CEO comments and highlights

A quarter of the way into 2016, TDC Group's customer satisfaction, EBITDA and cash flow generation are developing as expected and support the full-year guidance. Execution of the newly launched "Always simpler and better" strategy is on track, including comprehensive changes to systems, processes and culture needed to meet our ambitions.

Our activities outside Denmark continue to perform well. In Norway, Get delivered a strong, underlying EBITDA growth of 11.8%, and the launch of Get mobile in 2016 remains firmly on track to support future growth and enable fully integrated service offerings. At TDC Norway, an updated product line-up and a refocused go-to-market strategy as well as synergy realisation from the Get acquisition improved profitability and thus EBITDA growth.

The Swedish B2B division also continued its trend from 2015 with 3.1% EBITDA growth and the strategic review of TDC Sweden is in progress.

In Denmark, all landline products in the B2C division faced declining gross profit YoY. This development was as expected, but we are continuously seeking opportunities to improve customer satisfaction and profitability. For example, we are pleased to have launched a new YouSee TV set top box in response to increasing demand for a convenient on-demand TV experience across platforms.

In the Danish B2C mobile market, we achieved revenue growth in Q1 for the first time in several years. Despite the price initiatives we have carried through during the last six months, the subscriber base continued to increase prompted by improved churn rates. This proves that customers appreciate the superior network quality we provide via "Denmark's best mobile network" as well as our bundled household solutions.

The Danish B2B division faced another quarter with YoY ARPU decreases and a double-digit EBITDA loss – though at a lower level than in 2015. The strategic simplification programme kicked-off in Q1 and included migrating customers to one unified platform and updating the digital self-service universe, which is showing early signs of increasing customer satisfaction. We also acquired Cirque, the leading B2B supplier of cloud-based communication solutions, to support our strategic goal of offering better experiences and simpler solutions.

With the appointment of a new Head of YouSee, the Executive Committee is now complete and will be fully operational as of 1 June. On behalf of the team, I can say that we are committed to implementing our "Always simpler and better" strategy together with our skilled employees. Many initiatives have already been introduced and work streams are making headway. This strategy execution, combined with a clear focus on delivering better customer experiences every day, will be the keys to our success.

Pernille Erenbjerg, Group CEO

Highlights

- Strategy execution off to a good start: Launch of new YouSee TV set top box, comprehensive migration of both B2B and B2C customers in Denmark, and initial testing of gigabit speed broadband
- Customer recommend score up by 3 index points to 66 in Q1 YoY, driven by customer appreciation of our upgraded mobile network and increased accessibility in customer service
- EBITDA declined by 10.0% in Q1; organic development (-8.1%) was in line with recent quarters, reflecting decreases in Denmark (-13.1%) and growth in Norway (18.6%) as well as Sweden (3.1%)
- 3.0% growth in EFCF as NWC growth (292m) from different timing of net receivables offset the Danish EBITDA decline and the first yearly coupon payments on hybrid capital (196m)
- Best Consumer (DK) mobile performance in several years: Q1 revenue up by 1.4% and gross profit down by only 0.9%; small increase in mobile voice customer base vs. Q4 (2k)
- Continued pressure on mobile voice in the Danish B2B division; ARPU decline of 12.1% YoY
- Strong B2C net adds performance of 3k and 6k in broadband by Consumer (DK) and Get, respectively vs. Q4; launch of a 500-Mbps Get broadband offering in Q1
- Danish Consumer TV net adds of 19k vs. Q4 affected by Trefor customers (7k)
- Employee satisfaction in Denmark improved by 1 point to 78 in Q1 during a period with organisational changes and many new activities
- 2016 guidance reaffirmed on all parameters

2016 guidance follow-up

	2016 guidance	YTD	Status
EBITDA	~DKK 8.8bn assuming NOK/DKK and SEK/DKK of ~0.8	DKK 2.2bn	On track
EFCF	~DKK 1.9bn	DKK 0.3bn	On track
DPS[1]	DKK 1.00 per share	-	On track

[1] Will be paid out in Q1 2017.

Group performance

Strategic ambitions

TDC Group's strategy for 2018 consists of two main goals; to deliver best-in-class customer satisfaction to our customers and provide the best cash flow for our stakeholders. Fulfilling these ambitions will be the key driver for success in the coming years.

Customer satisfaction

Best-in-class customer satisfaction is measured by the KPI recommend score. This score reflects customers' willingness to recommend TDC Group's B2C and B2B services[1].

TDC Group successfully improved its customer recommend score by 3 pp to 66 in Q1 2016 YoY. This was due to customer appreciation of "Denmark's best mobile network" and increased accessibility in customer service. However, other short-term challenges require improvement. Though the number of calls to billing support has decreased, the call rates to customer support remained high. This was due to the final switch-off of the few remaining analogue TV channels and some customers having technical difficulties after the annual conversion of TV channel frequencies. In addition, impacts from the strategic call reduction programme have not yet materialized to the extent expected.

[1] The recommend score is TDC Group's variant of the net promoter score.

Equity free cash flow

TDC Group's ability to generate the best cash flow is measured by the equity free cash flow. In Q1 2016, the equity free cash flow increased by DKK 9m, which was negatively impacted by a decrease in cash contribution (EBITDA-capex) in Denmark (DKK 141m) and the first annual coupon payments on hybrid capital (DKK 196m) issued in Q1 2015. Equity free cash flow was positively impacted by significant net working capital growth of DKK 292m, driven by the different timing of primarily net receivables compared with 2015.

Financial performance in Q1

Revenue

In Q1 2016, TDC Group's reported revenue decreased by 5.9% or DKK 366m to DKK 5,827m, including negative effects from foreign exchange rates and regulation (DKK 88m). Adjusted for these effects, organic revenue declined by 4.6% or DKK 278, driven primarily by Consumer and Business in Denmark, partly offset by growth in Norway and Sweden.

Gross profit

In TDC Group, reported gross profit decreased at the same level as revenue i.e. by 6.0% or DKK 265m to DKK 4,175m in Q1 2016. Organic gross profit declined by 4.5% or DKK 198m,

TDC Group, key figures[1] DKKm

		Q1 2016	Q1 2015	Change in %
Income Statements	DKKm			
Revenue		5,827	6,193	(5.9)
Gross profit		4,175	4,440	(6.0)
EBITDA		2,227	2,474	(10.0)
Organic revenue[2]		5,827	6,105	(4.6)
Organic gross profit[2]		4,175	4,373	(4.5)
Organic EBITDA[2]		2,227	2,424	(8.1)
Profit for the period from continuing operations excluding special items		699	610	14.6
Profit/(loss) for the period		624	511	22.1
Total comprehensive income		(220)	1,114	(119.7)
Capital expenditure		(1,012)	(1,142)	11.4
Equity free cash flow (EFCF)		311	302	3.0
Key financial ratios				
Earnings Per Share (EPS)	DKK	0.56	0.64	(12.5)
Adjusted EPS	DKK	1.01	0.95	6.3
Gross margin	%	71.6	71.7	-
EBITDA margin	%	38.2	39.9	-
Customer satisfaction				
Recommend score	YTD avg. index	66	63	-

[1] For additional data, see TDC Fact Sheet on www.investor.tdc.com/factsheet.cfm. For glossary and definitions, see http://investor.tdc.com/glossary.cfm.
[2] Reported revenue and gross profit excluding the impact from regulatory price adjustments as well as the impact from acquisitions and divestments.

due to revenue decreases in Consumer and Business. The gross margin remained level YoY and ended at 71.6% in Q1 2016.

Operational expenditure[2]

Reported operational expenditure was reduced by 0.9% or DKK 18m in Q1 2016. Organic operational expenditure remained level in Q1 YoY as savings in facility management, field-force and consultancy services were partly offset by initial investments in strategic initiatives.

