Financial Report October – December 2016

February 3rd, 2017

TDC Group

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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 Group 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 licenses; 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.

The market shares included in this report are estimated by TDC Group Market Intelligence and may change with retrospective effect as increased knowledge of the market is obtained. The total market is defined to include residential and business. Market share for landline voice is based on number of lines. Market shares for broadband and TV are based on subscriptions. Market share for mobile voice is based on subscriptions excl. prepaid cards.

Introduction

- **Q4 highlights**
  - **EBITDA** decline of 10.4% YoY driven by the development in Denmark (-13.3% YoY); Norway up 4.5% YoY
  - Revenue and GP growth in **mobility services;** Consumer mobile ARPU up by DKK 5 (4.5%) YoY
  - Loss of 16k **broadband customers** vs. Q3 in Consumer and Business due to pressure from competing infrastructure, the loss of large customers as well as clean-up
  - **TDC repurchased bonds** and thereby reduced gross debt by EUR 350m (DKK 2.6bn); positive impact on cash interest from 2017
  - TDC Business acquired another **cloud-based communications** provider and launched **new broadband portfolio** with improved flexibility and functionalities
- **2016 FY performance**
  - Better financial performance than expected with **EBITDA** (DKK 8,488m > DKK 8,400m) and **EFCF** (DKK 2,082m > DKK 1,700m)
  - Strong EBITDA growth in **Norway** driven by Get (10.1% YoY)
  - Reported GP trend improved during 2016 in **Denmark** (-7.6% Q1 YoY and -5.0% Q4 YoY), driven by mobility services
  - **Group opex** up by 2.4% due to strategic investments (TDC and YouSee brand merger, IT merger and B2B simplification)
  - **Strategy execution** well underway: brand merger, TDC Sweden divestment, new TV set-top box, TDC Skype for Business and gigaspeed roll-out
  - **Customer satisfaction** has been flattish by a year with many changes; Telmore is back at delivering best in class customer experience
- **2017 guidance and 2018 ambitions**
  - **2017**: EBITDA > DKK 8.3bn; EFCF: Stable or moderate growth; DPS: DKK 1.05
  - **2018**: ambitions unchanged on cash flow and customer satisfaction

2016 update on strategic initiatives

Always Simpler and Better

Better connectivity

- The customer continue to recognize us as the market leader – **TDC mobile network ranked #1** in Denmark[1]
- Significant increase in **offering best-product-solution** at the address
- **Gigaspeed roll-out project** progressing with upgrade of more than 50,000 households
- **4G DSL boost technology** developed, tested and ready for commercial launch

Better offering

- New **premium YouSee TV set-top box,** and **OTT TV apps launched** with positive feedback
- **Visual voice mail app** launched for consumer brands
- **Skype for business product integration** offered to all business customers
- **Launch** of **mobile voice** and **fire warning service** in Get

Better customer experience

- **New self-service solutions launched** in both business and consumer brands
- **Sales force implemented** in business ensuring a more holistic service experience
- **New call-center** opened in western part of Denmark to **invest** even more **in service levels**
- YouSee and TDC **front-end** and **store experience merged**

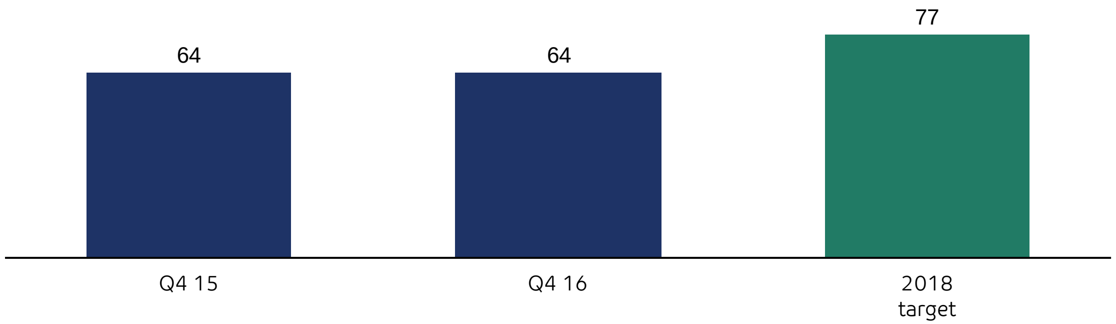
Simplified digital operating model

- New **2-tier IT development model** launched to **speed up development time** and to **improve quality**
- **Brand merger** of **YouSee** and **TDC,** including **migration of +1million households,** creating a **simpler organisational** structure
- **55% of all SMB customers migrated to new and better IT platform**

1. by Open Signal, P3 and Teknologisk institut

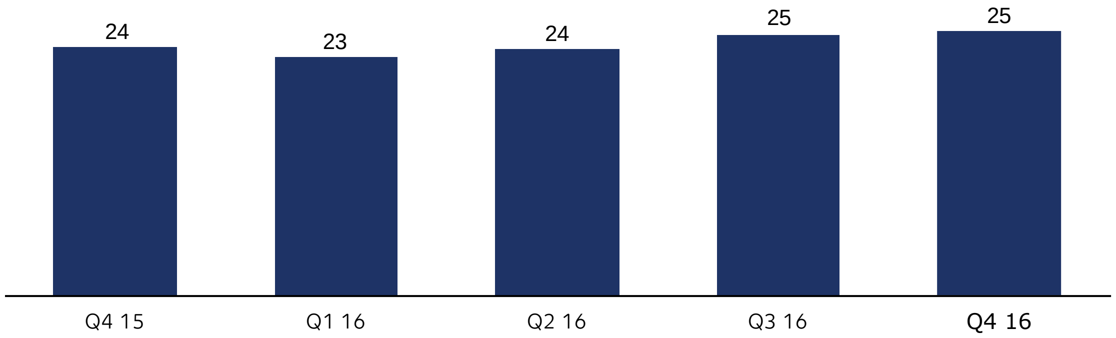
Customer satisfaction scores

TDC Group recommend score[1] YTD avg. index

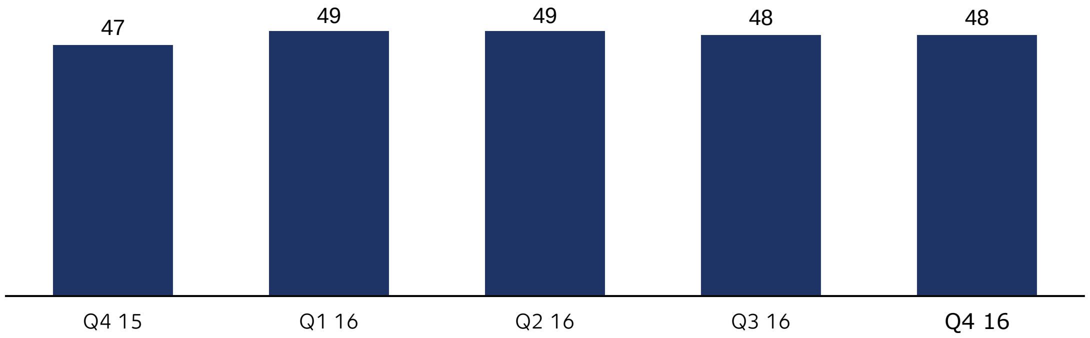


- Price increases in Q4 and transformation during the year with brand merger and IT migrations have had a temporary negative effect on the **customers' perception** and hence the recommend score, although call rates and waiting times have improved significantly in Q4
- **FY recommend score** development almost as expected. Getting service levels under control has been one of out main priorities and we are committed to achieve our 2018 target
- **Telmore** showed a strong increase in customer satisfaction and is now the brand in the Danish telco market with the **best customer service**

