yet to be announced.

Kinnevik has made an irrevocable commitment to vote in favour of the Transaction and the Distribution at the general meeting in MTG, and not to sell any shares or otherwise deprive itself of any voting rights in MTG until the Distribution is completed, subject to disposals according to customary conditions or for regulatory purposes. In addition, Kinnevik has committed to certain thresholds in relation to potential acquisitions of TDC shares until the Distribution is completed, subject to customary conditions.

Board recommendation

TDC's Board of Directors unanimously supports the Transaction and recommends TDC's shareholders to approve the merger.

Regulatory process

Closing of the Transaction is subject to satisfaction of certain conditions in addition to the approvals by the shareholders of TDC and MTG, including the parties obtaining the requisite approvals from the relevant competition law authorities. Closing of the Transaction is expected in Q4 2018.

Guidance

TDC's 2018 financial results will be impacted by the merger with MTG Nordics with effect from closing of the Transaction. TDC's 2018 guidance is organic EBITDA growth $\geq 0\%$ (corresponding to reported EBITDA of DKK ~8.2bn at NOK/DKK=0.77), EFCF at \geq DKK 2.4bn and a dividend per share of DKK 1.15 to be paid out in Q1 2019. However, TDC's Board of Directors intends to increase the 2018 dividend per share to DKK 1.40 provided the Transaction has closed prior to calling for the 2019 AGM⁵. Updated full year guidance for 2018 will be published when the Transaction closes.

TDC's guidance for 2018 is based on comprehensive financial plans for each individual business line. However, by their very nature, forward-looking statements involve certain risks and uncertainties. The risks and uncertainties are described in more detail in the section on risk factors in TDC's Annual Report 2017.

Investor conference call

An investor conference call will be held on 1 February 2018 at 09:00 CET at which the TDC/MTG Nordics Transaction will be presented. Presenters will be:

⁵ And subject to (i) approval by TDC Board of Directors and AGM, and (ii) distributable reserves.

Pernille Erenbjerg, Group CEO & President TDC Group
Jørgen Madsen Lindemann, President & CEO MTG
Anders Jensen, EVP MTG, Chairman of MTG Nordic Entertainment

Presentation material will be available prior to the conference call on www.tdcgroup.com or <https://tdcgroup.com/en/investor-relations/financial-reports>

Dial-in details can be found at:

<http://event.onlineseminarsolutions.com/r.htm?e=1593857&s=1&k=04F7AC80239402E276607376CA609077>

Audio cast: <https://edge.media-server.com/m6/p/b9gry2t2>

Investor presentation

For further presentation of the Transaction, see the investor presentation which will be made available on <https://tdcgroup.com/en/investor-relations/transaction>.

Proforma financial figures for combination

MTG Nordic's key operational and financial figures:

SEKm	2016	2017	FY 16-17 growth
Revenue	12,766	13,543	6.1%
Gross profit	4,185	4,622	10.4%
EBITDA	1,570	1,769	12.7%
Capex	170	150	-11.8%
Gross margin	32.8%	34.1%	1.3%
EBITDA margin	12.3%	13.1%	0.8%
Cash conversion	89.2%	91.5%	2.3%

Pro forma key figures for 2017 as if TDC had merged with MTG Nordics as of 1 January 2017:

DKKm (1 SEK= 0.760 DKK)	TDC	MTG Nordics	Total	FY 16-17 growth
Revenue	20,270	10,293	30,563	-0.6%
Gross profit	14,969	3,512	18,481	-1.7%
EBITDA	8,244	1,344	9,588	-1.0%
Capex	4,488	114	4,602	2.7%
EBITDA-Capex	3,756	1,230	4,986	-4.1%
FTE's	8,100	1,700	9,800	NA

Gross margin	73.8%	34.1%	60.5%	-0.7%
EBITDA margin	40.7%	13.1%	31.4%	-0.1%
Cash conversion	45.6%	91.5%	52.0%	-1.7%

Note: The figures are a simple addition of reported figures for TDC and MTG Nordics, respectively and are included for illustrative purposes only. No adjustments have been made for intra-group trading, differences in accounting policies, etc. Accordingly, the future consolidated figures may differ from the figures above.

LionTree Advisors and Morgan Stanley are acting as financial advisors, with Kromann Reumert acting as lead legal advisor and Roschier acting as Swedish legal advisor, to TDC on the Transaction.

The information in this announcement does not contain or constitute an invitation or an offer to acquire, sell, subscribe for or otherwise trade in shares or other securities in MTG or TDC. This announcement has not been approved by any regulatory authority and is not a prospectus, accordingly investors should not purchase any securities referred to in this announcement based solely on the information in this announcement.

This announcement is not an offer of securities for sale in the United States. Securities may not be offered or sold in the United States unless they are registered or are exempt from registration under the U.S. Securities Act of 1933, as amended. Any public offering of securities to be made in the United States would be made by means of a prospectus that will contain detailed information about the issuer and its management, as well as financial statements. Copies of this announcement are not being, and should not be, distributed in or sent into the United States.

For inquiries regarding the above please contact TDC Investor Relations, on +45 6663 7680 or investorrelations@tdc.dk.

This notification is made by Dennis Callesen, Investor Relations Manager, at TDC A/S. This announcement has been prepared both in English and Danish. In the event of any discrepancies between the English and Danish version, the English version shall prevail.

TDC listing

Shares: NASDAQ Copenhagen.

Reuters TDC.CO.

Bloomberg TDC DC.

Nominal value DKK 1.

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