EBITDA

Reported EBITDA decreased by 10.0% or DKK 247m in Q1 2016. Organic EBITDA declined by 8.1% or DKK 197m.

Profit for the period

Profit for the period increased by DKK 113m and profit for the period excluding special items increased by DKK 89m. The lower EBITDA was more than offset by exchange rate gains as well as lower interest expenses and amortisations.

Cash flow & NIBD (DKKm)

		Q1 2016	Q1 2015	Change in %
EBITDA	DKKm	2,227	2,474	(10.0)
Change in working capital		354	62	-
Interest paid, net		(708)	(666)	(6.3)
Income tax paid		(327)	(350)	6.6
Cash flow from capital expenditure		(999)	(1,105)	9.6
Cash flow related to special items		(111)	(137)	19.0
Other[1]		(125)	24	-
Equity free cash flow		**311**	**302**	**3.0**
Total cash flow from operating activities		1,526	1,425	7.1
Total cash flow from investing activities		(1,103)	(1,205)	8.5
Total cash flow from financing activities		(219)	(4,657)	95.3
Total cash flow from continuing operations		204	(4,437)	104.6
Total cash flow from discontinued operations		0	(2)	-
Total cash flow		**204**	**(4,439)**	**104.6**
Net interest-bearing debt (NIBD)		(25,792)	(27,898)	7.5
Adjusted NIBD		(28,568)	(30,678)	6.9
Net interest-bearing debt/EBITDA	x	2.7	2.8	-
Adjusted NIBD/EBITDA	x	3.0	3.1	-

[1] Q1 2016 includes DKK 196m from the first annual coupon payments on hybrid capital issued in Q1 2015.

[2] Including other income.

Comprehensive income

Total comprehensive income decreased by DKK 1,334m to a loss of DKK 220m. The DKK 113m increase in profit for the period was more than offset by the DKK 1,447m deterioration in other comprehensive income that stemmed primarily from defined benefit plans. The loss in Q1 2016 resulted primarily from the decreases in the discount rate, as the recognised pension obligation is calculated by discounting the expected future pension payments.

Capital expenditure

In Q1 2016, capital expenditure totalled DKK 1,012m, a decrease of 11.4% or DKK 130m. This was due primarily to large investments in the Danish mobile network in Q1 2015 as part of the nationwide upgrade. It is TDC Group's ambition to retain a best-in-class mobile network enabled by future investments. In the coming years, TDC Group will invest in the Danish hybrid fibre coaxial-cable network and aims to offer broadband speeds of 1 Gbps to 50% of all Danish households in 2018.

Net interest-bearing debt

Both net interest-bearing debt and adjusted net interest-bearing debt fell during Q1 2016 (DKK 239m) as cash flow from operations more than offset the coupon payments on hybrid capital.

Guidance 2016

TDC confirms the guidance as presented below and in the 2015 Annual Report.

Our guidance for 2016 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 Guidance and risk factors and in the Disclaimer in TDC's Annual Report.

2016 guidance

EBITDA	~DKK 8.8. bn assuming NOK/DKK and SEK/DKK of ~0.8
EFCF	~DKK 1.9 bn
DPS	DKK 1.00 per share[1]

[1] Will be paid out in Q1 2017.

TDC Group's performance per business line in Q1 2016

In the illustration below, TDC Group's Q1 2016 performance is presented using our traditional business line reporting. Costs in Denmark are not allocated, but are included in the business line responsible for the service, cf. segment note 2. The Q1 2016 performance of each business line is described on the following pages.

DKKm/ Growth in local currency	TDC Group	Consumer	Business	Wholesale	Other operations	Denmark in total	Norway	Sweden
Revenue[1]	5,827	2,686	1,295	396	106	4,436	771	706
	-5.9%	-7.4%	-12.9%	-2.7%	-7.8%	-8.8%	+6.3%	+5.5%
Gross profit[1]	4,175	2,040	1,048	265	67	3,385	524	265
	-6.0%	-6.3%	-10.4%	+0.0%	-23.0%	-7.6%	+8.3%	+6.4%
EBITDA[1]	2,224	1,612	794	225	-807	1,824	324	79
	-10.0%	-8.0%	-13.9%	+0.0%	-1.1%	-13.1%	+18.6%	+3.1%

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

Consumer in Denmark

Q1 highlights

- Revenue growth of 1.4% in mobility services and only a limited gross profit loss (-0.9%)
- Mobile customer base up by 2k vs. Q4 and 37k YoY; improved churn rates despite recent price initiatives
- TDC/YouSee brand merger progressing as planned; billing platforms are currently being merged. Unlimited data campaign to appreciate customer loyalty in transition period
- Broadband net adds of 3k vs. Q4 2015; growth for the first time since Q3 2014
- In April, YouSee launched a new TV set top box that enables a high-end TV experience and a new TV portfolio that bundles the new box with flexible mix-it-yourself TV packages
- TV net adds of 19k vs. Q4 affected by intake of large customers

Q1 performance

In Q1 2016, Consumer faced an unsatisfactory development with gross profit and EBITDA decreasing by 6.3% and 8.0%, respectively. This was caused mainly by a gross profit decline in landline voice and other services.

Mobility services

In Q1 2016, mobility services experienced an improved development compared with the quarterly revenue and gross profit losses throughout 2014 and 2015. Reported revenue from mobility services increased by 1.4% or DKK 9m to DKK 668m in Q1 2016.

Consumer, key figures				DKKm
		Q1 2016	Q1 2015	Change in %
Revenue	DKKm	**2,686**	**2,902**	**(7.4)**
Mobility services		668	659	1.4
TV		1,073	1,076	(0.3)
Internet & network		612	626	(2.2)
Landline voice		226	293	(22.9)
Other services		107	248	(56.9)
Gross profit		**2,040**	**2,177**	**(6.3)**
EBITDA		**1,612**	**1,752**	**(8.0)**
Gross margin	%	75.9	75.0	-
EBITDA margin	%	60.0	60.4	-
Number of FTEs (end-of-period)[1]	#	1,813	1,850	(2.0)

[1] Product management with 20 FTEs was moved from Other operations in Q3 2015.

The improved development was driven by high YoY customer growth of 37k and a lower decline in ARPU than in previous quarters. ARPU decreased by DKK 2 YoY as the recent price initiatives were more than offset by existing customers migrating to lower price points as well as cross-selling of bundled solutions leading to higher household ARPU but lower ARPU at product level.

Internet & network

In Q1 2016, reported revenue from internet & network decreased by 2.2% or DKK 14m to DKK 612m due to declines in both ARPU and the customer base.

The customer base decreased by 9k YoY as growth in high-speed customers was more than off-set by the loss of low-speed customers to competitors utilising the lower wholesale prices (LRAIC) to set lower retail prices. However, positive subscriber development was achieved in Q1 2016, as Consumer added 3k subscribers to the customer base vs. Q4 2015.

ARPU decreased by DKK 2 vs Q1 2015, caused by the product mix featuring a higher share of customers with bundled products in line with our household strategy.

TV

Reported revenue and gross profit from TV declined YoY by 0.3% and 1.4%, respectively. This was due to level YoY developments in ARPU and the customer base as well as increased content costs following a transformation campaign in YouSee. The level YoY ARPU was a result of price changes as of 1 January 2016[1] being fully offset by downward migrations to smaller packages.

The TV customer base increased by 4k YoY driven by the inclusion of a large antenna association (18k) and customers from the strategic partnership with Trefor (7k). This were partly offset by the loss of individual and organised customers during 2015.

Landline voice

In Q1 2016, landline voice reported further revenue erosion of 22.9% or DKK 67m to DKK 226m. The worsened development was caused by a DKK 10 decline in ARPU as prices has not been increased in Q1 2016 like previous years, continued lower revenue from traffic as well as an increasing share of low ARPU VoIP customers. The customer base decreased by 107k YoY.