Share of customers with a negative experience[2] % YTD



Share of customers with a positive experience[2] % YTD



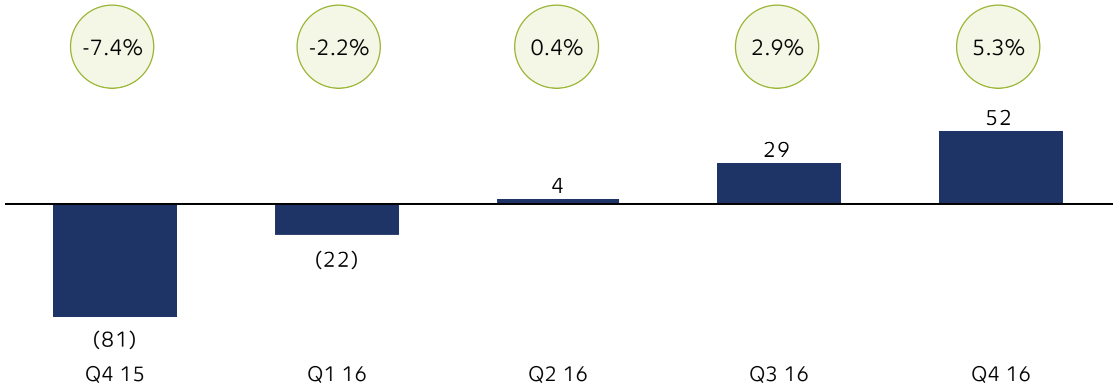
1. Recommend score is TDC's variant of the Net Promoter Score (would you recommend TDC to family and friends/colleagues and business associates). 100 is maximum score (0-100 scale)
2. Customer experiences are measured on a scale from 1-10, the score of 1-5 is rated as a negative experience and a score of 9-10 is rated as a positive experience

TDC Group

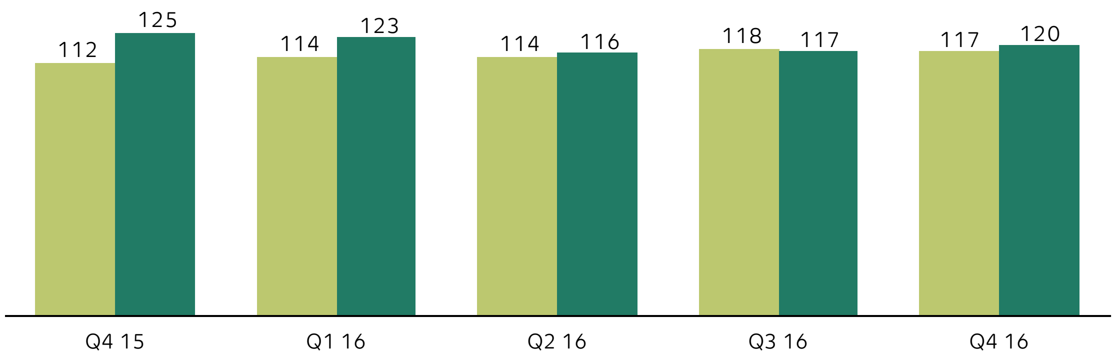
Mobility services in Denmark

TDC Group Denmark | Consumer | Business[2] | YoY growth

Organic[1] YoY gross profit development — DKKm

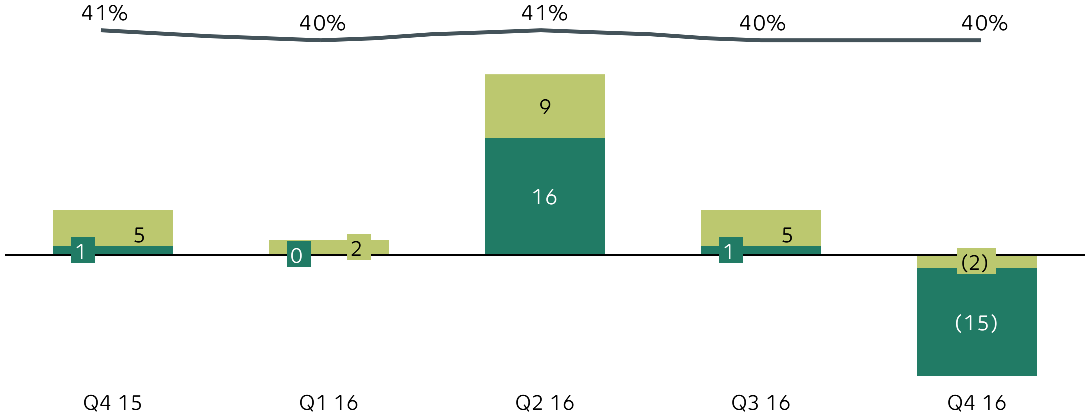


Mobile voice ARPU — DKK/month



- Organic **gross profit** growth for the 3rd consecutive quarter driven by Consumer with improved development during 2016; Consumer mobile voice **ARPU** increase of DKK 5 YoY in Q4 as price increases outweighed the reduction in billed traffic
- **Consumer mobile voice customer base up 14k** since Q4 2015 supported by churn rate improvements; however a slowdown in gross adds in Q4 affecting net adds (-2k)
- **Business ARPU** down 4% YoY driven mainly by lower roaming revenues, offset by churn of large customers with lower ARPU
- **Business customer base** decreased by 15k in Q4, due mainly to loss of large customers in H1 churning out in Q4 and in Q1 2017

Mobile voice RGU net adds & market share[3] — '000



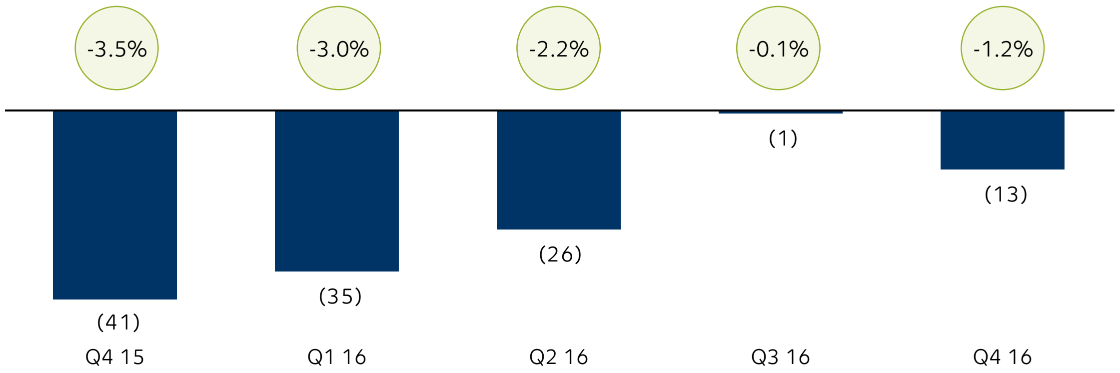
1. Adjusted for regulation and acquisitions/divestments
2. Cirque included in RGU (12k) from Q2 2016
3. TDC Residential and Business market share (Denmark)

