Financial Report January – March 2017

May 5th, 2017

TDC Group

TDC Group

Disclaimer

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

Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this financial report. Key factors that may have a direct bearing on TDC Group's results include: the competitive environment and the industry in which TDC 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

Q1 highlights

- **EBITDA** stabilisation with only slight decline of 0.9% YoY. An EBITDA decrease of 3.1% YoY in Denmark partly offset by Norway (+5.3% YoY); EBITDA development positively affected by one-offs of approximately DKK 25m
- The **GP trend improved** in Denmark with a decline of 2.3% YoY vs. -5.9% FY 2016 YoY; at the best level since 2011, driven by improvements across business lines
- **Organic Group opex** reduction of 2.0% YoY driven by renegotiation of contracts e.g. IT and roaming, reduced fault-handling hours due to improved productivity, fewer call centre calls and FTE reductions
- An **EFCF increase** of DKK 126m driven by reduced net interest paid
- Loss of **22k TV customers** vs. Q4 in Denmark in line with market development; Furthermore a large MDU (9k) was lost with impact from Q2
- Loss of **12k broadband customers** vs. Q4 in Business and Consumer due to intense price pressure
- Loss of **4k mobility services customers** in Consumer and Business vs. Q4; however continued growth in mobility services revenue and GP
- **Roam Like at Home** mobile portfolios launched across all brands; price increases in YouSee for all existing customers from 1 July to include Roam Like at Home in EU; awaiting market response
- Improvement in **customer satisfaction**; touchpoints and operational KPIs performed well in Q1. Telmore (across Danish industries) and Get (among Norwegian TV-providers) have won awards for the best customer service in 2017
- Divestment of **TDC Hosting** completed on 31 March 2017
- **2017 guidance** reaffirmed on all parameters; EBITDA > DKK 8.2bn; EFCF: Stable or moderate growth; DPS: DKK 1.05

Recapping some of our major strategic milestones for 2017

Always better and simpler

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 offerings

- 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 through new product "suitcases"

Better customer experience

- Strengthening of online customer interactions through digitalised and simplified journeys
- Differentiated self-service and app experiences, e.g., allowing for TV package modifications in app
- Availability and quality in all customer service touchpoints

Simplified digital operating model

- IT and platform simplification following brand mergers and IT migrations
- Unified product offerings and delivery models across infrastructure
- Lower opex levels reflecting fewer brands, processes and platforms

TDC Group

Already some significant results achieved

Always better and simpler

Better connectivity

- **Commercialisation of our cable broadband network** progressing well: % of broadband base on cable/fibre increased ~10% YoY to 59%
- Enabling the **best infrastructure at the address** continues to drive operational simplicity: Now at ~90% hit-rate on optimal infrastructure at address
- **First phase of Norway 'broadband programme'** already shows positive development with fewer broadband support calls

Better offerings

- Strong **launch** of **YouSee STB** features driving higher STB sales expecting to sell ~100,000 first 12 months
- Very positive market **reactions to new Get TV offering enabling HBO in Mix-it-yourself packages**
- **Skype for Business campaign launched:** Strong customer interest with ~30% intake growth per quarter last 3 quarters

Better customer experience

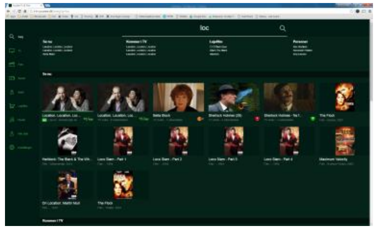
- New '**Quality Time' programme** driving **support call reductions** (9% YoY decrease) and touchpoint improvements (negative experiences decreased by 3 percentage points vs. Q4 2016)
- Launch of new **mobile device optimised onboarding flow** for broadband and TV customers

Simplified digital operating model

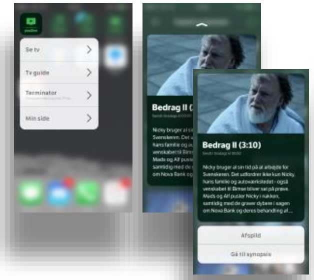
- With the **brand simplification we have reduced outbound** calls and call centre FTEs with 50% over the last 12 months
- Implementation of **2-tier development model** to decrease time to market for our customer journey redesigns and new offerings

Continued delivery of new features for the YouSee STB driving positive sales traction

New Humax STB



Advanced search



3D touch

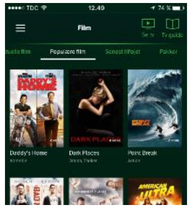
Chrome cast widget

New navigation

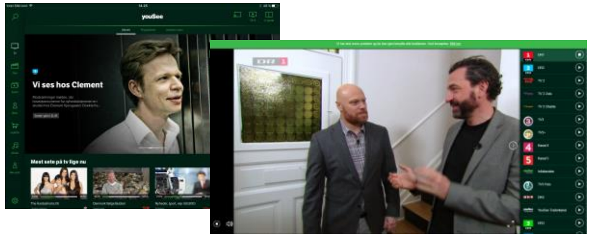
IMDB Ratings

~100k Humax STBs

Apr 16 — Sept 16 — Oct 16 — Nov 16 — Dec 16 — Jan 17 — Feb 17 — Mar 17



Popularity weighted ranking in YouSee TV & Film



TV & Film, web and apps – stability and quality optimisation

Power saving

Catch up

Netflix App and TV-channel

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Positive first reactions from launch of new TV concept in Get

New Get TV concept with more flexibility

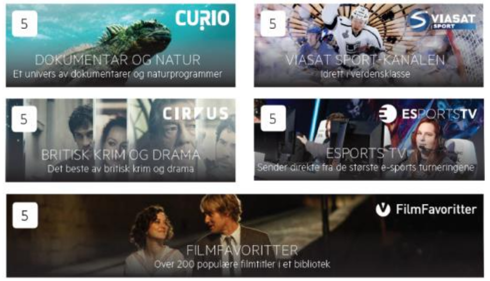
OBLIGATORY CONTENT

PRE-SELECTED CONTENT

OPTIONAL CONTENT / SERVICES[1]