Other services

In Q1 2016, revenue from other services declined by 56.9% or DKK 141m to DKK 107m due to lower sales of mobile handsets sold with a positive margin to third-party vendors as well as decreasing effects from paper communication fees (DKK -18m).

[1] 2-4% price increases on packages per month.

Business in Denmark

Q1 highlights

- A large 12.1% or DKK 17 YoY decrease in mobile voice ARPU improved YoY and the development seen in recent quarters continued
- New strategy successfully started with launch of a new online universe and migration towards a more simplified and standardised product portfolio
- Acquisition of Cirque; the leading B2B supplier of cloud-based communication solutions. A strategic step towards meeting market demand for cloud-based solutions with financial impact from Q2 2016

Q1 performance

Business' financial performance continued to decline in Q1 2016 with an EBITDA loss of 13.9% or DKK 128m to DKK 794m, driven by intense competition across products and segments and a small increase in operating expenditure.

However, the 13.9% decrease in EBITDA was an improvement compared with the full-year decrease of 17.3% in 2015, and was positively affected by a reduced YoY impact from renegotiations of SKI contracts in 2014.

Business, key figures				DKKm
		Q1 2016	Q1 2015	Change in %
Revenue	DKKm	**1,295**	**1,486**	**(12.9)**
Mobility services		323	364	(11.3)
Internet & network		464	514	(9.7)
Landline voice		224	282	(20.6)
Other services		284	326	(12.9)
Gross profit		**1,048**	**1,169**	**(10.4)**
EBITDA		**794**	**922**	**(13.9)**
Gross margin	%	80.9	78.7	-
EBITDA margin	%	61.3	62.0	-
Number of FTEs (end-of-period)[1]	#	1,174	1,150	2.1

[1] Product management with 16 FTEs was moved from Other operations in Q3 2015.

Mobility services

Reported revenue from mobility services in Business declined by 11.3% or DKK 41m to DKK 323m in Q1 2016 due mainly to an ARPU decrease of DKK 17 or 12.1% driven by renegotiations in the high-end segment and continued price competition. However, the ARPU decline has improved YoY with the positive effect of the reduced impact from renegotiations in the public segment.

To a smaller degree, revenue was also negatively affected by a YoY decrease of 5k customers driven by the low-end segments. However, the customer base has stabilised during the last quarters, positively reflecting the improved churn rate among small and medium-sized businesses throughout 2015 spurred by the introduction of a new mobile portfolio with additional value added services.

Internet & network

In Q1 2016, Business' reported revenue from internet & network decreased by 9.7% or DKK 50m to DKK 464m. The decline in revenue related to both broadband and other internet & network.

Revenue from broadband was affected mostly by a declining customer base with the net loss of 16k customers YoY, but also to a lesser extent by an ARPU decrease of DKK 7. This was partly due to the intake of low ARPU customers combined with leakage of high ARPU legacy customers.

Revenue from other internet & network was negatively affected by renegotiations with customers in the high-end segments.

Landline voice

Reported revenue from landline voice in Business declined by 20.6% or DKK 58m to DKK 224m in Q1 2016, driven by a net loss in the customer base as well as a DKK 25 decrease in ARPU.

The 40k YoY decrease in the customer base resulted from the generally declining market for landline voice. The ARPU decline was due to churn of high-ARPU legacy customers across segments and migration of customers to a new and improved product portfolio.

Other services

In Q1 2016, revenue from other services declined by 12.9% or DKK 42m to DKK 284m, due mainly to lower sales of mobile handsets in Business and fewer sales of hardware and software (including services) as well as consultancy services in NetDesign.

Wholesale in Denmark

Q1 highlights

- In 2015, Wholesale lost a large MVNO contract with financial impact as of 1 March 2016
- Loss of 11k mobile voice customers vs. Q4 driven by the termination of a contract with a large service provider at the end of Q1 2016
- Continued growth in the broadband customer base vs. Q4

Q1 performance

In Q1 2016, Wholesale reported a level EBITDA development at DKK 225m, as the gross profit loss on mobility services was offset by growth in internet & network.

Wholesale, key figures				DKKm
		Q1 2016	Q1 2015	Change in %
Revenue	DKKm	**396**	**407**	**(2.7)**
Mobility services		107	132	(18.9)
Internet & network		179	168	6.5
Landline voice		65	64	1.6
Other services		45	43	4.7
Gross profit		**265**	**265**	**-**
EBITDA		**225**	**225**	**-**
Gross margin	%	66.9	65.1	-
EBITDA margin	%	56.8	55.3	-
Number of FTEs (end-of-period)[1]	#	129	130	(0.8)

[1] Product management with 4 FTEs was moved from Other operations in Q3 2015.

Mobility services

Reported revenue from mobility services decreased by 18.9% or DKK 25m to DKK 107m in Q1 2016. The decline was due mainly to an internal settlement, as a large MVNO contract regarding Norway is no longer handled through Wholesale in Denmark. The decrease in revenue was also to a lower extent affected by two other factors, a decline in ARPU and the loss of an MVNO contract with financial effect as of 1 March 2016.

The DKK 4 decrease in ARPU was driven by price pressure and a change in customer mix with new customers generally entering at a lower ARPU level.

The mobile customer base increased by 2k YoY, but with large underlying movements. Successful campaigns from service providers were almost counterbalanced by the loss of a large customer at the end of Q1 2016.

Internet & network

Reported revenue from internet & network increased by 6.5% or DKK 11m to DKK 179m in Q1 2016. This stemmed from an increase in broadband and capacity revenue. The improvement in broadband resulted from a 16k increase in the customer base, which was driven by wholesale customers' successful campaigns, though this was partly offset by a DKK 4 decrease in ARPU.

International capacity saw increasing revenue, but with lower gross profit effect due to price pressure and a changed mix favouring lower-margin products.

National capacity growth in both revenue and gross profit was driven by a changed product-mix towards products based on new technologies with a higher ARPU.

Landline voice

Reported revenue from landline voice increased by 1.6% or DKK 1m to DKK 65m in Q1 2016. This was driven by a DKK 7 increase in ARPU relating to a rise in subscription revenue that was almost offset by the loss of customers. The 11k decrease in service provider customers in Q1 2016 was due to the continuous decline in the overall landline voice market.

A growing negative effect on landline voice costs relating to national interconnect traffic caused a negative development in landline voice gross profit in Q1 2016.

Other operations in Denmark

Q1 highlights

- 10.0% reduction in faults at customer sites vs. Q4 2015, driven by an increasing number of faults solved remotely as well as improved CPE handling processes
- TDC Group continues to have 'Denmark's best mobile network', confirmed by a Technological Institute of Denmark test in Q1 2016[3]
- Calls to customer support remained high in Q1 2016
- The gigabit speed project initiated in Q1 2016 with Huawei is currently in a planning and testing process, with the initial gigabit speed tests carried out in central Zealand

Q1 performance

Other operations consist of TDC Group's support functions such as IT, procurement, network, installation, customer support and headquarters. Since the reorganisation of the Danish business as of 1 January 2016, customer sales are based in the commercial divisions.

In Q1 2016, EBITDA from other operations decreased slightly by 1.1% or DKK 9m. This was driven by a 23.0% or DKK 20m YoY decrease in gross profit to DKK 67m in Q1 2016, which was partly offset by an improved development of 1.2% or DKK 11m in operational expenditure. The gross profit decline was caused by a reduction in managed services and coastal radio as part of a stepwise movement of coastal radio to the Danish Navy during 2016.

Other operations, key figures				DKKm
		Q1 2016	Q1 2015	Change in %
Revenue	DKKm	106	115	(7.8)
Gross profit		67	87	(23.0)
Opex		(874)	(885)	1.2
EBITDA		**(807)**	**(798)**	**(1.1)**
KPIs				
Fault-handling hours	Hours ('000)	138	152	(9.2)
Number of FTEs (end-of-period)[1]	#	3,874	3,819	1.4

[1] Product management with 40 FTEs was moved from Other operations to sales divisions in Consumer, Business and Wholesale in Q3 2015.