TDC Group

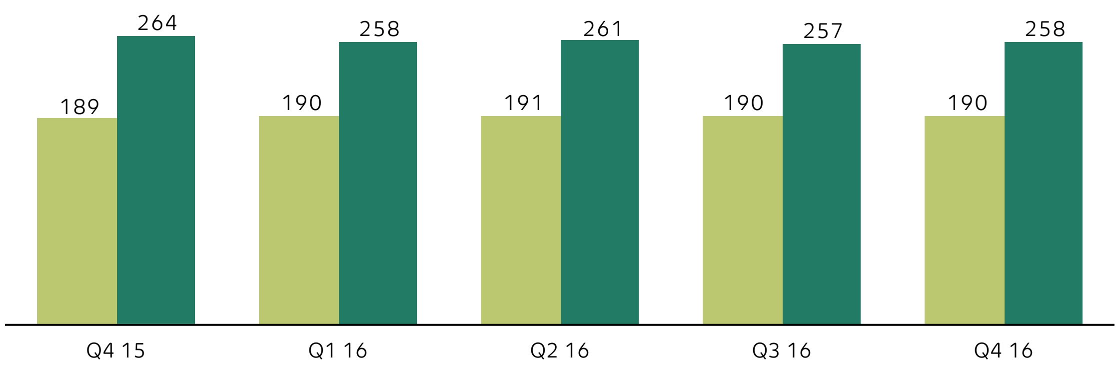
Internet & network in Denmark

TDC Group Denmark | Consumer | Business | YoY growth

Organic[1] YoY gross profit development DKKm

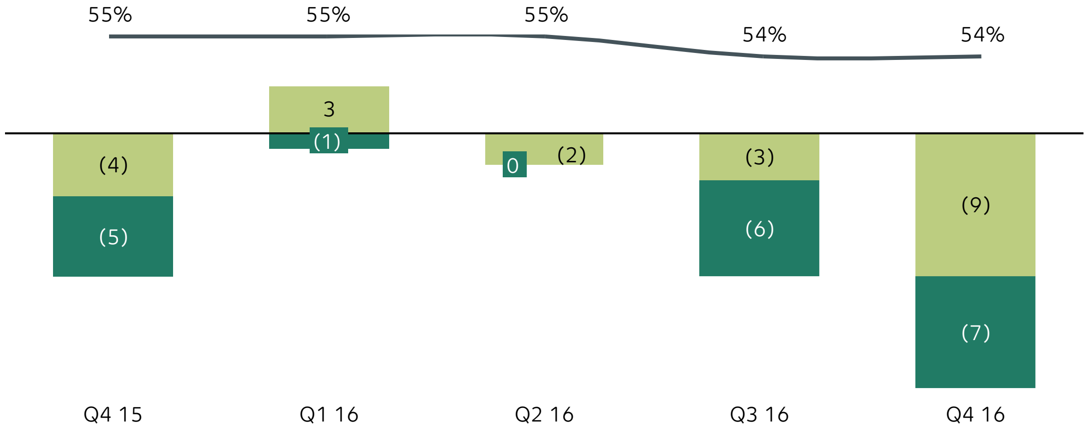


Broadband ARPU DKK/month



- Positive organic **gross profit** growth in Denmark when corrected for a DKK 20m one-off in Business in Q4
- **Consumer** net loss of 9k broadband customers vs. Q3 2016 due to clean-up in customer base (~4k) and the ongoing competition especially in the lower end of the market
- **Business** net adds down by 7k, due to loss of large customers in H1 churning out in Q4 and in Q1 2017 as well as a negative development in the small and medium-sized segment in Q4
- **Business ARPU** down by DKK 6 YoY, however, small rise vs. Q3 as a consequence of churn of large customers with lower ARPU

Broadband RGU net adds & total DK market share[2] '000



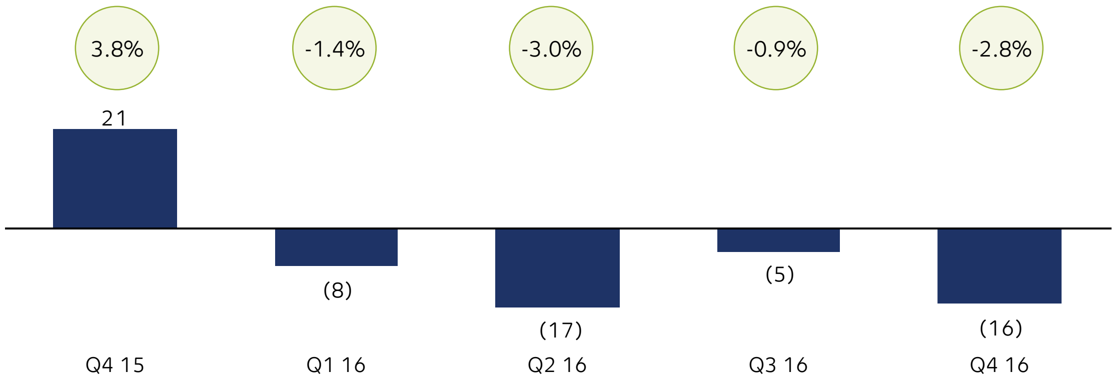
1. Adjusted for regulation and acquisitions/divestments
2. TDC Residential and Business market share (Denmark)

TDC Group

TV in Denmark

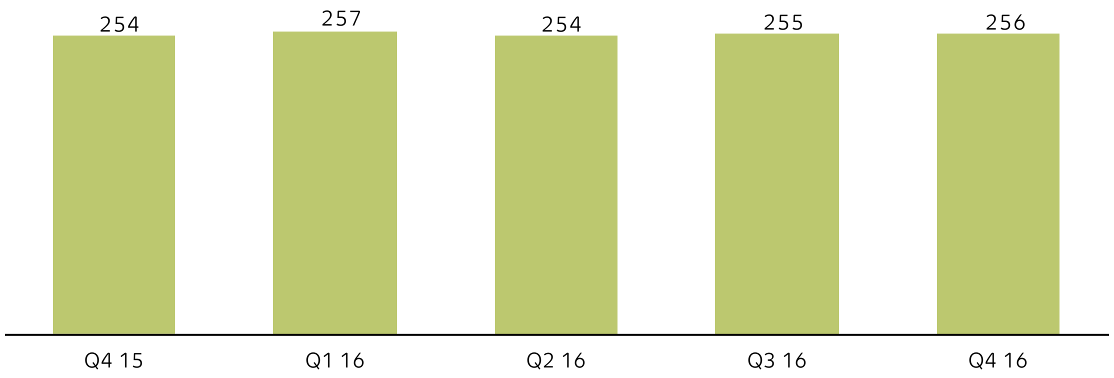
TDC Group Denmark | Consumer | YoY growth

Organic[1] YoY gross profit development DKKm

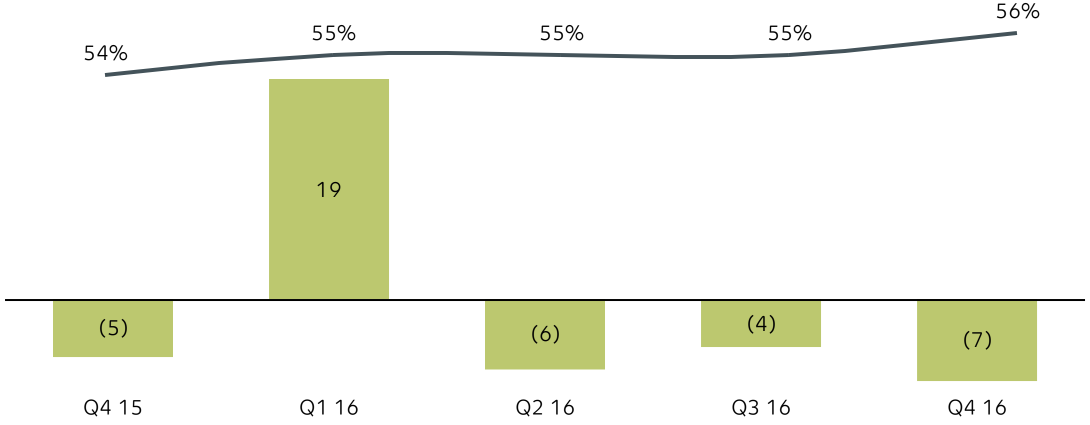


- Negative organic TV **gross profit** development YoY, despite positive revenue development, driven by increased content cost with more value-added services being included (e.g. TV on-the-go)
- Rapid take up of **new YouSee set-top box**; box well received by 68k customers (29k in Q4) finding the user interface quick and intuitive to navigate
- **TV ARPU** increase of DKK 2 YoY as price initiatives were partly offset by cord-shaving
- **TV net loss** of 7k customers vs. Q3 2016 driven by cord-cutting in SDU segment as well as loss of MDU customers; TDC is increasing market share in a declining market