1 point per channel

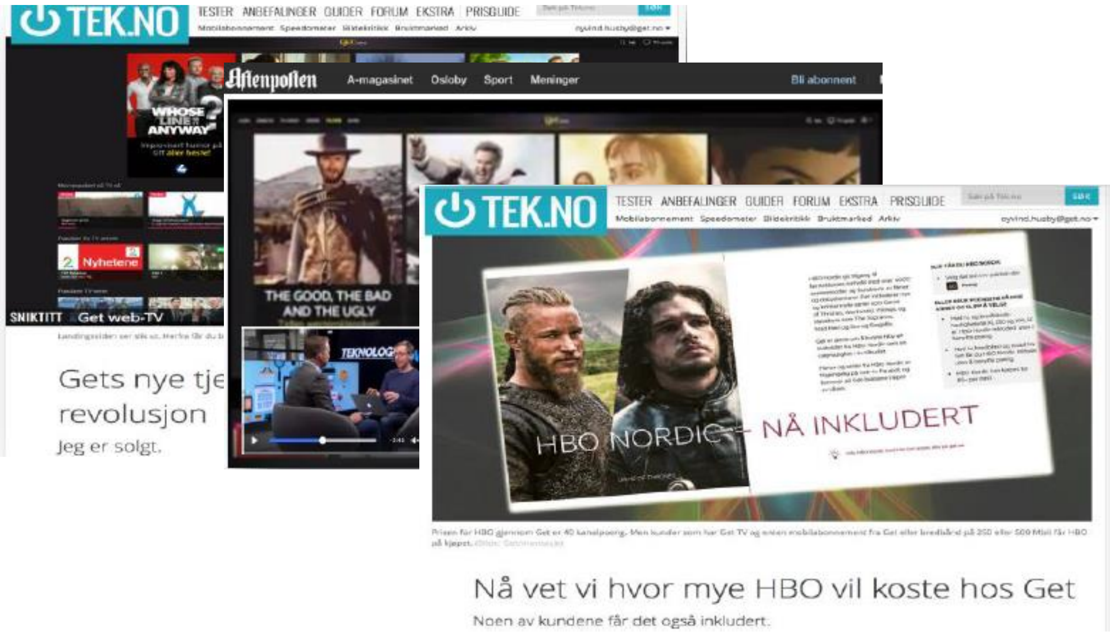
5 point per channel



40 point per service

PRICE INCREASE OF NOK 30-50

Concept received positively from press and customers

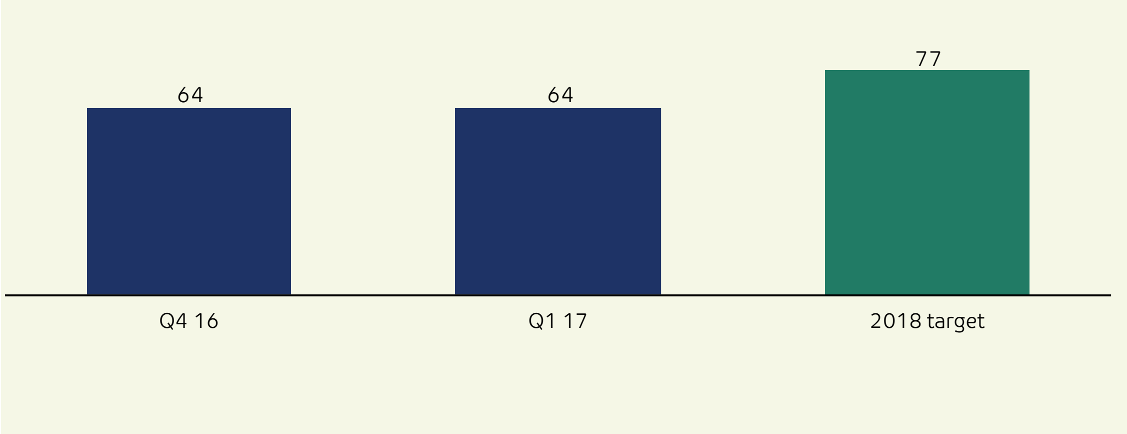


3x uplift in content selections vs. same period previous month

1. That can be swapped with pre-selected content based on point system

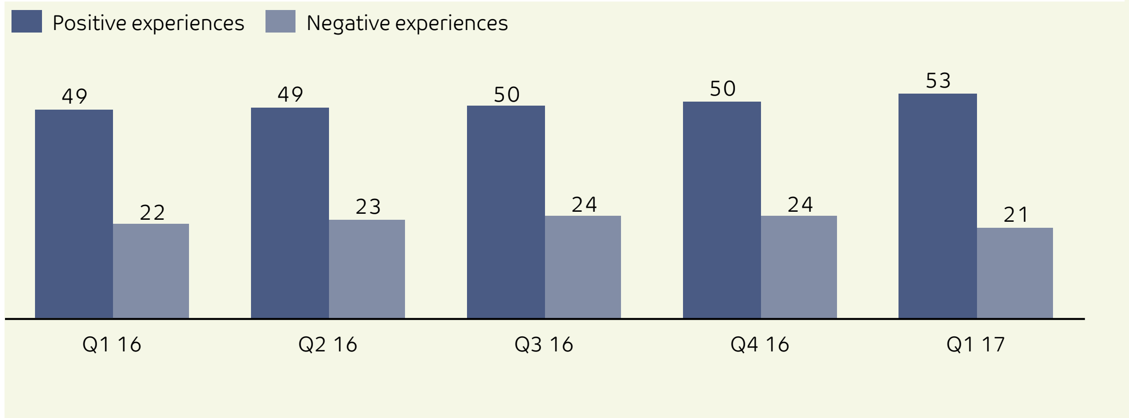
Customer satisfaction scores

TDC Group recommend score[1] YTD avg. index

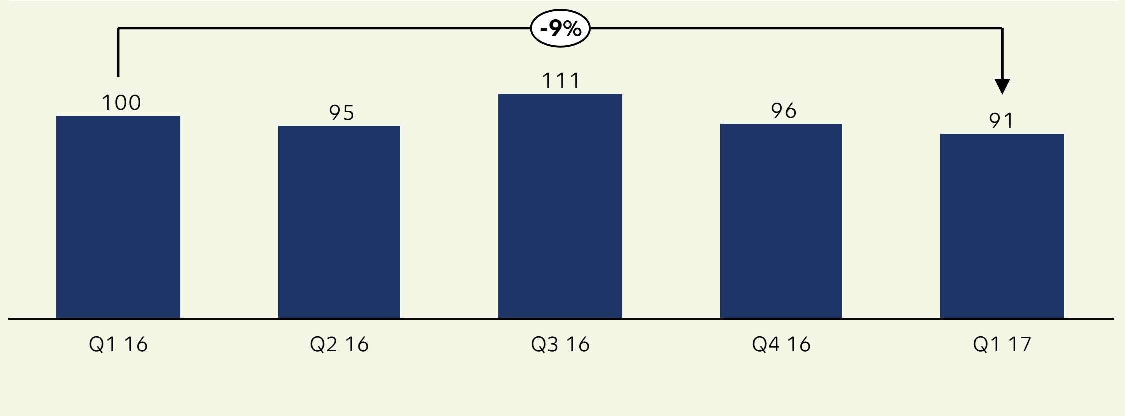


- TDC Group's **recommend score** remained level with Q4 2016. Touchpoint and operational KPIs are performing well in Q1 2017 including a **reduction** in offered calls to support and billing of 9% YoY
- **Improved customer satisfaction** in **TDC Business**, where customers are appreciating our superior 4G network including voice quality, mobile coverage and data quality
- **Telmore** and **Get** have won awards for **best customer service** in 2017. Telmore across industries in Denmark[3] and Get among TV-providers in Norway[4]

Share of customer experiences[2] % YTD



Offered calls to support and billing Q1 16 = 100, index



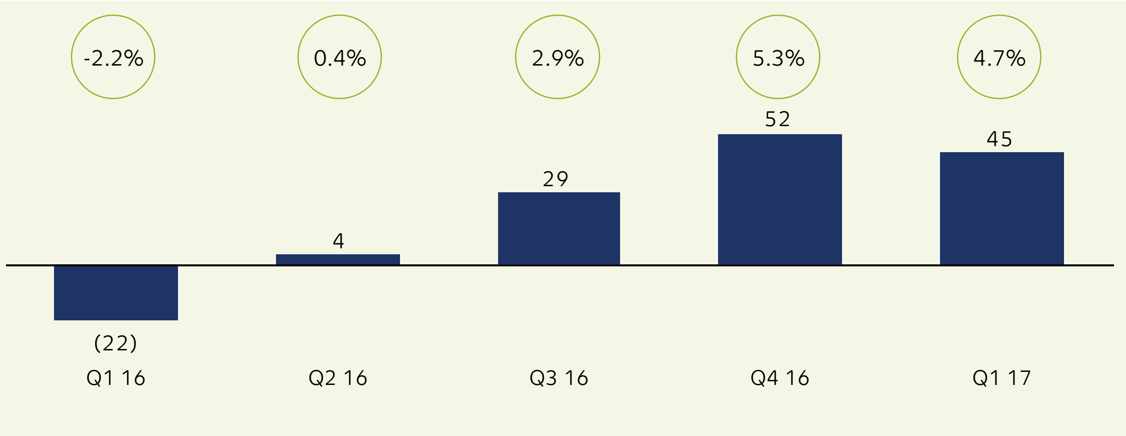
1. Recommend score is TDC's variant of the Net Promoter Score (would you recommend TDC to family and friends/colleagues and business associates). 100 is maximum score (0-100 scale)
2. Customer experiences are measured on a scale from 1-10, the score of 1-5 is rated as a negative experience and a score of 9-10 is rated as a positive experience
3. www.kundeserviceaward.dk
4. www.get.no/om/om/presserom/pressemeldinger/pressemelding?item_id=1940557

TDC Group

Mobility services in Denmark

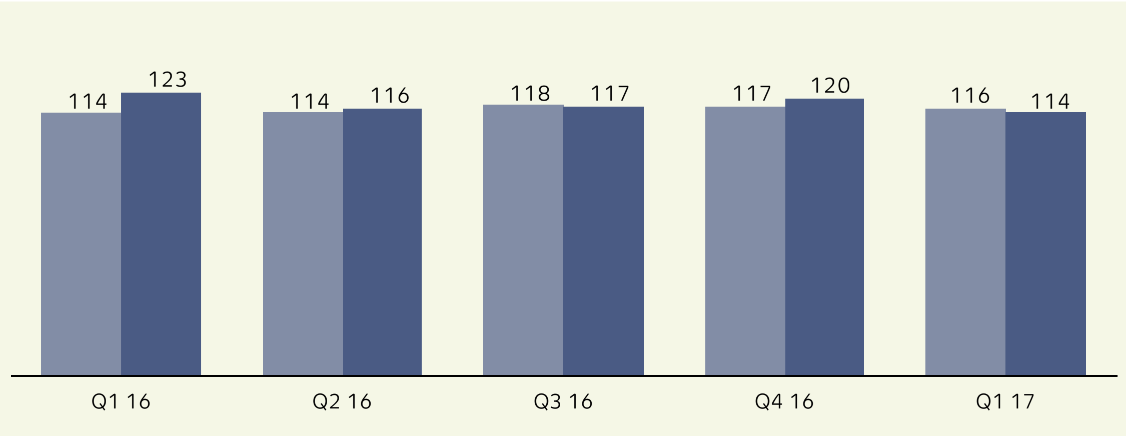
TDC Group Denmark | Consumer | Business[1] | YoY growth