As previously, TDC Group continued to increase efficiency, and maintained a focus on optimising processes also in other operations. However, savings on operational expenditure in other operations in Q1 2016 were lower due to the negative impact from initial investments in strategic initiatives. The improvements on operational expenditure were driven by the following factors:

- Lower spending on facility management due mainly to fewer services regarding wintry weather and lower power consumption due to reduced usage, prices and refunds
- Continued field-force initiatives focused on customer satisfaction reduced the number of faults at customer sites and led to less time spent on fault correction (9.2%) as well as reduced spending on fault handling costs. This also successfully improved customer satisfaction regarding technicians' support
- Reduced spending on consultancy services
- Efficiency was also improved in customer support despite more calls, and spending on customer support costs was reduced in Q1 2016

TDC Group's support functions in other operations play a key role in securing implementation of systems and services supporting TDC Group's 2018 strategy. In Q1 2016, this led to increased spending on IT costs and continued investments in end-to-end lean projects in order to secure the best customer experience and achieve further efficiency improvements.

[3] tdc.dk/mobilnet.

Norway

Q1 highlights

- Norway delivered strong YoY EBITDA growth of 18.6%; adjusted for one-offs (NOK 18m) EBITDA increased by 13.5%
- Strong EBITDA growth of 33.3% in TDC Norway generated by opex synergies
- Get reached more than 350k broadband subscribers (82% of TV customers); increase of 6k vs. Q4 2015
- Launch of 500-Mbps product and migration of existing customers to higher speeds
- TV ARPU increased by NOK 4 vs. Q1 2015 and vs. Q4 2015, driven by price increases
- Synergy realisation on track; movement of IP transit to TDC Norway and launch of Get TV to TDC Norway's B2B customers in Q1 2016

Q1 performance

In Q1 2016, reported EBITDA in Norway (comprising Get and TDC Norway) increased by 18.6% or NOK 65m to NOK 414m. This high growth was driven mainly by broadband and TV gross profit growth in Get as well as one-offs in Get in Q1 2016 that related primarily to a settlement in a legal dispute over Partner customers. Adjusted for these one-offs, Norway's and Get's EBITDA increased by 13.5% and 11.8%, respectively.

Norway, key figures				NOKm
		Q1 2016	Q1 2015	Change in %
Revenue	NOKm	**984**	**926**	**6.3**
TV		363	352	3.1
Residential broadband		266	239	11.3
Business[1]		269	256	5.1
Other residential services		86	79	8.9
Gross profit		**669**	**618**	**8.3**
EBITDA		**414**	**349**	**18.6**
Gross margin	%	68.0	66.7	-
EBITDA margin	%	42.1	37.7	-
Number of FTEs (end-of-period)	#	902	941	(4.1)

[1] Includes TDC Norway and Get's Business division.

TDC Norway improved its performance, with EBITDA by 33.3% or NOK 9m in Q1 2016 driven by opex savings following implementation of a new organisation and strategy in Q4 2015 as well synergy realisation from the Get acquisition.

TV

In Q1 2016, Get's revenue from TV increased by 3.1% or NOK 11m to NOK 363m prompted by increases in both ARPU and the customer base.

The NOK 4 ARPU increase vs. Q1 2015 was driven mainly by a rise in subscription fees effective as of 1 January 2016. The TV customer base increase of 4k YoY resulted from an increase in homes connected.

Residential Broadband

Get's reported revenue from broadband increased by 11.3% or NOK 27m to NOK 266m in Q1 2016 as Get successfully expanded its customer base by 8.3%.

The high broadband customer base growth of 27k prompted a 5 percentage point increase in broadband penetration to 82% of TV customers. Get attracted more customers with high-speed offerings and value-added services. In Q1 2016, Get also launched a 500-Mbps product.

Broadband ARPU increased by NOK 4 YoY, driven by a new broadband line-up in Q1 2016 with migration of customers to 50% higher download speeds and up to three times higher upload speeds. At the same time, prices were increased slightly.

Business

In Q1 2016, revenue from business rose by 5.1% or NOK 13m to NOK 269m as a result of revenue growth in both TDC Norway and Get's business division. Revenue growth was driven mainly by broadband in Get and landline voice in TDC Norway.

During Q1 2016, Get TV was launched to TDC Norway's customers, and TDC Norway extended its network footprint with Get's hybrid fibre coaxial network.

Sweden

Q1 highlights

- EBITDA growth of 3.1% in Q1 2016; continued growth expected full year
- Continued strong YoY growth in mobile subscriptions (48k in Q1)
- Migration to the new MVNO contract with TeliaSonera successfully finalised in Q1
- The strategic review of TDC Sweden is ongoing

Q1 performance

In Q1 2016, Sweden delivered gross profit growth of 6.4% generated by mobility services and the integrator business. Increased operational expenditure due to front-loading of investments, particularly in employees to accommodate expected growth, led to EBITDA growth of 3.1%.

Sweden, key figures				SEKm
		Q1 2016	Q1 2015	Change in %
Revenue	SEKm	**882**	**836**	**5.5**
Mobility services		66	43	53.5
Internet & network		229	232	(1.3)
Landline voice		96	103	(6.8)
Other services[1]		491	458	7.2
Gross profit		**331**	**311**	**6.4**
EBITDA		**99**	**96**	**3.1**
Gross margin	%	37.5	37.2	-
EBITDA margin	%	11.2	11.5	-
Number of FTEs (end-of-period)	#	810	805	0.6

[1] Integrator business including sale of terminal equipment, systems integration services, installation work and operator services

Operator business

Reported revenue from operator business increased by 3.4% due to growth in mobility services.

Strong growth in the mobility services totalling 53.5% was driven by 48k increase in mobile subscriptions spurred on by successful sales of integrated solutions with mobility services included.

Revenue from internet & network decreased by 1.3% driven by accesses and capacity services due to customer churn. IP-VPN revenue remained flat as strong competition caused a lower order intake, leading to only a modest YoY increase in the number of connections.

The landline voice revenue decrease of 6.8% was caused by the generally declining market for landline voice.

Integrator business

Reported revenue from integrator business increased by 7.2%. This increase was driven mainly by direct business as well as managed services and projects within both networking and unified communication.

Consolidated financial statements

Income statements				DKKm
	Note	Q1 2016	Q1 2015	Change in %
Revenue	2	**5,827**	**6,193**	**(5.9)**
Cost of sales		(1,652)	(1,753)	5.8
Gross profit		**4,175**	**4,440**	**(6.0)**
External expenses		(860)	(950)	9.5
Personnel expenses	3	(1,111)	(1,036)	(7.2)
Other income		23	20	15.0
Operating profit before depreciation, amortisation and special items (EBITDA)	2	**2,227**	**2,474**	**(10.0)**
Depreciation, amortisation and impairment losses	4	(1,236)	(1,311)	5.7
Operating profit excluding special items (EBIT excluding special items)		**991**	**1,163**	**(14.8)**
Special items	5	(96)	(131)	26.7
Operating profit (EBIT)		**895**	**1,032**	**(13.3)**
Financial income and expenses	6.7	(77)	(333)	76.9
Profit before income taxes		**818**	**699**	**17.0**
Income taxes		(194)	(188)	(3.2)
Profit for the period		**624**	**511**	**22.1**
Profit attributable to:				
Owners of the parent company		451	516	(12.6)
Hybrid capital holders share of profit		175	-	-
Non-controlling interests		(2)	(5)	60.0
EPS (DKK)				
Earnings Per Share, basic		0.56	0.64	(12.5)
Earnings Per Share, diluted		0.56	0.64	(12.5)
Adjusted EPS		1.01	0.95	6.3