TV ARPU DKK/month



RGU net adds & total DK market share[2] '000



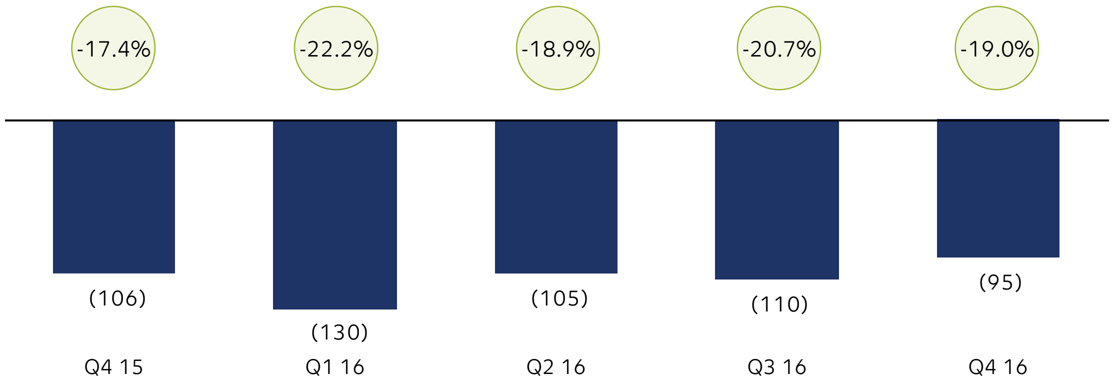
1. Adjusted for acquisitions/divestments
2. TDC Residential and Business market share (Denmark)

TDC Group

Landline voice in Denmark

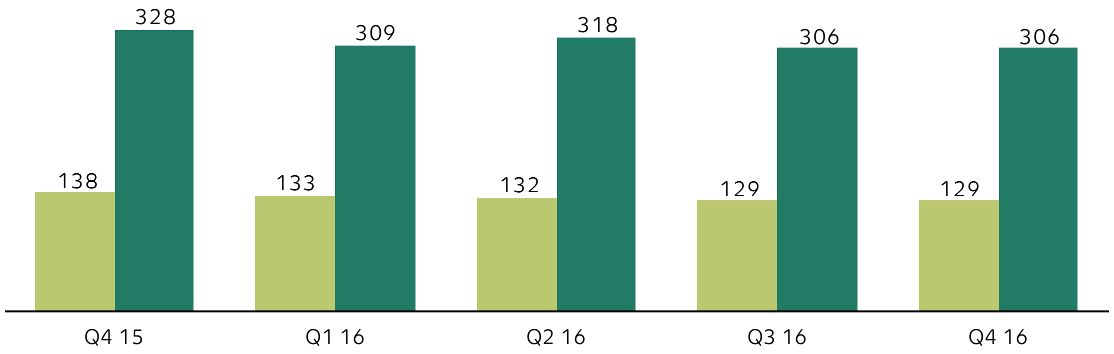
TDC Group Denmark | Consumer | Business[2] | YoY growth

Organic[1] YoY gross profit development DKKm

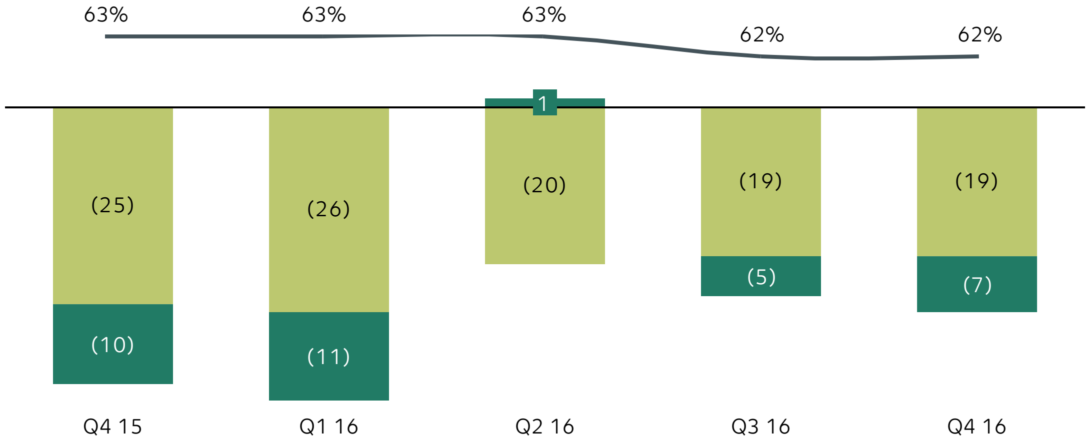


- Better **organic gross profit** development driven mainly by Consumer; **improvement in B2C net loss** in the last 3 quarters driven by retention initiatives
- **Consumer ARPU decline** of DKK 9 in Q4 YoY. This is related to a continued lower revenue from traffic as well as a less favourable customer mix due to churn of high-ARPU PSTN customers
- **Business net adds** down by 7k in Q4, less negative trend in the small and medium sized business customer base continues due to value added services
- **Business ARPU** at same level as Q3, however down by DKK 22 YoY driven by churn of high-ARPU legacy customers

Landline voice ARPU DKK/month



RGU net adds & total DK market share[3] '000



1. Adjusted for regulation and acquisitions/divestments
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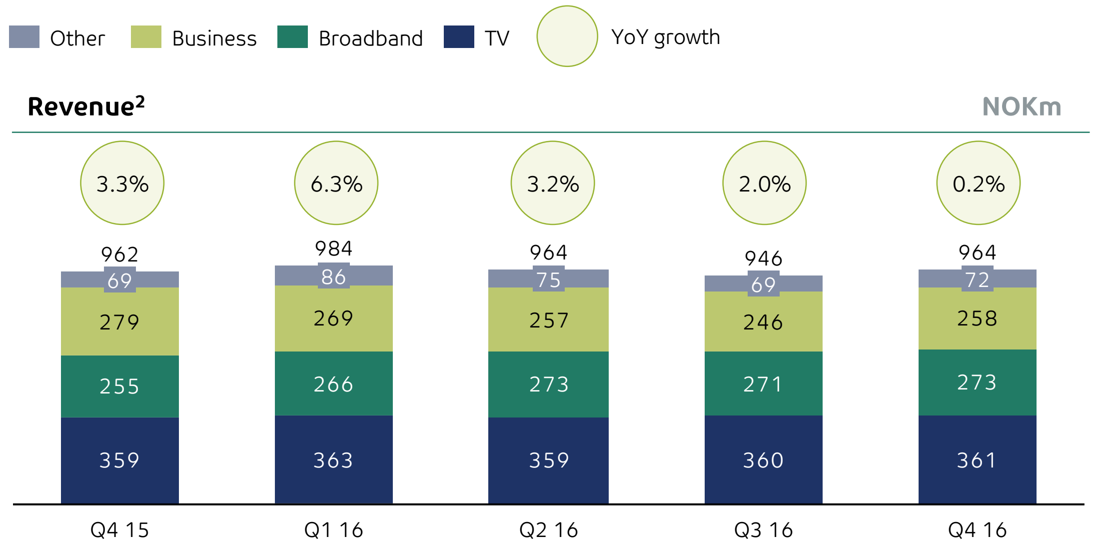
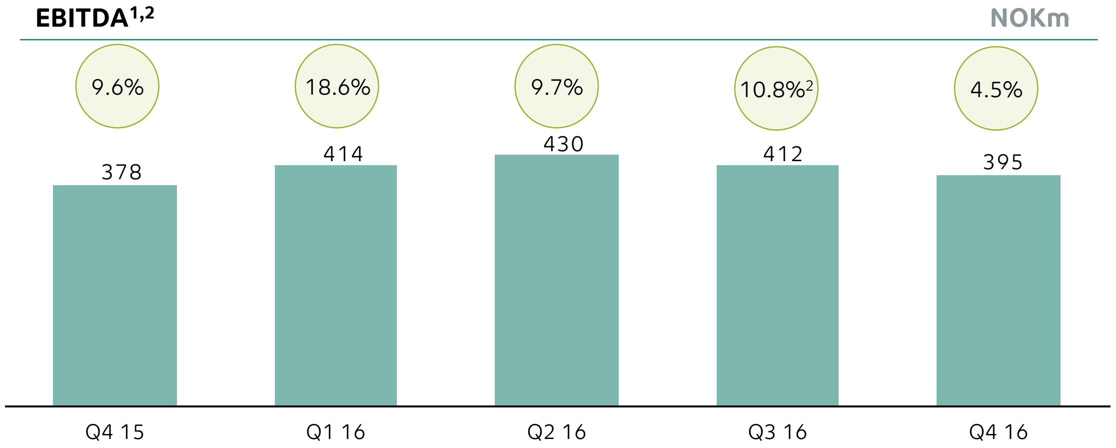
3. TDC Residential and Business market share (Denmark)