Organic[2] YoY gross profit development DKKm

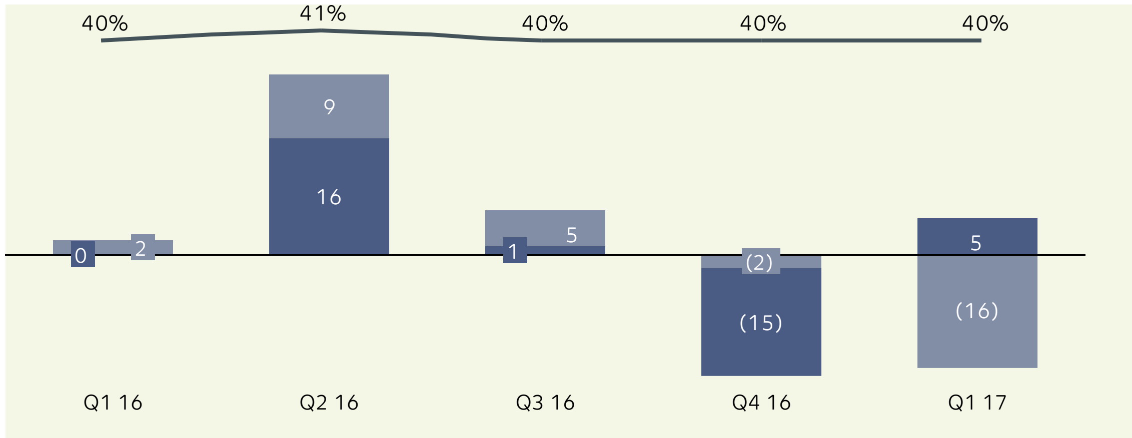


- Organic **gross profit** growth for the 4th consecutive quarter driven by Consumer; Consumer mobile voice ARPU increase of DKK 2 YoY in Q1 as price increases outweighed the reduction in billed traffic, especially related to roaming
- **Consumer mobile voice customer base down 4k** since Q1 2016 with a reduced trend over the last 12 months; -10k net adds[3] in Q1 2017 as both gross adds and churn were affected by the price competitive market
- **Business ARPU** down DKK 9 YoY driven by roaming, which has been included in the portfolios due to continued intense competition; Business **customer base** increased by 5k in Q1
- **YouSee** to increase mobile voice prices with DKK 10-20 from 1 July

Mobile voice ARPU DKK/month



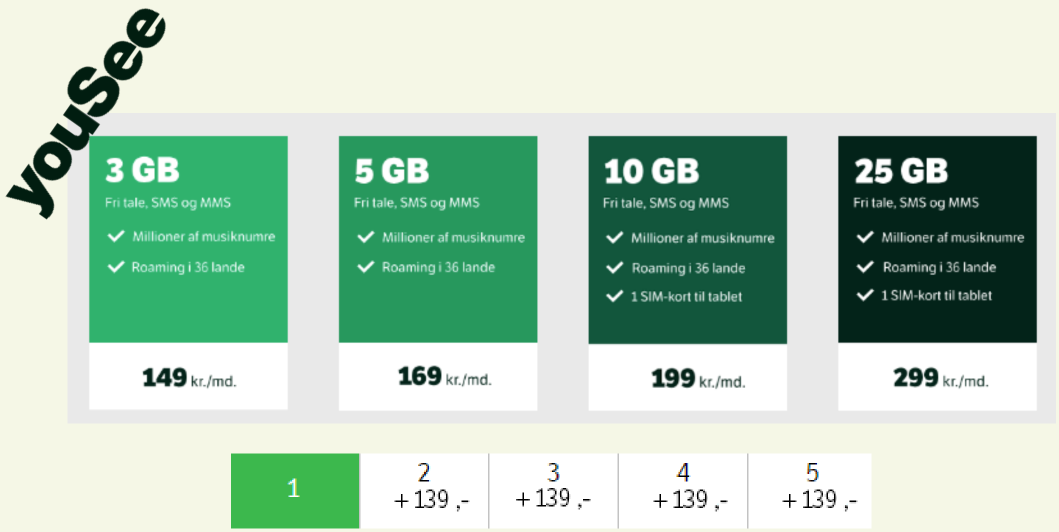
Mobile voice RGU net adds[3] & market share[4] '000

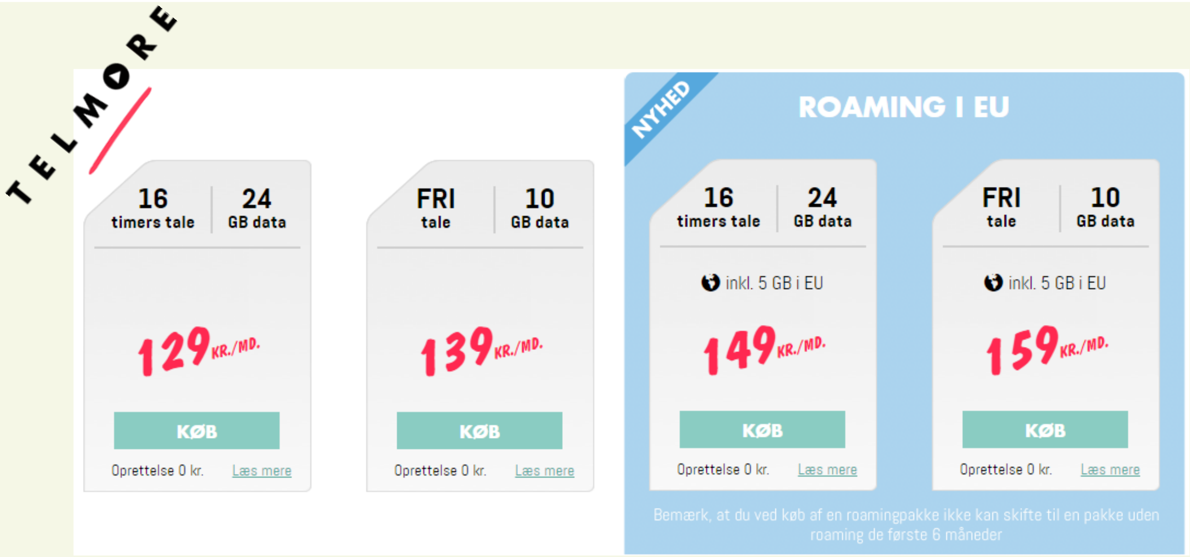


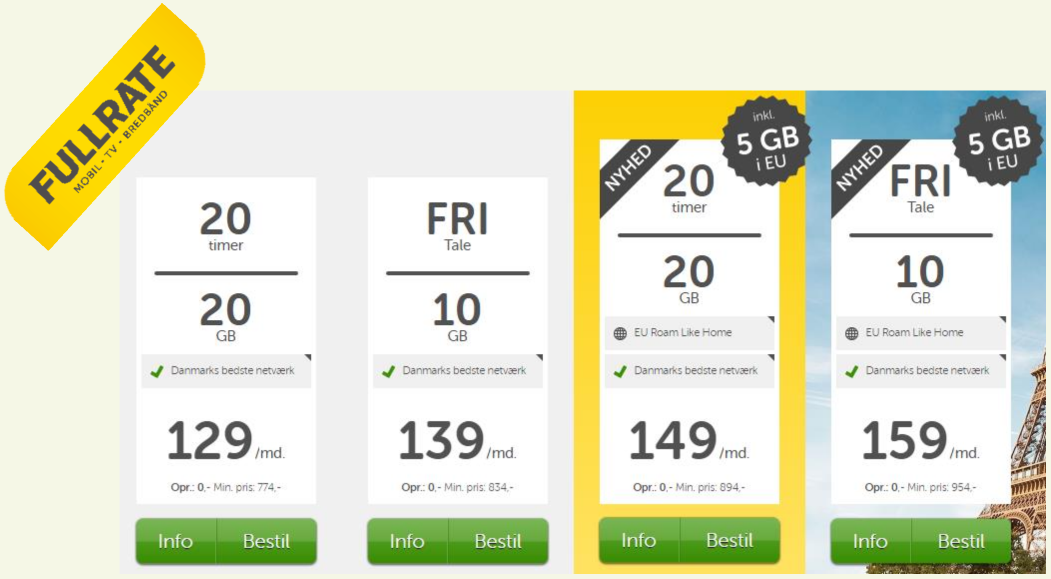
1. Cirque included in RGU (12k) from Q2 2016
2. Adjusted for regulation and acquisitions/divestments
3. In Q1 2017, total net reduction in Consumer mobile voice customer base was 16k of which 6K related to a reallocation to mobile broadband
4. TDC Residential and Business market share (Denmark)