Statement of comprehensive income		DKKm
	Q1 2016	Q1 2015
Profit for the period	**624**	**511**
Items that can subsequently be reclassified to the income statement:		
Currency translation adjustments, foreign enterprises	173	515
Fair value adjustments of cash flow hedges	(25)	133
Fair value adjustments of cash flow hedges transferred to financial expenses	(2)	(36)
Items that cannot subsequently be reclassified to the income statement:		
Remeasurement effects related to defined benefit pension plans	(1,268)	(12)
Income tax relating to remeasurement effects from defined benefit pension plans	278	3
Other comprehensive income	**(844)**	**603**
Total comprehensive income	**(220)**	**1,114**

Balance sheet				DKKm
	Note	31 March 2016	31 December 2015	31 March 2015
Assets				
Non-current assets				
Intangible assets		34,503	34,455	41,102
Property, plant and equipment		18,053	17,963	17,819
Joint ventures, associates and other investments		76	82	75
Pension assets	7	4,694	5,947	5,167
Receivables		274	275	298
Derivative financial instruments		109	484	766
Prepaid expenses		346	355	310
Total non-current assets		**58,055**	**59,561**	**65,537**
Current assets				
Inventories		303	311	340
Receivables		2,649	3,131	3,226
Income tax receivables		19	5	180
Derivative financial instruments		498	484	466
Prepaid expenses		794	741	770
Cash		574	363	327
Total current assets		**4,837**	**5,035**	**5,309**
Total assets		**62,892**	**64,596**	**70,846**

Balance sheet				DKKm
	Note	31 March 2016	31 December 2015	31 March 2015
Equity and liabilities				
Equity				
Share capital		812	812	812
Reserve for currency translation adjustments		(1,846)	(2,019)	(1,089)
Reserve for cash flow hedges		(274)	(247)	(26)
Retained earnings		15,738	16,229	19,177
Equity attributable to owners of the parent company		**14,430**	**14,775**	**18,874**
Hybrid capital		5,552	5,552	5,559
Non-controlling interests		25	27	103
Total equity		**20,007**	**20,354**	**24,536**
Non-current liabilities				
Deferred tax liabilities		3,811	4,218	4,246
Provisions		977	985	1,025
Pension liabilities	7	37	36	107
Loans	8	26,973	27,398	26,854
Derivative financial instruments		9	-	-
Deferred income		425	426	512
Total non-current liabilities		**32,232**	**33,063**	**32,744**
Current liabilities				
Loans	8	203	200	2,767
Trade and other payables		6,206	7,035	6,608
Derivative financial instruments		690	537	668
Deferred income		3,313	3,177	3,275
Provisions		241	230	248
Total current liabilities		**10,653**	**11,179**	**13,566**
Total liabilities		**42,885**	**44,242**	**46,310**
Total equity and liabilities		**62,892**	**64,596**	**70,846**

Statements of cash flow

DKKm

	Q1 2016	Q1 2015	Change in %
EBITDA	2,227	2,474	(10.0)
Adjustment for non-cash items	114	77	48.1
Pension contributions	(21)	(33)	36.4
Payments related to provisions	(2)	(2)	-
Special items	(111)	(137)	19.0
Change in working capital	354	62	-
Interest paid, net	(708)	(666)	(6.3)
Income tax paid	(327)	(350)	6.6
Operating activities in continuing operations	**1,526**	**1,425**	**7.1**
Operating activities in discontinued operations	-	-	-
Total cash flow from operating activities	**1,526**	**1,425**	**7.1**
Investment in enterprises	(114)	(104)	(9.6)
Investment in property, plant and equipment	(794)	(885)	10.3
Investment in intangible assets	(205)	(220)	6.8
Investment in other non-current assets	(3)	(3)	-
Sale of other non-current assets	6	7	(14.3)
Dividends received from joint ventures and associates	7	-	-
Investing activities in continuing operations	**(1,103)**	**(1,205)**	**8.5**
Investing activities in discontinued operations	-	(2)	-
Total cash flow from investing activities	**(1,103)**	**(1,207)**	**8.6**
Proceeds from long-term loans	-	7,742	-
Finance lease repayments	(20)	(18)	(11.1)
Repayments of long-term loans	-	(5,967)	-
Change in short-term bank loans	(3)	(11,379)	100.0
Proceeds from issuance of hybrid capital	-	5,559	-
Coupon payments on hybrid capital	(196)	-	-
Dividends paid	-	(598)	-
Dividends received from joint ventures and associates	-	4	-
Financing activities in continuing operations	**(219)**	**(4,657)**	**95.3**
Total cash flow	**204**	**(4,439)**	**104.6**
Cash and cash equivalents (beginning-of-period)	363	4,746	(92.4)
Effect of exchange-rate changes on cash and cash equivalents	7	20	(65.0)
Cash and cash equivalents (end-of-period)	**574**	**327**	**75.5**

Equity free cash flow

DKKm

	Q1 2016	Q1 2015	Change in %
EBITDA	2,227	2,474	(10.0)
Change in working capital	354	62	-
Interest paid, net	(708)	(666)	(6.3)
Income tax paid	(327)	(350)	6.6
Cash flow from capital expenditure	(999)	(1,105)	9.6
Cash flow related to special items	(111)	(137)	19.0
Other[1]	(125)	24	-
Equity free cash flow	**311**	**302**	**3.0**

[1] Q1 2016 includes DKK 196m from the first annual coupon payments on hybrid capital issued in Q1 2015.

Statements 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	Proposed dividends	Total	Hybrid capital	Non-controlling interests	Total
Equity at 1 January 2015	812	(1,604)	(123)	18,656	802	18,543		104	18,647
Profit for the period				516	-	516		(5)	511
Currency hedging of net investments in foreign enterprises		515				515			515
Fair value adjustments of cash flow hedges			133			133			133
Fair value adjustments of cash flow hedges transferred to financial expenses			(36)			(36)			(36)
Remeasurement effects related to defined benefit pension plans				(12)		(12)			(12)
Income tax relating to remeasurement effects from defined benefit pension plans				3		3			3
Total comprehensive income	**-**	**515**	**97**	**507**	**-**	**1,119**	**-**	**(5)**	**1,114**
Distributed dividends					(802)	(802)			(802)
Share-based remuneration				14	-	14			14
Additions, hybrid capital						-	5,559		5,559
Additions to non-controlling interests						-		4	4
Total transactions with shareholders	**-**	**-**	**-**	**14**	**(802)**	**(788)**	**5,559**	**4**	**4,775**
Equity at 31 March 2015	**812**	**(1,089)**	**(26)**	**19,177**	**-**	**18,874**	**5,559**	**103**	**24,536**

Statements 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	Proposed dividends	Total	Hybrid capital	Non-controlling interests	Total
Equity at 1 January 2016	812	(2,019)	(247)	16,229	-	14,775	5,552	27	20,354
Profit for the period				451	-	451	175	(2)	624
Currency translation adjustments, foreign enterprises		173				173			173
Fair value adjustments of cash flow hedges			(25)			(25)			(25)
Fair value adjustments of cash flow hedges transferred to financial expenses			(2)			(2)			(2)
Remeasurement effects related to defined benefit pension plans				(1,268)		(1,268)			(1,268)
Income tax relating to remeasurement effects from defined benefit pension plans				278		278			278
Total comprehensive income	**-**	**173**	**(27)**	**(539)**	**-**	**(393)**	**175**	**(2)**	**(220)**
Share-based remuneration				48		48			48
Coupon payments on hybrid capital						-	(196)		(196)
Income tax relating to coupon payments on hybrid capital						-	21		21
Total transactions with shareholders	**-**	**-**	**-**	**48**	**-**	**48**	**(175)**	**-**	**(127)**
Equity at 31 March 2016	**812**	**(1,846)**	**(274)**	**15,738**	**-**	**14,430**	**5,552**	**25**	**20,007**

Notes to consolidated financial statements

Note 1 Accounting policies

TDC's Interim Financial Report for Q1 2016 has been prepared in accordance with IAS 34 Interim Financial Reporting and the additional disclosure requirements for listed companies. The accounting policies are unchanged compared with the policies applied in the Group Annual Report 2015.