TDC Group

Norway financials





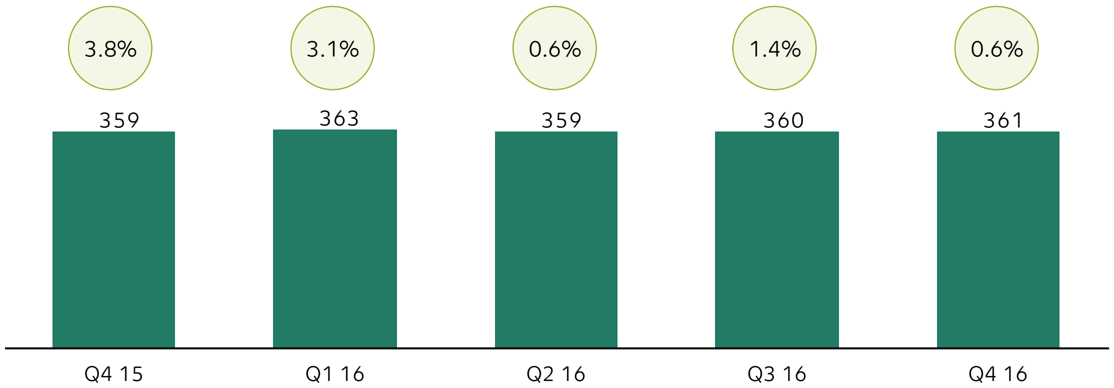
- **Q4 revenue growth of only 0.2%** as broadband growth in Get is offset by decline in business revenue due to ARPU pressure, decline in landline voice and mobile voice subscriber base
- Q4 EBITDA growth of 4.5% driven by **increase in residential broadband gross profit** and **opex savings** following restructuring and synergy realisation in TDC Norway
- **Get Household ARPU up 2%** YoY driven by higher broadband penetration and broadband ARPU
- **TDC Norway** won several large B2B contracts with healthy margins

1. Q1 2016 affected positively by one-offs (Revenue: NOK 13m and Operational expenses: NOK 5m)
2. Q3 2016 EBITDA growth adjusted for one-off in TDC Norway in Q3 2015 (NOK 42). Reported EBITDA growth of -0.5%

TV in Norway

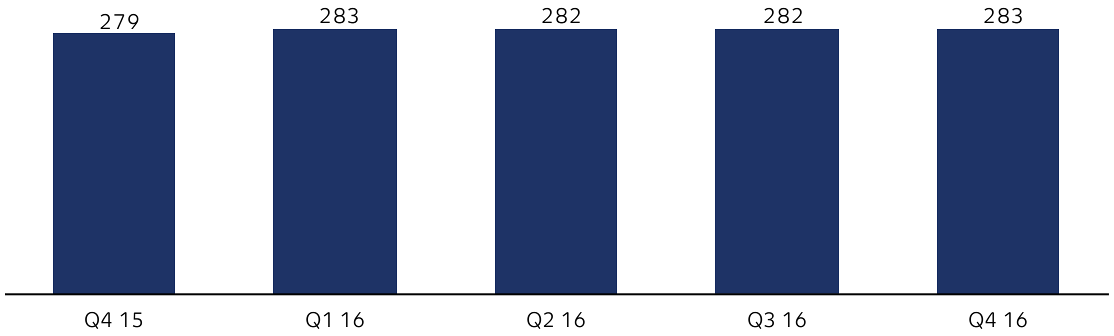
YoY growth

Revenue NOKm

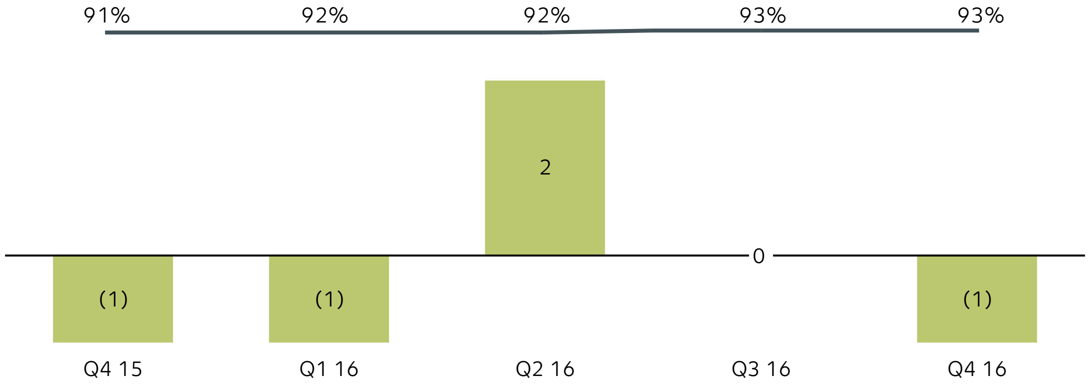


- **Continued slow down in TV revenue growth** challenged by a slightly declining trend in total pay TV subscribers in the Norwegian market and increased competition
- **TV ARPU increase of NOK 4 YoY** related mainly to the annual price increases in January 2016
- **Box penetration** up 2 percentage point YoY to 93% of TV customers