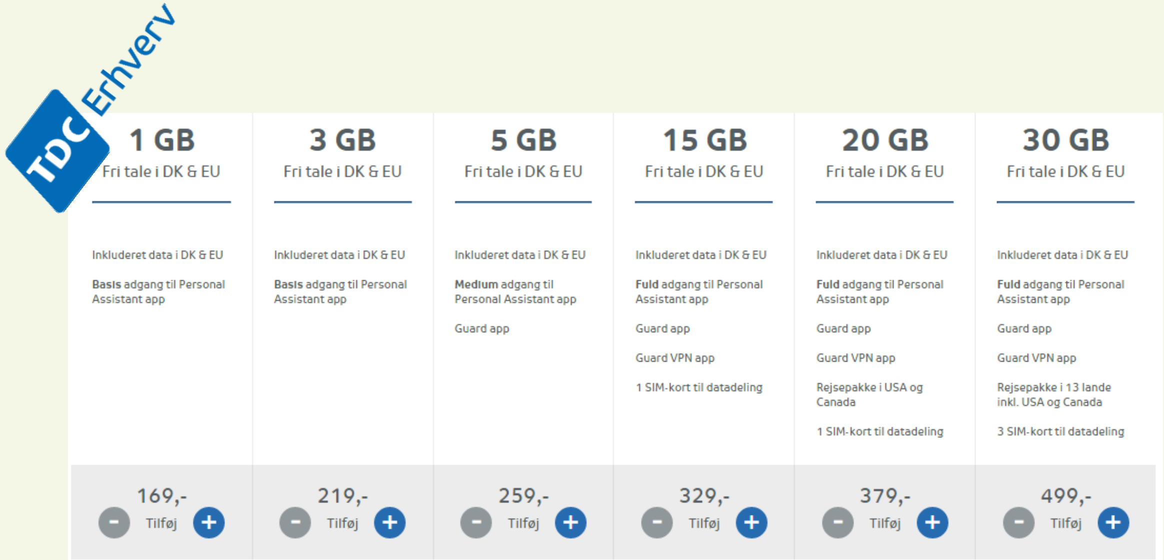
TDC Group

New EU roaming offerings launched across all brands

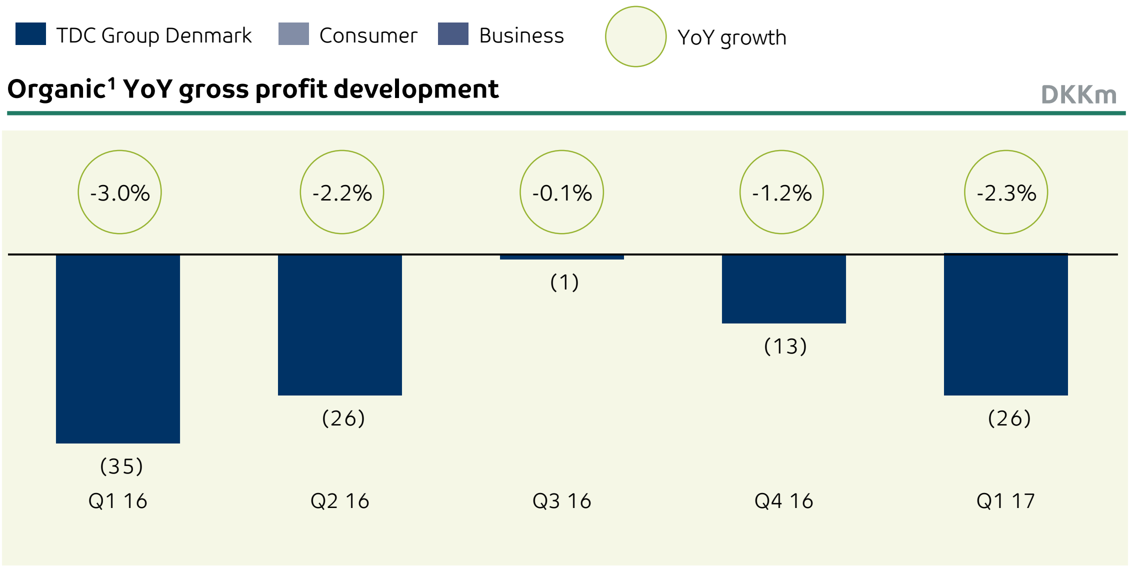




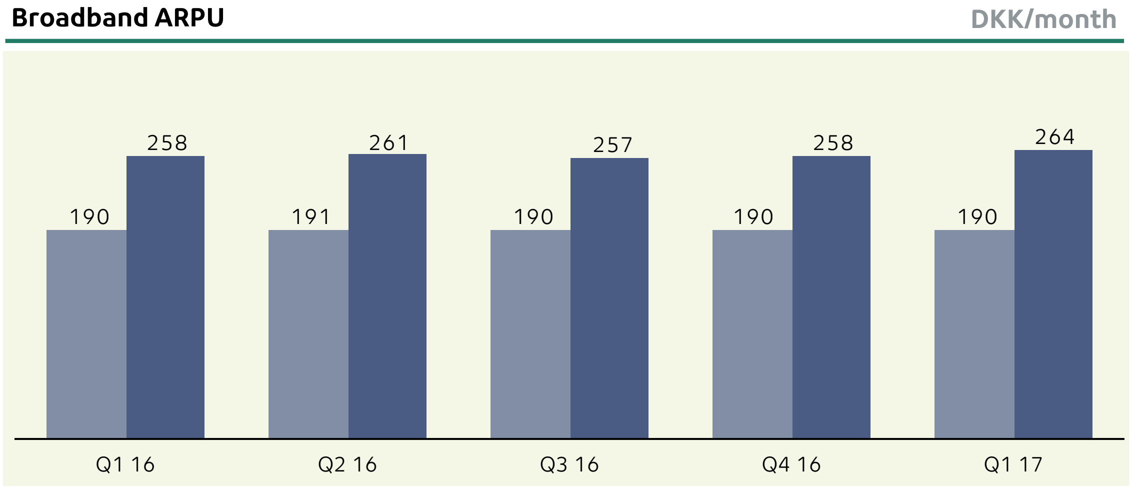


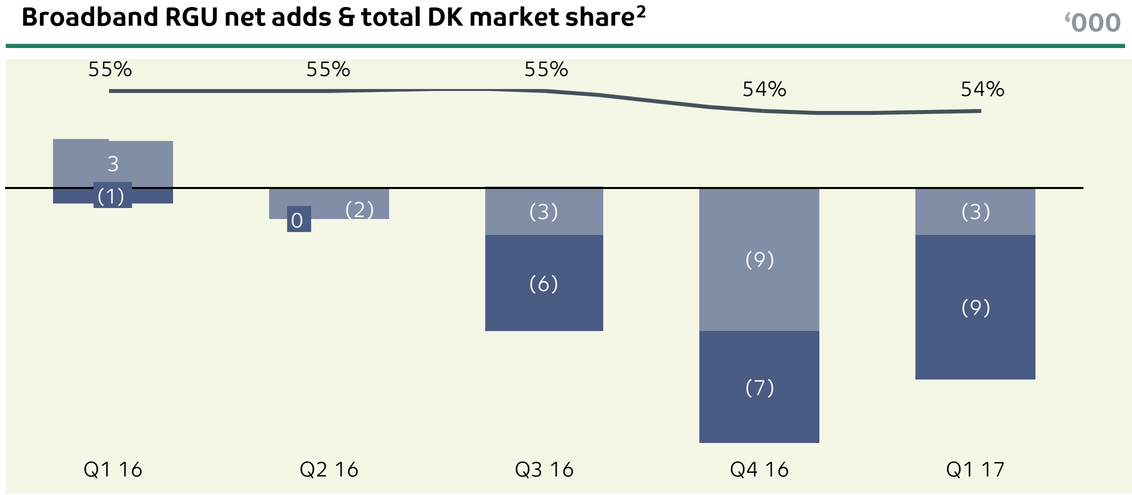


Internet & network in Denmark



- Negative organic **gross profit** growth in Denmark driven mainly by Business
- **Net loss of 12k broadband customers** in Business and Consumer vs. Q4 2016 due to increased price pressure and ongoing competition
- **Business ARPU** up by DKK 6 YoY. Several initiatives have been introduced to increase the ARPU and reduce churn such as converting customers to higher speeds
- Increase of 6k **Wholesale broadband customers** vs. Q4 2016 driven by new discount entrants on the market