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 2015, cf. TDC's Annual Report 2015.

Note 2 Segment reporting

With effect from Q1 2016, TDC's financial reporting reflects the changed Danish organisation and the 2018 strategy announced in December 2015 and January 2016. The Danish customer service functions were split from Channels into the other business lines. In addition, a number of other activities were transferred between the business lines.

Comparative figures have been restated accordingly.

Note 2 Segment reporting (continued)

Segments

DKKm

	Consumer		Business		Wholesale		Other operations[1]	
	Q1 2016	Q1 2015	Q1 2016	Q1 2015	Q1 2016	Q1 2015	Q1 2016	Q1 2015
Mobility services	668	659	323	364	107	132	1	1
Landline voice	226	293	224	282	65	64	3	4
Internet and network	612	626	464	514	179	168	25	25
TV	1,073	1,076	9	10	11	8	-	-
Other services	107	248	275	316	34	35	77	85
Norway and Sweden	-	-	-	-	-	-	-	-
Revenue	**2,686**	**2,902**	**1,295**	**1,486**	**396**	**407**	**106**	**115**
Total operating expenses excl. depreciation, etc.	(1,074)	(1,150)	(501)	(563)	(171)	(182)	(946)	(947)
Other income and expenses	-	-	-	(1)	-	-	33	34
EBITDA	**1,612**	**1,752**	**794**	**922**	**225**	**225**	**(807)**	**(798)**
Specification of revenue:								
External revenue	2,686	2,902	1,249	1,432	370	362	92	106
Revenue across segments	-	-	46	54	26	45	14	9

	Norway[2]		Sweden		Eliminations		Total	
	Q1 2016	Q1 2015	Q1 2016	Q1 2015	Q1 2016	Q1 2015	Q1 2016	Q1 2015
Mobility services	-	-	-	-	(1)	(2)	1,098	1,154
Landline voice	-	-	-	-	(1)	1	517	644
Internet and network	-	-	-	-	(23)	(24)	1,257	1,309
TV	-	-	-	-	1	-	1,094	1,094
Other services	-	-	-	-	(23)	(20)	470	664
Norway and Sweden	771	790	706	664	(86)	(126)	1,391	1,328
Revenue	**771**	**790**	**706**	**664**	**(133)**	**(171)**	**5,827**	**6,193**
Total operating expenses excl. depreciation, etc.	(448)	(492)	(630)	(592)	147	187	(3,623)	(3,739)
Other income and expenses	1	(0)	3	4	(14)	(17)	23	20
EBITDA	**324**	**298**	**79**	**76**	**-**	**(1)**	**2,227**	**2,474**
Specification of revenue:								
External revenue	748	760	682	630	-	1	5,827	6,193
Revenue across segments	23	30	24	34	(133)	(172)	-	-

Note 2 Segment reporting (continued)

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

DKKm	Q1 2016	Q1 2015
EBITDA from reportable segments	2,227	2,474
Unallocated:		
Depreciation, amortisation and impairment losses	(1,236)	(1,311)
Special items	(96)	(131)
Financial income and expenses	(77)	(333)
Consolidated profit before income taxes	**818**	**699**

[1] Consists of the two operating segments Operations and Headquarters. At Operations, external revenue amounted to DKK 90m (Q1 2015: DKK 104m), revenue across segments amounted to DKK 14m (Q1 2015: DKK 9m) and EBITDA amounted to DKK (630)m compared with (Q1 2015: DKK (666)m). At Headquarters, external revenue amounted to DKK 2m (Q1 2015: DKK 1m), revenue across segments amounted to DKK 0m (Q1 2015: DKK 0m) and EBITDA amounted to DKK (177)m compared with (Q1 2015: DKK (132)m).
[2] Consists of the two operating segments Get and TDC Norway AS. At Get, external revenue amounted to DKK 577m (Q1 2015: DKK 584m), revenue across segments amounted to DKK 0m (Q1 2015: DKK 1m) and EBITDA amounted to DKK 296m (Q1 2015: DKK 275m).

Note 3 Employees

FTEs (EoY)	Q1 2016	2015	Q1 2015	Change in % Q1 2016 vs. Q1 2015	Change in % Q1 2016 vs. 2015
Consumer[1]	1,813	1,876	1,850	(2.0)	(3.4)
Business[1]	1,174	1,166	1,150	2.1	0.7
Wholesale[1]	129	130	130	(0.8)	(0.8)
Other Operations[1 2]	3,874	3,817	3,819	1.4	1.5
Norway	902	908	941	(4.1)	(0.7)
Sweden	810	809	805	0.6	0.1
TDC Group	**8,704**	**8,705**	**8,694**	**0.1**	**(0.0)**
Of which in Denmark	**6,838**	**6,825**	**6,803**	**0.5**	**0.2**

FTEs and temps (EoY)	Q1 2016	2015	Q1 2015	Change in % Q1 2016 vs. Q1 2015	Change in % Q1 2016 vs. 2015
Consumer[1]	1,819	1,880	1,863	(2.4)	(3.2)
Business[1]	1,175	1,171	1,153	1.9	0.3
Wholesale[1]	129	130	130	(0.8)	(0.8)
Other Operations[1 2]	3,887	3,836	3,853	0.9	1.3
Norway[3]	966	998	964	0.2	(3.2)
Sweden	836	839	834	0.2	(0.4)
TDC Group	**8,812**	**8,854**	**8,797**	**0.2**	**(0.5)**
Of which in Denmark	**6,857**	**6,854**	**6,853**	**0.1**	**0.0**

[1] Product management with 40 FTEs was moved from cost centre to sales divisions in Consumer (20 FTEs), Business (16 FTEs) and Wholesale (4 FTEs) in Q3 2015.
[2] Includes Operations, Headquarters, expats and personnel on leave, etc.
[3] Get with 73 temps included as of Q4 2015.

Note 4 Depreciation, amortisation and impairment losses

DKKm

	Q1 2016	Q1 2015
Depreciation on property, plant and equipment	(781)	(762)
Amortisation of intangible assets	(453)	(547)
Impairment losses	(2)	(2)
Total	**(1,236)**	**(1,311)**

The decline in amortisation from Q1 2015 to Q1 2016 reflect primarily lower amortisation of the value of customer relationships as a consequence of the diminishing balance method as well as the impairment losses recognized in Q4 2015.

Note 5 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
	Q1 2016	Q1 2015
Costs related to redundancy programmes and vacant tenancies	(85)	(138)
Other restructuring costs, etc.	(8)	(4)
Income from rulings	-	11
Loss from rulings	(3)	-
Special items before income taxes	**(96)**	**(131)**
Income taxes related to special items	21	32
Total special items	**(75)**	**(99)**

Note 6 Financial income and expenses

Financial income and expenses — DKKm

	Q1 2016	Q1 2015	Change in %
Interest income	5	8	(37.5)
Interest expenses	(201)	(277)	27.4
Net interest	**(196)**	**(269)**	**27.1**
Currency translation adjustments	76	(73)	-
Fair value adjustments	13	(10)	-
Interest, currency translation adjustments and fair value adjustments	**(107)**	**(352)**	**69.6**
Profit from joint ventures and associates	-	(3)	-
Interest on pension assets	30	22	36.4
Total	**(77)**	**(333)**	**76.9**

Financial income and expenses represented an expense of DKK 77m in Q1 2016, an improvement of DKK 256m compared with Q1 2015, driven primarily by:

Net interest
The EMTN loan (EUR 274m) that matured in December 2015 was refinanced by EIB loan (EUR 100m) and cash resulting in a lower interest expense (DKK 35m). Furthermore, Q1 2015 was negatively impacted by interest expenses (DKK 39m) on the bridge bank loan (EUR 1,600m) stemming from the acquisition of Get in 2014.