Residential ARPU NOK/month



RGU net adds[1] and box penetration ‘000



1. TV RGU net adds includes B2B TV RGUs

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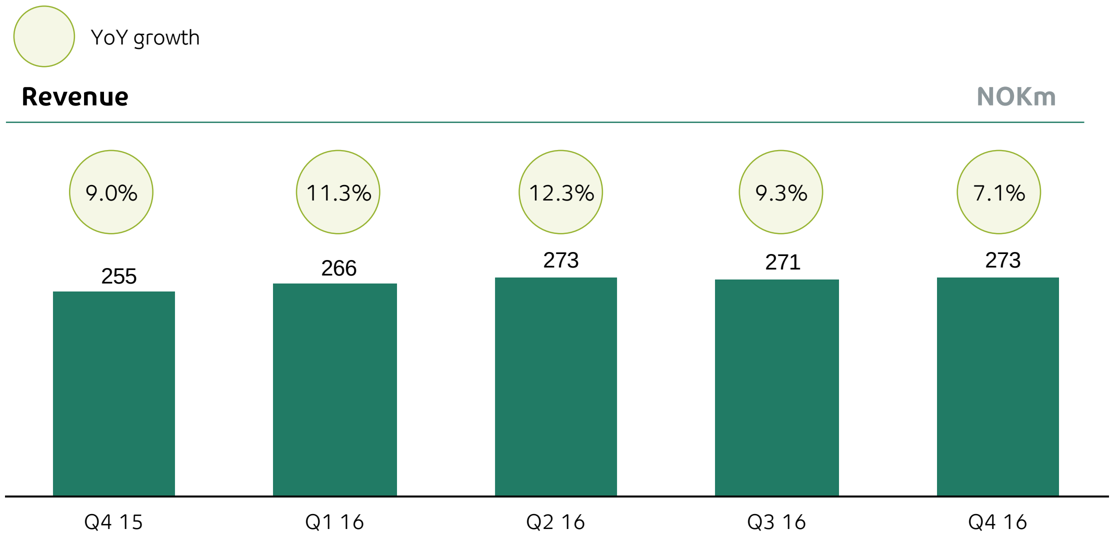
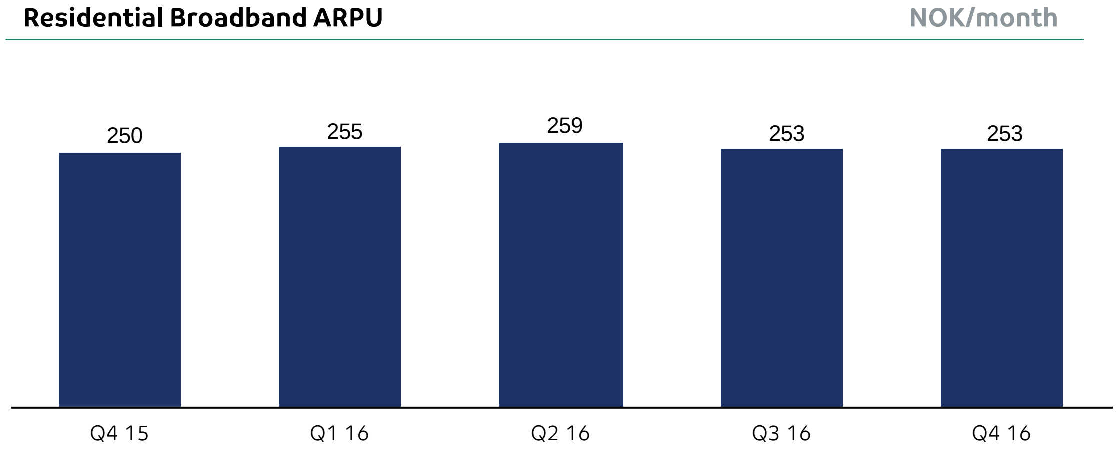
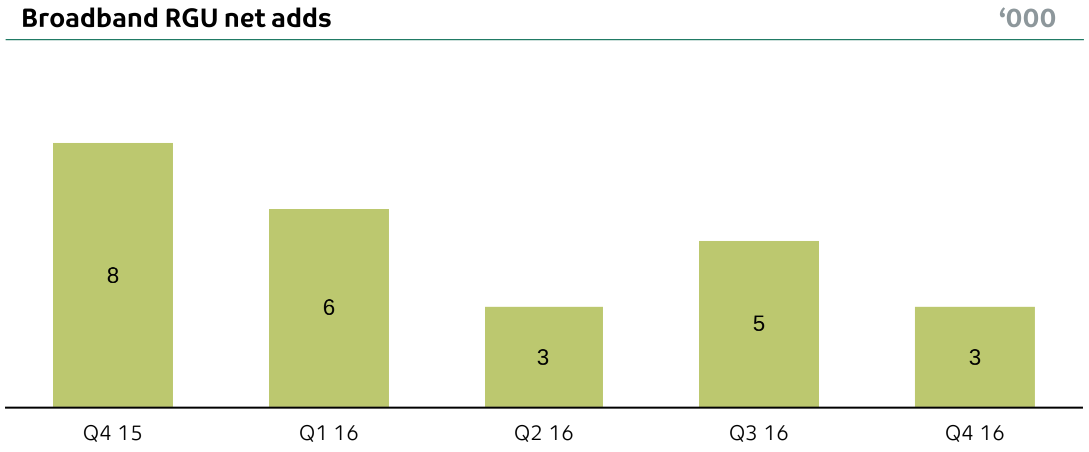
Broadband in Norway



- Continued **strong broadband performance** in Get driven by both ARPU and RGU growth
- **Broadband net adds** of 3k vs. Q3 2016 and 17K YoY driven by upsale to TV customers; broadband penetration up 3 percentage points YoY
- **ARPU up NOK 3 (1.2%) YoY** as a result of migration of customers to higher speeds at higher prices, partly off-set by customers on campaign prices and changed mix of collective and stand alone customers





2017 update on strategic initiatives

Always Simpler and Better

Better connectivity

- Commercialisation of the **new gigaspeed broadband** infrastructure for B2C and B2B customers
- Simpler and better delivery of the **optimal infrastructure** at the address
- Norway **'broadband programme'** to lift stability and wireless user experience

Better offering

- **Differentiated YouSee and Get TV experience** redefining how we watch TV
- Full household **loyalty programme** to most valuable **YouSee** customers
- Standardised and integrated **communication, analytics and security offerings** in TDC Business

Better customer experience

- **Online push of customer interactions** through digitalised and simplified journeys
- Differentiated **self-service and app experiences**
- **Availability and quality** in all customer service touchpoints

Simplified digital operating model

- **IT and platform simplification** following brand mergers and IT migrations
- United **product offerings and delivery models** across infrastructure
- New **opex levels** reflecting fever brands, processes and platforms

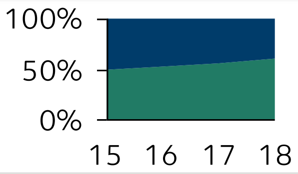
2017 update on strategic initiatives

Always Simpler and Better

Better connectivity

- Commercialisation of the **new gigaspeed broadband** infrastructure for B2C and B2B

- Simpler and better delivery of the **optimal infrastructure** at the address



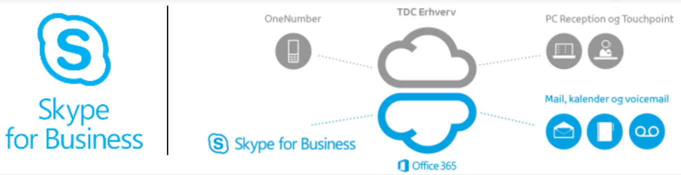
Migration of customers to highspeed infrastructure to ensure higher ARPU and lower churn

Better offering

- **Differentiated YouSee and Get TV experience** redefining how we watch TV

Blurring the lines between linear and on-demand TV : Everything into one universe with full flexibility

- Standardised and integrated **communi-cation, analytics and security offerings**



Better customer experience

- **Online push of customer interactions** through digitalised and simplified journeys

Mobile first customer journeys launched in new YouSee agile team to improve customer experience and reduce calls

- **Availability and quality** in all customer service touchpoints

Simplified digital operating model

- **IT and platform simplification** following brand mergers and IT migrations
- United **product offerings and delivery models** across infrastructure
- New **opex levels** reflecting fever brands, processes and platforms

TDC Group

Financials

Financial highlights – TDC Group

	Q4 2016		Full year 2016	
DKKm	DKKm	Growth %	DKKm	Growth %
Revenue	5,415	(2.6)	21,031	(4.1)
Gross profit	3,893	(3.8)	15,627	(5.0)
Opex	(1,835)	(5.0)	(7,139)	(2.4)
EBITDA	2,058	(10.4)	8,488	(10.5)
Profit for the period[1]	129	(79.7)	2,182	(9.9)
Capex	(1,388)	(11.0)	(4,352)	(0.8)
EFCF	416	(47.5)	2,082	(34.7)
Adjusted NIBD/EBITDA	2.9		2.9	

1. Profit for the period from continuing operations, excl. special items

TDC Group

Q4 2016 performance per business line

DKKm/ Growth in local currency	TDC Group	Consumer	Business	Wholesale	Other operations	Denmark in total	Get	TDC Norway	Norway In total
Revenue[1]	5,415	2,734	1,412	454	119	4,647	600	194	794
	-2.6%	-2.4%	-7.8%	+5.6%	+5.3%	-3.7%	+2.8%	-7.1%	+0.2%
Gross profit[1]	3,893	2,015	1,013	288	83	3,358	475	63	538
	-3.8%	-2.9%	-9.5%	-1.4%	+1.2%	-5.0%	+3.0%	-9.3%	+1.2%
EBITDA[1]	2,058	1,518	739	249	-769	1,733	303	22	325
	-10.4%	-9.2%	-11.4%	-1.2%	-1.3%	-13.3%	+5.1%	-3.6%	+4.5%
		1	2				3		