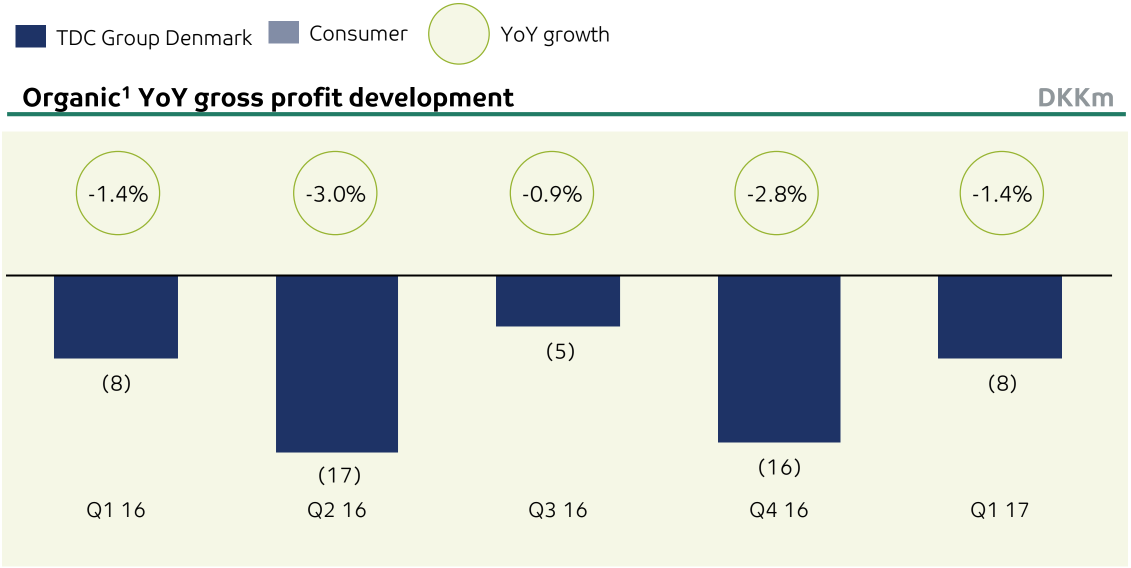




1. Adjusted for regulation and acquisitions/divestments
2. TDC Residential and Business market share (Denmark)

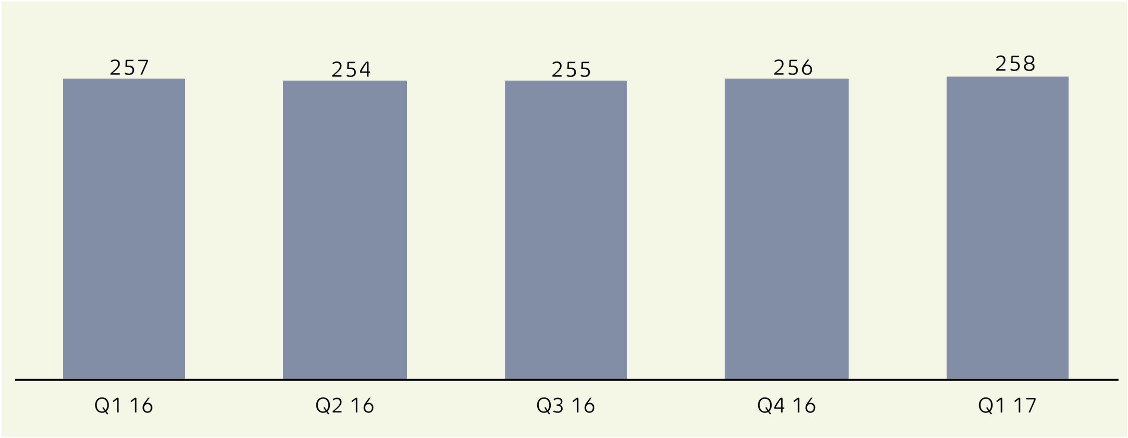
TV in Denmark

Organic[1] YoY gross profit development

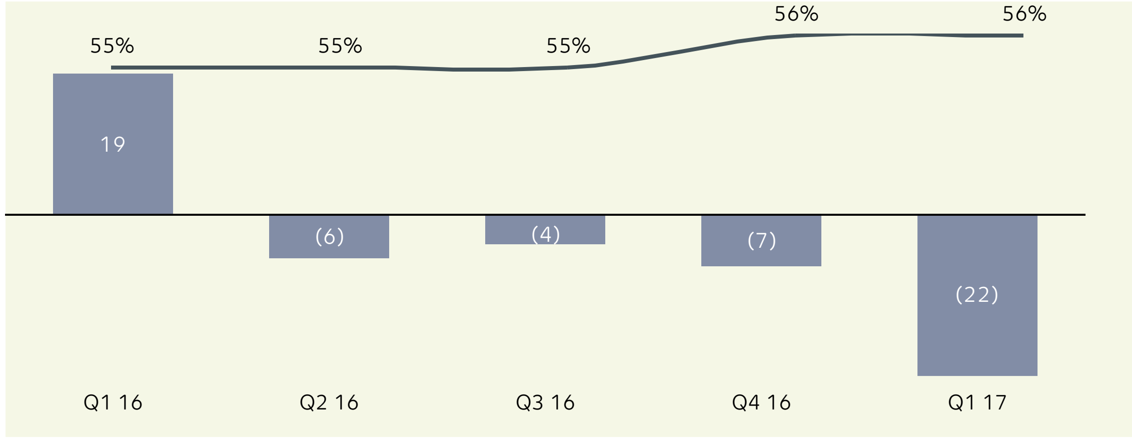


- Negative organic TV **gross profit** development YoY, driven mainly by a 39k YoY decline in the customer base
- **TV net loss** of 22k customers vs. Q4 driven by cord-cutting; TDC Group's market share remained level in a declining market
- Continued high uptake of **YouSee set-top box** (21k vs. Q4); **Netflix** is now available on the set-top box
- **TV ARPU** increase of DKK 1 YoY as price initiatives were almost offset by effects of cord-shaving
- **Loss of large MDU** (9k TV and 6k broadband RGUs) with financial effect as of 1 June

TV ARPU



RGU net adds & total DK market share[2]



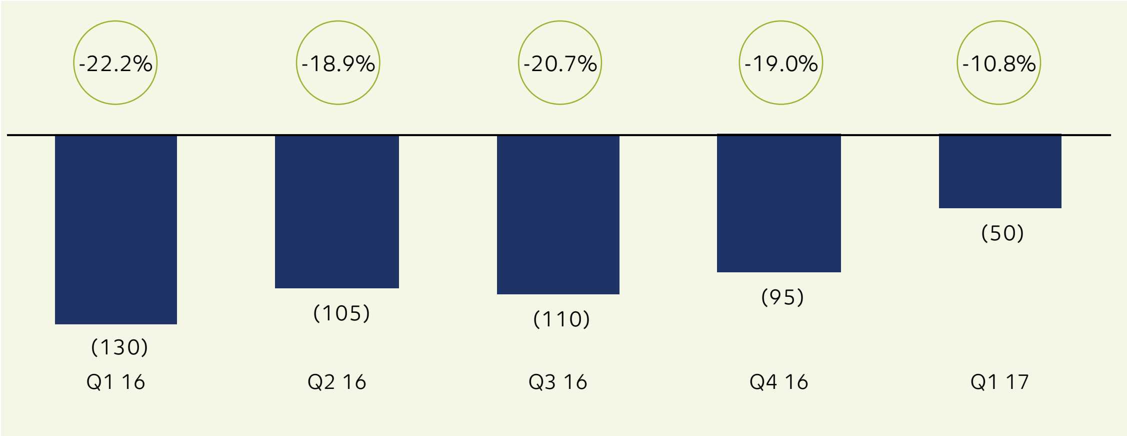
1. Adjusted for acquisitions/divestments
2. TDC Residential and Business market share (Denmark)

TDC Group

Landline voice in Denmark

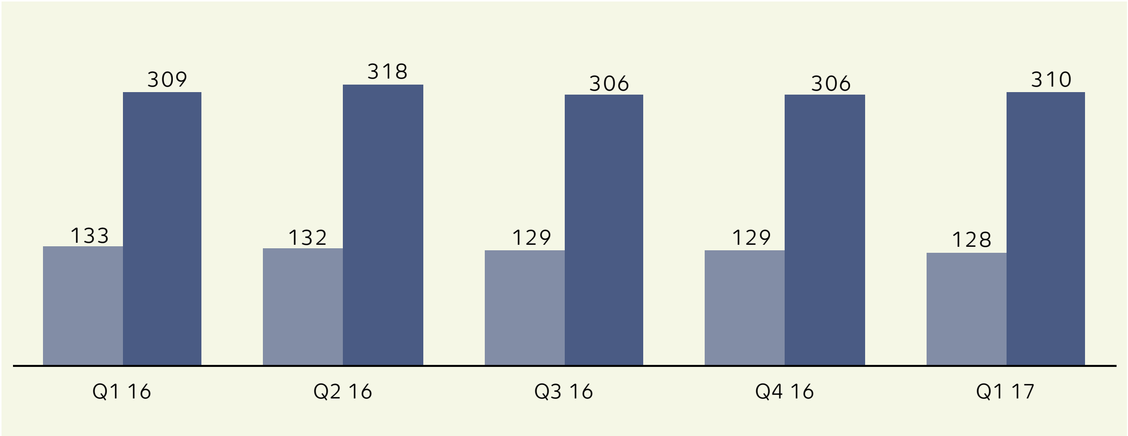
TDC Group Denmark | Consumer | Business[2] | YoY growth