Currency translation adjustment
In Q1 2016, the EUR/DKK exchange rate decreased, resulting in gains, whereas the EUR/DKK exchange rate increased during Q1 2015, resulting in losses. Furthermore, Q1 2016 was positively impacted by exchange-rate gains primarily on intercompany loans denominated in NOK.

Fair value adjustments
In Q1 2015, pre-hedges related to the refinancing in February 2015[1] resulted in a loss due to declining market interest rates. The loss was partly offset by gains on cross-currency swaps related to the EMTN GBP debt[2].

Interest on pension assets
The higher interest on pension assets was attributable to a higher discount rate at 1 January 2016 than at 1 January 2015, as the interest is calculated on the basis of the pension funds' net assets (assets less liabilities) using the discount rate as of beginning of the year. For further information about pension plans, see note 7.

1 In February 2015, the terminated bridge bank loan and the maturing EMTN bond were replaced by hybrid capital , EMTHN bond, bank loans and cash.

2 The GBP EMTN loan is hedged to the fixed EUR interest rate and treated as hedge accounting. The hedge is recognised in other comprehensive income and the ineffective part of the hedge is recognised as fair value adjustments in the income statements. The test of efficiency is to compare the GBP/EUR hedge with a theoretical GBP/DKK hedge.

Specifications DKKm

	Q1 2016				Q1 2015			
	Interest	Currency translation adjustments	Fair value adjustments	Total	Interest	Currency translation adjustments	Fair value adjustments	Total
Euro Medium Term Notes (EMTNs) incl. hedges (treated as hedge accounting)	(175)	11	2	**(162)**	(213)	(48)	36	**(225)**
European Investment Bank (EIB) and KfW bank loans incl. hedges (treated as hedge accounting)	(6)	11	-	**5**	(4)	(16)	-	**(20)**
Other hedges (not treated as hedge accounting)	-		11	**11**	-	-	(46)	**(46)**
Other	(15)	54		**39**	(52)	(9)	-	**(61)**
Interest, currency translation, adjustments and fair value adjustments	**(196)**	**76**	**13**	**(107)**	**(269)**	**(73)**	**(10)**	**(352)**

Note 7 Pension assets and pension obligations

Pension (costs)/income	Q1 2016	Q1 2015
DKKm		
Specification of plans:		
Denmark	(2)	(15)
Norway	-	(5)
Pension income/(costs) from defined benefit plans	**(2)**	**(20)**
Recognition:		
Service cost[1]	(30)	(40)
Administrative expenses	(2)	(2)
Personnel expenses (included in EBITDA)	**(32)**	**(42)**
Interest on pension assets	30	22
Pension income/(costs) from defined benefit plans recognised in the income statements	**(2)**	**(20)**

[1] The increase in the present value of the defined benefit obligation resulting from employee services in the current period.

Domestic defined benefit plan	Q1 2016	Q1 2015
DKKm		
Pension (cost)/income		
Service cost	(30)	(36)
Administrative expenses	(2)	(2)
Personnel expenses (included in EBITDA)	**(32)**	**(38)**
Interest on pension assets	30	23
Pension (costs)/income	**(2)**	**(15)**
Domestic redundancy programmes recognised in special items	(8)	(36)
Total pension (costs)/income recognised in the income statements	**(10)**	**(51)**

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.

Distribution of funds from the pension fund to TDC is not possible until all pension obligations have been met. 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.

Note 7 Pension assets and pension obligations (continued)

Domestic defined benefit plan (continued)

DKKm	31 March 2016	31 December 2015	31 March 2015
Assets and obligations			
Specification of pension assets			
Fair value of plan assets	29,191	29,185	31,668
Defined benefit obligation	(24,497)	(23,238)	(26,501)
Pension assets recognised in the balance sheets	**4,694**	**5,947**	**5,167**
Change in pension assets			
Pension assets recognised at 1 January	5,947	5,205	5,205
Pension (costs)/income	(10)	(128)	(51)
Remeasurement effects	(1,268)	757	(11)
TDC's contribution	25	113	24
Pension assets recognised in the balance sheets	**4,694**	**5,947**	**5,167**
Discount rate (%)			
Used to determine benefit obligations	1.40	2.00	1.30
Used to determine pension cost/income	2.00	1.70	1.70

Foreign defined benefit plans

TDC's foreign defined benefit plans concern employees in Norway. The difference between the actuarially determined pension obligations and the fair value of the pension funds' assets is recognised in the balance sheets under pension liabilities. Pension contributions relating to foreign defined benefit plans amounted to DKK 0m in Q1 2016 and DKK 9m in Q1 2015. Pension iabilities relating to foreign defined benefit plans amounted to DKK 37m at 31 March 2016 and DKK 106m at 31 March 2015. One of TDC Norway's defined benefit plans was closed during 2015, resulting in a one-off gain of DKK 34m.

Note 8 Loans and net interest-bearing debt

Euro Medium Term Notes (EMTNs) and bank loans[1] DKKm

	2018	2019	2020	2020	2022	2023	2027	Total
Maturity	23 Feb-18	30 Dec-19	04 Feb-20	14 Dec-20	02 Mar-22	23 Feb-23	27 Feb-27	
Fixed/Floating rate	Fixed	Floating	Floating	Floating	Fixed	Fixed	Fixed	
Coupon	4.38%				3.75%	5.63%	1.75%	
Currency	EUR	EUR	EUR	EUR	EUR	GBP	EUR	
Type	Bond	Bank loan	Bank loan	Bank loan	Bond	Bond	Bond	
Nominal value (DKKm)	5,961	2,980	1,863	745	3,726	5,183	5,961	26,419
Nominal value (Currency)	800	400	250	100	500	550	800	
Hereof nominal value swapped to or with floating interest rate (EURm)	200	400	250	100	150	50	0	1,150
Hereof nominal value swapped from GBP to EUR (GBPm)[2]	0	0	0	0	0	550	0	550

[1] The maturity of derivatives used for hedging of long-term loans matches the maturity of the underlying loans.
[2] The nominal value of the GBP 550m February 2023 bond is fully swapped to EUR 658m.

The maturity analysis above does not include hybrid capital with a principal amount totalling DKK 5,588m due in 3015. For further details on hybrid capital, see note 9.

Both net interest-bearing debt and adjusted net interest-bearing debt decreased during Q1 2016 (DKK 239m) as cash flow from operations more than offset the coupon payments on hybrid capital.

Net interest-bearing debt DKKm

	31 March 2016	31 December 2015	31 March 2015
Interest-bearing receivables and investments	(276)	(278)	(293)
Cash	(574)	(363)	(327)
Long-term loans	26,973	27,398	26,854
Short-term loans	203	200	2,767
Interest-bearing payables	2	2	2
Derivative financial instruments hedging fair value and currency on loans	(536)	(928)	(1,105)
Net interest-bearing debt	**25,792**	**26,031**	**27,898**
50% of hybrid capital	2,776	2,776	2,780
Adjusted net interest-bearing debt	**28,568**	**28,807**	**30,678**

[1] Related primarily to loans to the pension fund, TDC Pensionskasse.

Note 9 Hybrid capital

The EUR 750m callable subordinated capital securities (hybrid bonds) issued in February 2015 are accounted for as equity. The hybrid capital is subordinate to the Group's other creditors. The further key details on the hybrid bonds are:

- final maturity: 26 February 3015
- first par call date: 26 February 2021
- coupon rate: fixed at 3.5000% until 26 February 2021

TDC may defer coupon payments to bond holders. However, deferred coupon payments will fall due for payment in the event of distribution of dividends to TDC's shareholders. Deferred coupons will lapse in 3015.