1 **Consumer:** Improved gross profit development for the 4th consecutive quarter, however more than offset by increased customer service costs

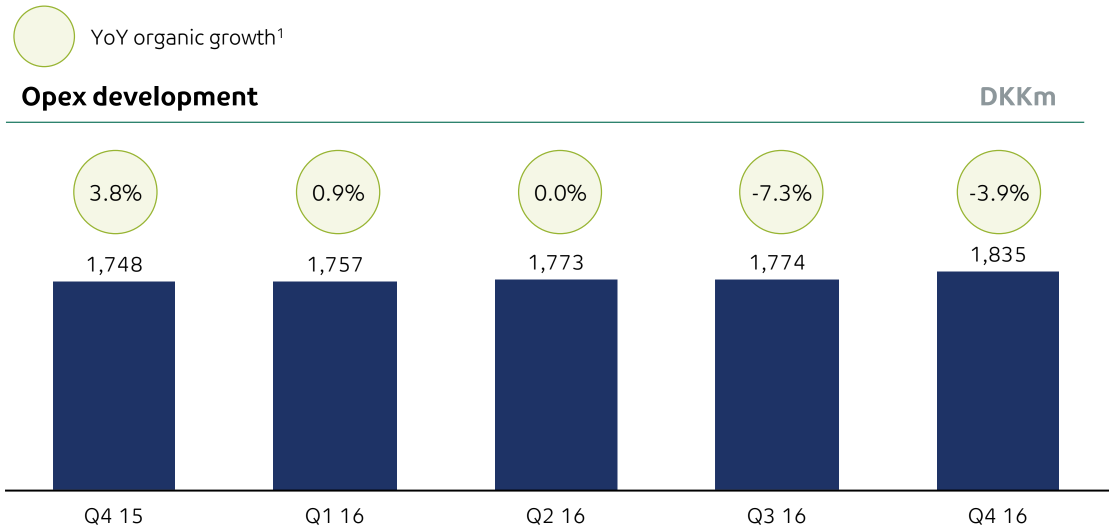
2 **Business:** Continued EBITDA decline, however, improved YoY development compared to previous quarters in spite of a large one-off (20m)

3 **Norway:** EBITDA growth in Get driven mainly by broadband. EBITDA decline in TDC Norway driven by ARPU pressure, partly offset by opex savings

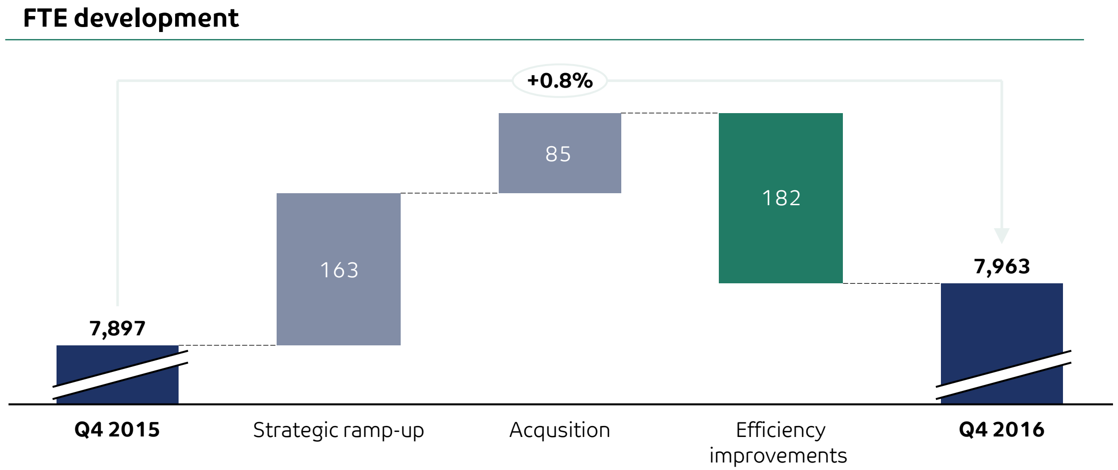
1. Business line absolute figures and growth rates exclude eliminations and therefore do not amount to the total Group figures

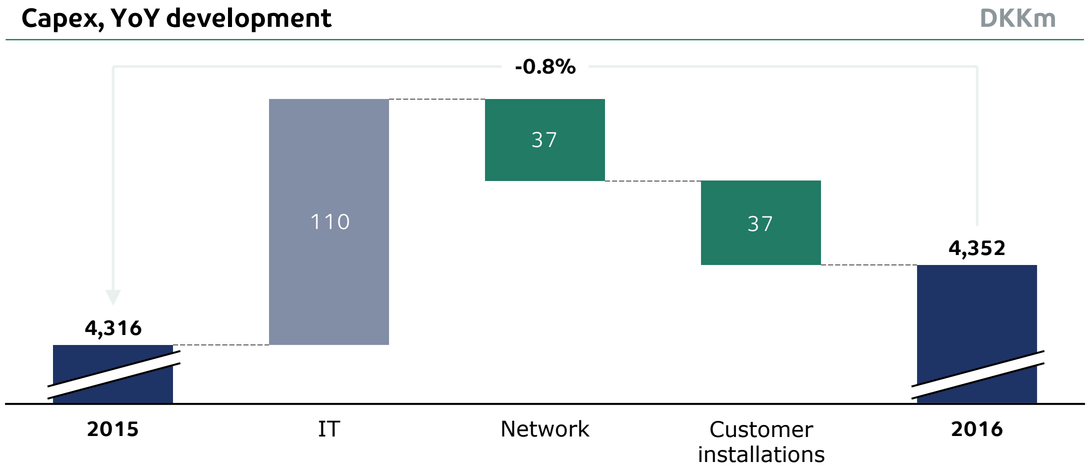
TDC Group

Opex & capex



- **Opex spend** increased in Q4 with a negative organic development of 3.9% YoY. YTD saving initiatives in Denmark were offset by investments in strategic initiatives (e.g. TDC and YouSee brand and IT merger and B2B simplification) and higher bonus related to the share based incentive programme for the management of TDC Group's Norwegian business
- Number of **FTEs up by 0.8%** YoY in Q4 driven by strategic initiatives
- 2016 **investment spending** increased compared with last year due to more IT investments to support strategic initiatives. Network investments decreased as the upgrade of the Danish mobile network resulted in large investments in 2015