Organic[1] YoY gross profit development

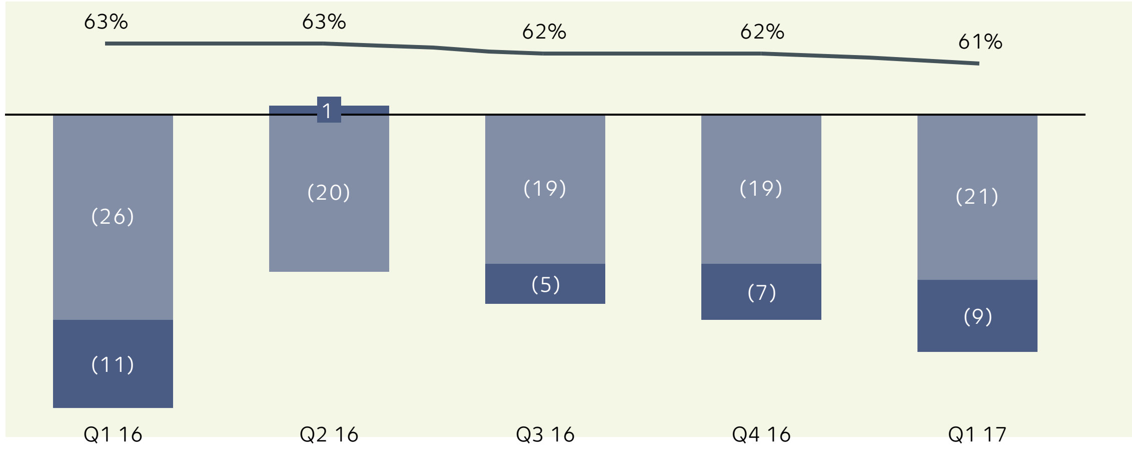


- Organic **gross profit decline** of only 10.8% in Q1 YoY driven by improved ARPU development in Consumer and Business and a positive one-off of DKK 15m in Q1 in Wholesale; market share down 2 percentage points YoY
- **Consumer ARPU decline** of DKK 5 YoY better than the YoY development in 2016 quarters; the improved ARPU trend was a result of less migration/churn of high-ARPU PSTN customers vs. recent quarters, however migrations to cheaper price plans still led to ARPU decline
- **Business net adds** down by 9k in Q1, however in line with the overall expectation of a declining market and an increase in ARPU of DKK 1 YoY

Landline voice ARPU



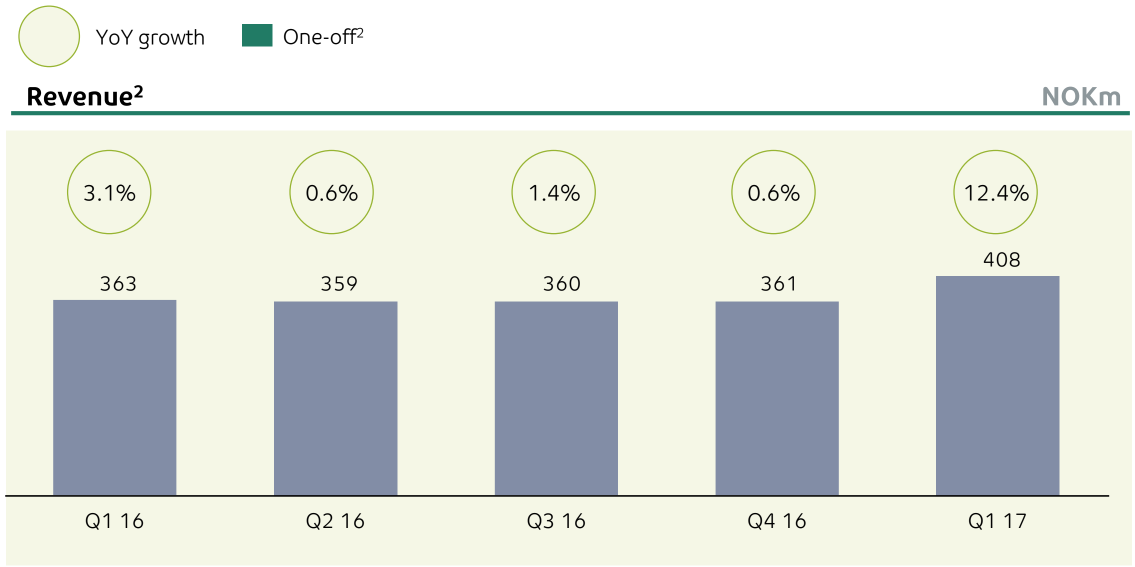
RGU net adds & total DK market share[3]



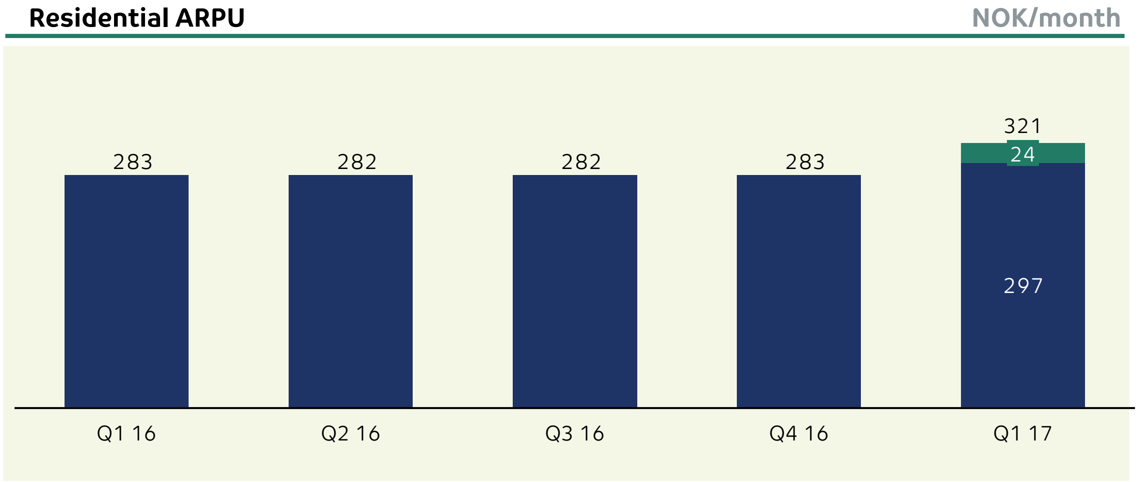
1. Adjusted for regulation and acquisitions/divestments
2. Cirque included in RGU (8k) from Q2 2016
3. TDC Residential and Business market share (Denmark)

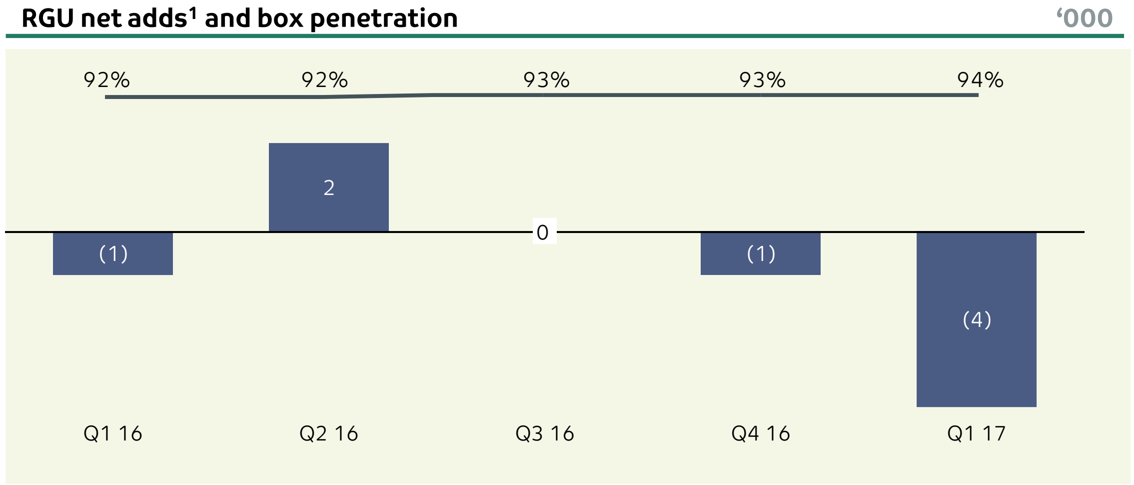
TDC Group

TV in Norway



- **TV revenue** up due to price increases as of 1 January and a one-off of NOK ~30m; price increases related to higher content cost
- **TV RGUs decrease** of 4k due to aggressive offers from competitors in the residential market resulting in loss of homes connected; unbundling of TV and broadband also minor factor
- Successful launch of **new flexible TV-offer** incl. HBO in basic offering combined with further price increases of ~10% as of 1 April 2017; content costs also increased significantly as of 1 April
- **Box penetration** up 2 percentage point YoY to 94% of TV customers