Coupon payments are recognised directly in equity at the time the payment obligation arises.

The first coupon payment occurred in February 2016 and amounted to DKK 196m. Coupon payments are recognised in the statement of cash flow as a separate item within financing activities. Hybrid coupon payments are included as a separate item in the statement of equity free cash flow (EFCF).

Non-recognised accumulated coupons amounted to DKK 18m as of 31 March 2016.

The hybrid bonds issued by TDC provide 50% equity credit from rating agencies. Accordingly, an adjusted net interest-bearing debt (NIBD) and leverage ratio are disclosed, where 50% of the hybrid capital is included in NIBD.

Note 10 Capital and purchase commitments

As announced on 27 January 2016, TDC will accelerate the upgrading and future-proofing of its coaxial cable network to market-leading 1 Gigabit speeds in order to deliver optimal connectivity irrespective of network type. As a consequence, TDC's capital and purchase commitments increased by approximately DKK 1bn.

Note 11 Events after the balance sheet date

None.

Selected financial and operational data

TDC Group

		Q1 2016	Q1 2015	2015	2014	2013	2012
Income statements	DKKm						
Revenue		5,827	6,193	24,366	23,344	23,986	25,472
Gross profit		4,175	4,440	17,484	17,092	17,431	18,154
EBITDA		2,227	2,474	9,809	9,804	9,979	10,136
Operating profit/loss (EBIT)		895	1,032	(618)	3,808	4,115	4,438
Profit/loss before income taxes		818	699	(1,725)	2,793	3,432	4,320
Profit/loss for the period from continuing operations		624	511	(2,384)	2,452	3,078	3,691
Profit/loss for the period		624	511	(2,384)	3,228	3,119	3,784
Income statements, excluding special items							
Operating profit (EBIT)		991	1,163	4,498	5,076	5,047	5,176
Profit before income taxes		914	830	3,391	4,060	4,364	4,298
Profit for the period from continuing operations		699	610	2,502	3,529	3,766	3,344
Profit for the period		699	610	2,502	3,551	3,780	3,448
Balance sheets	DKKbn						
Total assets		62.9	70.8	64.6	74.4	60.4	63.5
Net interest-bearing debt		25.8	27.9	26.0	32.9	21.7	21.9
Hybrid capital		(5.6)	(5.6)	(5.6)	-	-	-
Total equity		20.0	24.5	20.4	18.6	20.4	21.5
Average number of shares outstanding (million)		801.9	801.5	801.7	800.2	798.9	802.3
Capital expenditure		(1,012)	(1,142)	(4,537)	(3,909)	(3,606)	(3,406)
Statements of cash flow	DKKm						
Operating activities		1,526	1,425	7,819	7,131	7,058	6,720
Investing activities		(1,103)	(1,205)	(4,604)	(16,528)	(3,929)	(2,862)
Financing activities		(219)	(4,657)	(7,602)	11,872	(3,102)	(4,448)
Total cash flow from continuing operations		204	(4,437)	(4,387)	2,475	27	(590)
Total cash flow in discontinued operations[1]		-	(2)	(2)	1,099	172	74
Total cash flow		204	(4,439)	(4,389)	3,574	199	(516)
Equity free cash flow		311	302	3,227	3,214	3,302	3,128

TDC Group

		Q1 2016	Q1 2015	2015	2014	2013	2012
Key financial ratios							
Earnings Per Share (EPS)	DKK	0.56	0.64	(2.87)	4.05	3.90	4.72
EPS from continuing operations, excl. special items	DKK	0.87	0.76	3.12	4.41	4.71	4.17
Adjusted EPS	DKK	1.01	0.95	3.86	5.31	5.35	5.40
Dividend payments per share	DKK	-	-	1.00	2.50	3.70	4.60
Dividend payout (% of EFCF)	%	-	-	24.8	62.9	89.3	118.3
Gross margin	%	71.6	71.7	71.8	73.2	72.7	71.3
EBITDA margin	%	38.2	39.9	40.3	42.0	41.6	39.8
Adjusted NIBD/EBITDA[2]	x	3.0	3.1	2.9	3.4	2.1	2.1
Retail RGUs (Denmark)							
Mobile subscriptions	# ('000)	2,578	2,546	2,576	2,566	2,655	2,679
TV	# ('000)	1,405	1,402	1,386	1,420	1,393	1,392
Broadband	# ('000)	1,332	1,354	1,329	1,358	1,361	1,327
Landline voice	# ('000)	809	959	847	1,010	1,193	1,350
Employees							
FTEs (end-of-period)	#	8,704	8,694	8,705	8,594	8,587	8,885
FTEs and temps (end-of-period)	#	8,812	8,797	8,854	8,681	8,712	9,097
Customer satisfaction							
Recommend score	YTD avg. index	66	63	64	65	66	-

[1] TDC Finland (divested in 2014) is presented as a discontinued operations. Other divestments are included in the respective accounting items during the ownership.
[2] EBITDA for Get is included from November 2014. On a pro forma basis (If EBITDA for Get is included for the full year 2014), the leverage ratio at year-end 2014 would have been 3.1.

Corporate matters

TDC appoints new Head of YouSee

On 13 April 2016, TDC A/S announced that the Board of Directors has decided to appoint Jaap Postma as new Head of YouSee and a member of TDC's Executive Committee. Jaap Postma (41) holds a Master of Science (MSc), Economics, from the University of Groningen, the Netherlands. He wil take up the appointment from a position as Senior Executive Vice President for the Consumer Division at KPN N.V. Previously he has held positions as Vice President Consumer Products and Vice President Carrier Service and Regulation in KPN N.V. as well as other positions in that company.

Jaap Postma will take up the position as of 10 May 2016. René Brøchner will continue as acting Head of YouSee and member of TDC's Corporate Management Team until 10 May 2016, and will subsequently assist Jaap Postma until leaving TDC Group on 31st of December 2016 at the latest.

Risk factors

TDC’s Annual Report describes certain risks that could materially and adversely affect TDC’s business, financial condition, results of operations and/or cash flows. At the end of Q1 2016, TDC expects no significant changes in the risks.

Forward-looking statements

This report may include statements about TDC’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’s results include: the competitive environment and the industry in which TDC operates; contractual obligations in TDC’s financing arrangements; developments in competition within the domestic and international communications industry; information technology and operational risks including TDC’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 the 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 cannot predict. In addition, TDC 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 Report of TDC Group for Q1 2016.

The Financial Report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and Danish disclosure requirements for listed companies.

In our opinion, the Financial Report gives a true and fair view of the Group's assets, liabilities and financial position at 31 March 2016 as well as the results of operations and cash flows for Q1 2016. 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, 4 May 2016

Executive Committee

Pernille Erenbjerg
Group Chief Executive Officer and Group Chief Financial Officer

Marina Lønning
Senior Executive Vice President of Business

Gunnar Evensen
Senior Executive Vice President of Norway

Erik Heilborn
Senior Executive Vice President of Sweden

Peter Trier Schleidt
Senior Executive Vice President of Operations and Group Chief Operating Officer

Jens Aaløse
Group Chief Customer Officer and Stakeholder Relations

Board of Directors

Vagn Sørensen
Chairman

Pierre Danon
Vice Chairman

Marianne Rørslev Bock

Stine Bosse

Pieter Knook

Angus Porter

Benoit Scheen

Mogens Jensen

John Schwartzbach

Zanne Stensballe

Gert Winkelmann

About TDC

TDC A/S
Teglholmsgade 1
DK-0900 Copenhagen C
tdc.com

For more information, please contact Flemming Jacobsen,
Head of TDC Investor Relations, on +45 6663 7680 or investorrelations@tdc.dk.

Listing

Shares: NASDAQ OMX Copenhagen.
Reuters TDC.CO.
Bloomberg TDC DC.
Nominal value DKK 1.
ISIN DK0060228559.

Bloomberg TDC DC.
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