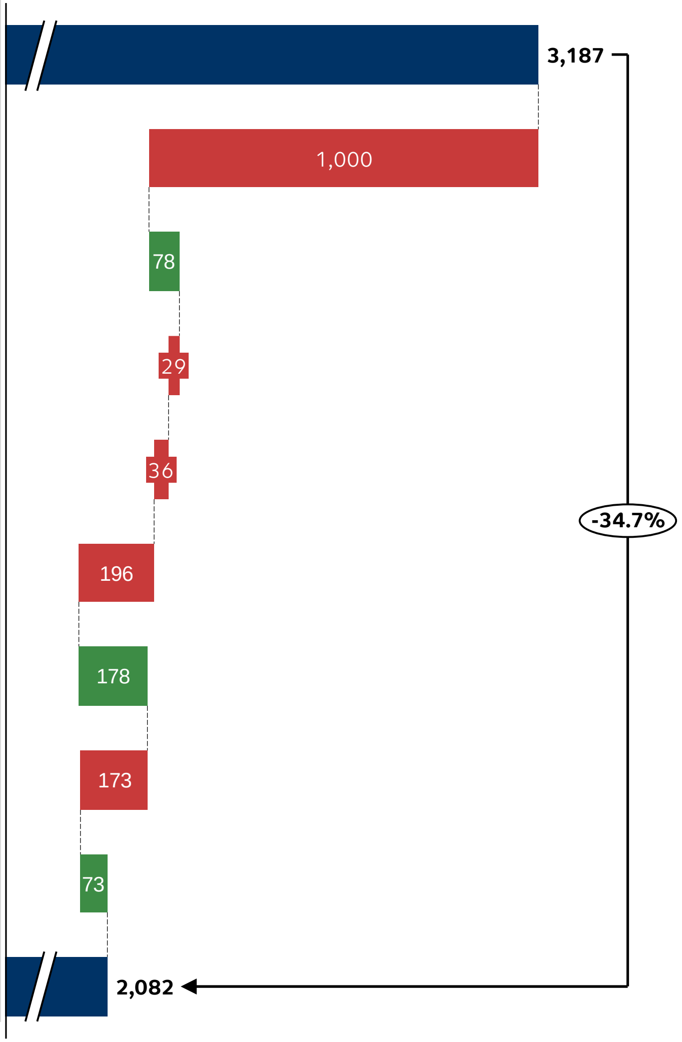




1. Adjusted for acquisitions/divestments and foreign exchange

Equity Free Cash Flow

DKKm	2015	YoY growth Q4 16
2015		
EBITDA	9,488	(240)
Special items	(524)	17
Change in NWC	180	(170)
Net interest paid	(877)	23
Coupon payments on hybrid capital	-	-
Income tax paid	(786)	156
Capex[1]	(4,281)	(167)
Other[2]	(13)	4
2016		(377)



YoY decline in EFCF of DKK 1,105m, driven by:

- decrease in the **Danish EBITDA** (DKK 1,046m)
- first **annual coupon payment** on hybrid capital issued in Q1 2015
- negative contribution from cash flow related to **capex**[3]

Partly **offset by:**

- **income tax paid** due to the EBITDA decline more than offsetting the negative impact from tax refunded regarding previous years
- cash flow regarding **special items** related primarily to a lower level of redundancies

1. Investment in PPE and intangible assets including mobile licenses
2. Including adjustment for non-cash items, pension contributions, payments related to provisions and finance lease repayments
3. Cash flow related to capex includes adjustments to capex for timing differences regarding mobile license payments, reestablishment obligation, non-paid investments, etc.

TDC Group

Guidance follow-up 2016

TDC Group met its 2016 financial guidance on EBITDA and EFCF. As shown below, this included an expected materialisation of the majority of the underlying assumptions, while the outcome of a few assumptions differed to those expected

	2016 guidance post TDC Sweden sale[1,2]	2016 actuals	
EBITDA	~8.4 DKKbn	8.5 DKKbn	✓
EFCF	~1.7 DKKbn	2.1 DKKbn	✓
DPS	Dividend of ~1.00 DKK per share	1.00 will be paid out in Q1 2017	✓

Better than expected

- Growth in mobility service gross profit in Consumer driven by both ARPU increase and increasing customer base
- Double-digit EBITDA growth in Get
- Broadband gross profit better than expected in Consumer in spite of increased competition and also higher growth in Wholesale
- Mobile licence fee (1800 MHz) cheaper than expected
- Better EFCF from lower income tax payments, and better NWC due to different timing of changes

As expected

- Substantial EBITDA decline in Business, however an improvement on the 2015 de-velopment
- Negative impact from loss of a large MVNO contract in Wholesale
- Deteriorated gross profit in Consumer TV due to lower price increases than in 2015
- Decreasing non-service revenue in Consumer
- Higher net interest and coupon payments on hybrid capital following the financing of the Get acquisition
- Increases in cash capex due to different timing of payment

Worse than expected

- Higher opex in Denmark among others due to investment in strategic initiatives and higher customer service costs
- Higher impact from roaming regulation
- Higher gross profit loss in Consumer landline voice due to ARPU decline

1. Guidance numbers are post sale of TDC Sweden 21-06-2016. Guidance before sale: EBITDA DKK ~8.8bn, EFCF DKK ~1.9bn and DPS DKK 1.00
2. Guidance have been updated twice during 2016. At the Q3 2016 announcement, TDC EFCF guidance was improved to EFCF > DKK 1.7bn. On 23 January EFCF guidance was updated to DKK ~2.1bn

TDC Group

2017 Guidance

EBITDA	EFCF	DPS
>8.3 DKKbn	Stable or moderate growth	1.05 DKK per share will be paid out in Q1 2018

Assumptions

Group
- Opex savings across TDC Group driven by simplification initiatives as well as reduced calls to customer service
- Negative impact from final implementation of roam like at home regulation
- Reduction in net interest paid following the repurchase of bonds at the end of 2016
- Slight reduction in cash capex in both Denmark and Norway including impact from new mobile license in 2016
- Limited net working capital improvement

Consumer
- Contained TV gross profit development with continued cord cutting and cord shaving
- Small growth in mobility services from higher mobile voice ARPU and growth in mobile broadband
- Reduced loss in landline voice as a consequence of a continuation of lower landline voice churn from 2016
- Almost stable broadband gross profit as accelerated gigaspeed roll-out counters intense price competition

Business
- Continued intense price competition negatively impacting earnings, however, Business' gross profit development is expected to continue to improve as Business increases its focus on higher contract profitability
- New products and services and improvement of the overall end-to-end processes assumed to have a positive impact on gross profit

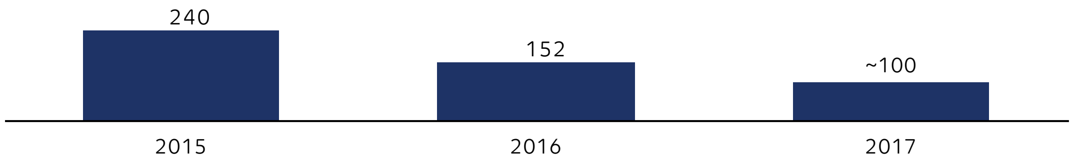
Wholesale
- Stable gross profit development where growth in primarily broadband offsets reductions in other part of the division

Norway
- Continued growth but at a lower level than previous years
- Negative impact on TV from increased content costs per user and broadband unbundling partly offset by higher TV ARPU
- Continued growth in broadband penetration
- Limited impact from mobile voice to B2C customers and smart home solutions

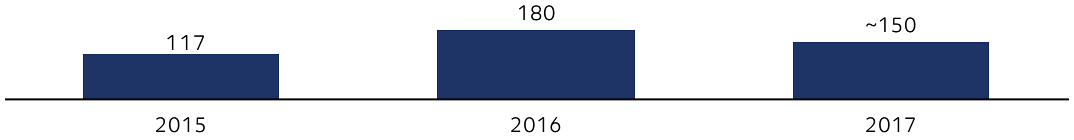
Q&A

A.1 Regulatory update

Revenue loss from regulation[1] DKKm



Gross profit loss from regulation[2] DKKm



Roaming:

- On 30 April 2016, the EU roaming transition phase was implemented with retail roaming prices reduced to regulated EU wholesale prices. This applied to customers with a package product. Customers with a 'Pay-as-you-go' product are charged the domestic retail price plus a wholesale charge. The combined price must not exceed the regulated retail roaming price

- The EU regulation on roaming affected the TDC Group financials negatively in 2016 due to ongoing commercial pressure and the transition phase

- Roam Like at Home will take full effect on June 15, 2017. The 'Fair Use Policy', announced on December 15, based Roam Like at Home on subscription and wholesale prices, and introduced limitations in order to curb permanent roaming through a sustainability mechanism. The monthly data roaming cap is calculated as two months' ARPU (excl. VAT) divided by the wholesale price cap (excl. VAT). In 2017, TDC Group financials are expected to be negatively affected by EU regulation, but there is still substantial uncertainty concerning the amount

LRAIC:

- Revision of mobile and landline networks wholesale prices with effect as of 1 January 2017 has resulted in only minor price adjustments