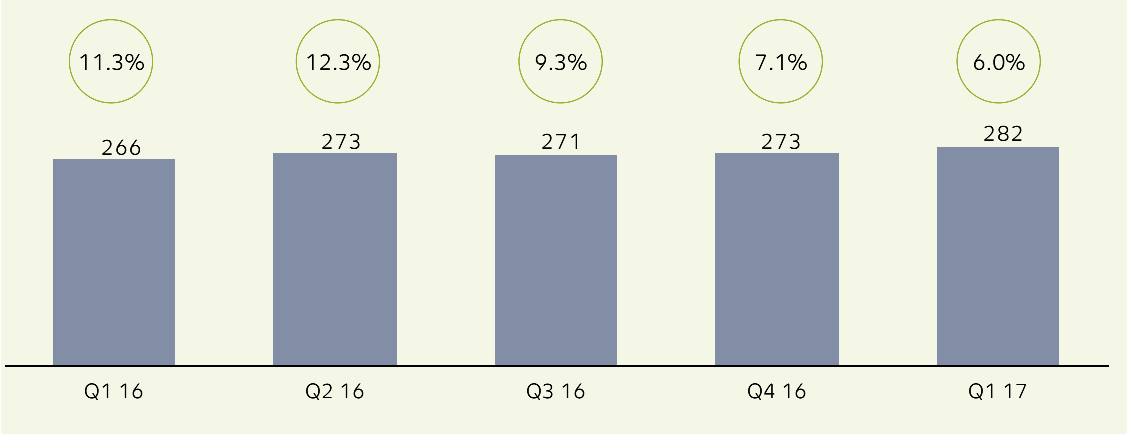


1. TV RGU net adds includes B2B TV RGUs
2. Q1 2017 TV revenue affected by one-off of NOK ~30m

Residential Broadband in Norway

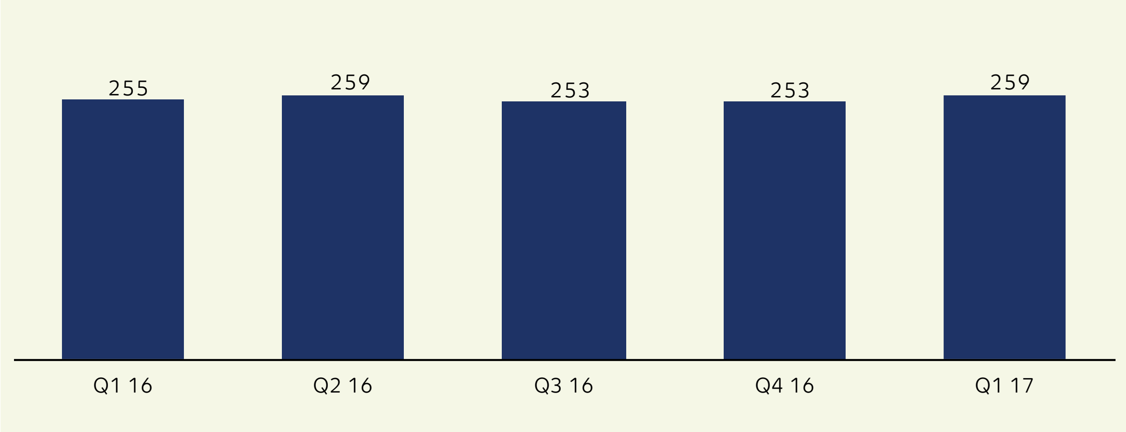
YoY growth

Revenue NOKm

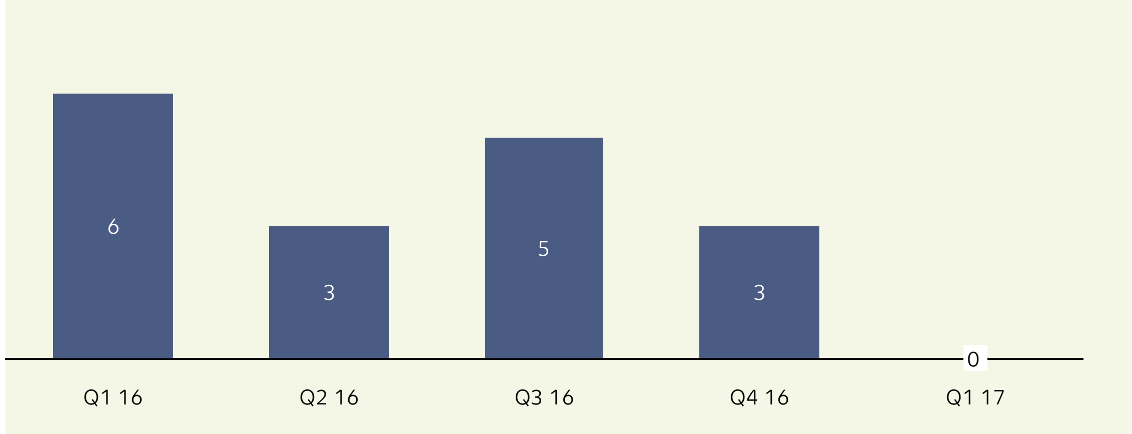


- **Continued YoY broadband growth** in Get driven by both ARPU and RGU increase
- **ARPU up NOK 4 (1.6%) YoY** as a result of migration of customers to higher speeds at higher prices
- **Broadband net adds** of 11k RGUs YoY driven by increase in broadband penetration (+3 percentage points YoY); net adds stagnated in Q1 due to loss of homes connected

Residential Broadband ARPU NOK/month



Broadband RGU net adds ‘000



TDC Group

Financials

Financial highlights – TDC Group

	Q1 2016		Q1 2017	
DKKm	DKKm	Growth %	DKKm	Growth %
Revenue	5,177	(7.5)	5,211	0.7
Gross profit	3,905	(6.8)	3,871	(0.9)
Opex	(1,757)	1.9	(1,743)	0.8
EBITDA	2,148	(10.4)	2,128	(0.9)
Profit for the period[1]	682	15.2	537	(21.3)
Capex	(952)	13.2	(1,040)	(9.2)
EFCF	326	52.3	452	38.7
Adjusted NIBD/EBITDA	3.0		2.9	

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

Q1 2017 performance per business line

DKKm/ Growth in local currency	TDC Group	Consumer	Business	Wholesale	Other operations	Denmark in total	Get (B2C)	TDC Norway (B2B)	Norway In total
Revenue[1]	5,211	2,679	1,259	424	105	4,417	653	170	823
	+0.7%	-0.3%	-2.7%	+6.3%	+4.0%	-0.4%	+7.2%	-17.3%	+1.1%
Gross profit[1]	3,871	1,997	987	286	70	3,305	506	61	567
	-0.9%	-2.1%	-5.7%	+6.3%	+11.1%	-2.3%	+4.1%	-8.6%	+2.4%
EBITDA[1]	2,128	1,541	689	258	-719	1,767	343	18	361
	-0.9%	-0.5%	-10.9%	+12.7%	+0.8%	-3.1%	+9.8%	-38.9%	+5.3%
		1	2					3	

1 **Consumer:** Almost flat EBITDA driven by improved gross profit development for the 5th consecutive quarter as well as reduction in opex

2 **Business:** Continued EBITDA decline, however an improvement compared with previous quarters

3 **Norway:** EBITDA growth in Get driven mainly by TV one-off and opex savings. EBITDA decline in TDC Norway driven by weak sales in H2 2016 and increase in opex

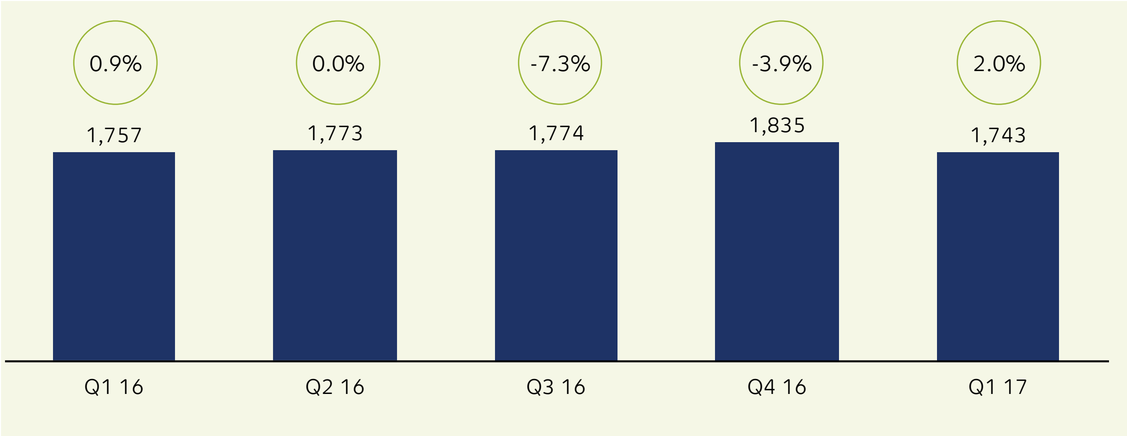
1. Business line absolute figures and growth rates exclude eliminations and therefore do not amount to the total Group figures

TDC Group

Opex & capex

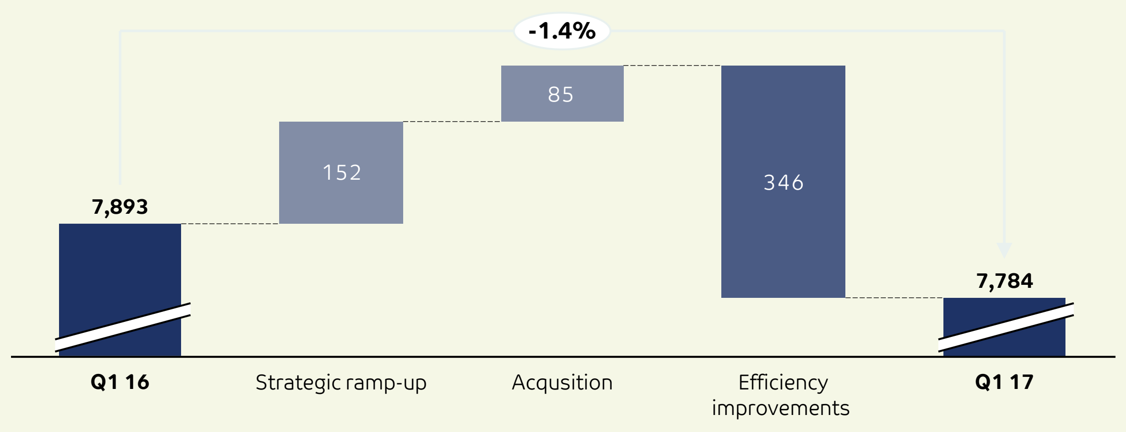
YoY organic growth[1]

Opex development

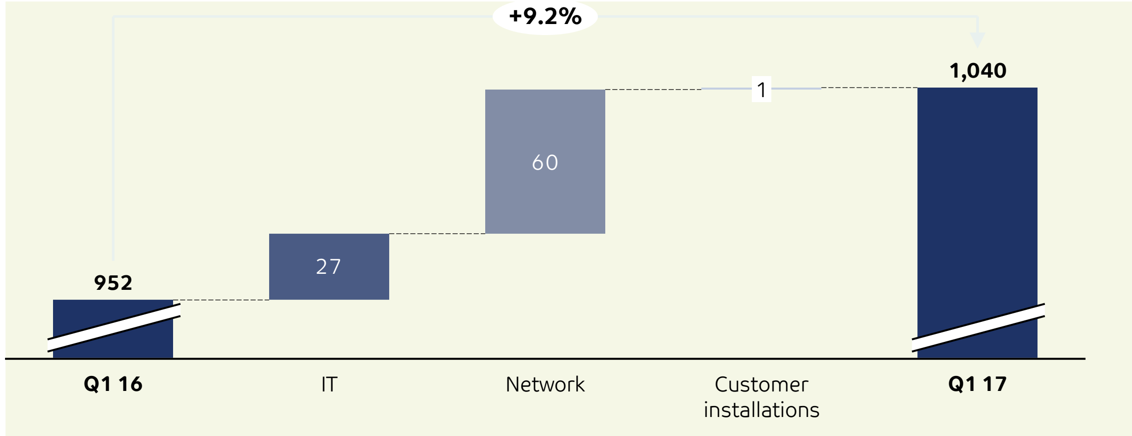


- **Opex spend** decreased in Q1 2017, due to cost savings from strategic initiatives in 2016 beginning to pay-off. These cost savings were driven mainly by renegotiation of supplier contracts within Other operations, Consumer and Wholesale, reduced fault-handling hours due to improved productivity, fewer calls to call centres and FTE reductions
- Number of **FTEs down by 1.4%** YoY in Q1 driven by efficiency improvements in Get and Other operations. Some already carried out FTE reductions has not had financial impact yet but will come in the coming quarters
- **Investment spending** increased in Q1 2017 compared with last year due to the upgrade of the cable network to enable 1 gigabit broadband speeds as well as more IT investments to support a simplified digital operating model

FTE development



Capex, YoY development



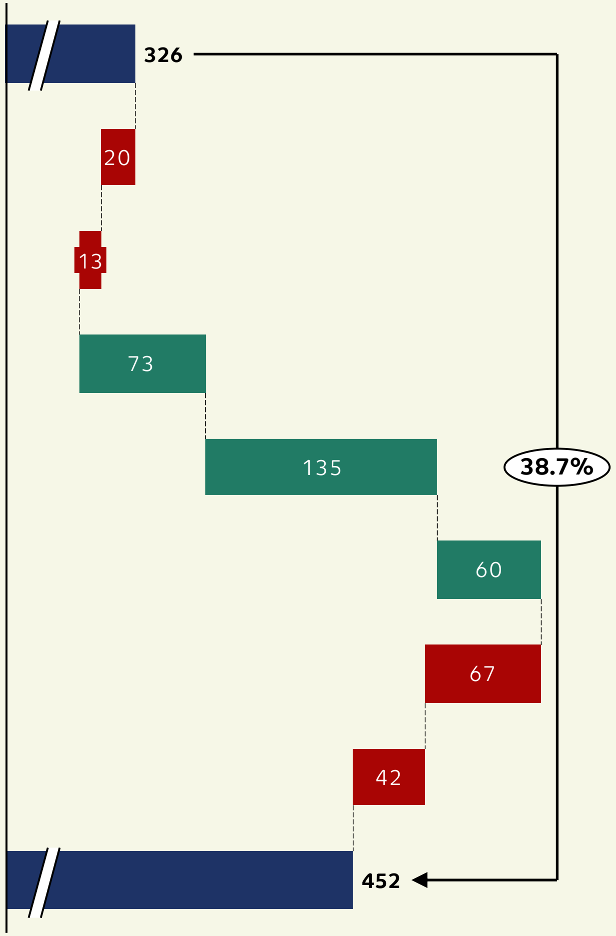
1. Adjusted for acquisitions/divestments and foreign exchange

TDC Group

Equity Free Cash Flow

DKKm

	Q1 16
YTD 2016	
EBITDA	2,148
Special items	(104)
Change in NWC	392
Net interest paid[1]	(905)
Income tax paid	(330)
Cash flow capex[2]	(940)
Other[3]	65
YTD 2017	



EFCF growth of DKK 126m, driven by:

- Lower **net interest paid** following the repurchase of bonds at the end of 2016
- Different timing, especially regarding **change in NWC**, income tax paid and cash flow capex

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

2017 guidance reaffirmed; improved EBITDA development and cash flow growth in Q1 – on track to deliver full-year ambition

	2017 guidance[1]	YTD performance	Status
EBITDA	DKK >8.2bn	DKK 2.1bn	On track
EFCF	Stable or moderate growth	39% YoY (DKK 0.1bn)	On track
DPS	DKK 1.05 will be paid out in Q1 2018		Supported by EFCF YTD

Full-year guidance reaffirmed due to:

- Q1 financial performance on **EBITDA and EFCF** off to a good start, however growth impacted by positive one-offs of approximately DKK 25m
- Divestment of **TDC Hosting** with impact from Q2
- Final **Roam Like at Home** regulation affecting financials from end of Q2
- Tender of majority of the **public contracts** during 2017 with price as the primary selection criteria. The outcome of these tenders will have an impact from 2018 and onwards
- Worsened customer development in **Consumer on TV and mobile**
- **Opex reduction** increasing during 2017
- Different timing on **cash flow**, especially regarding change in NWC, income tax paid and cash flow capex

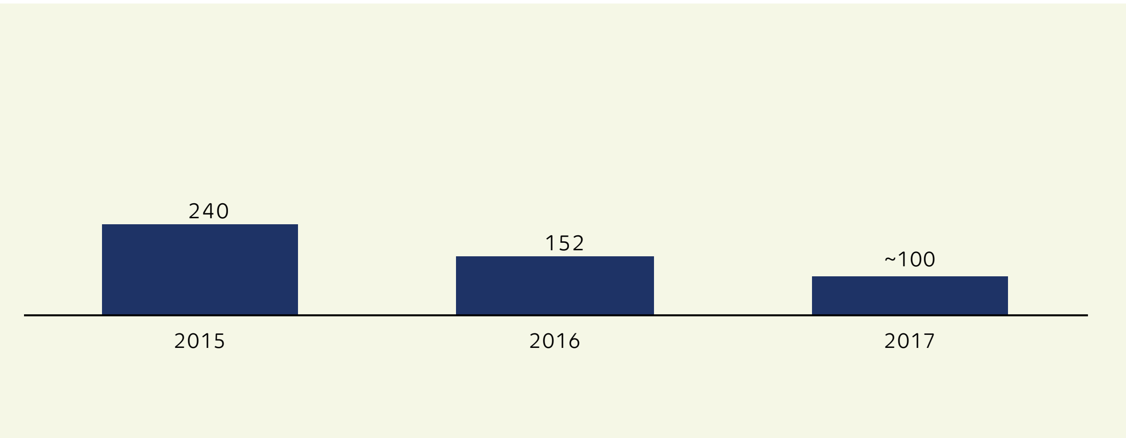
1. Guidance numbers are post sale of TDC Hosting

TDC Group

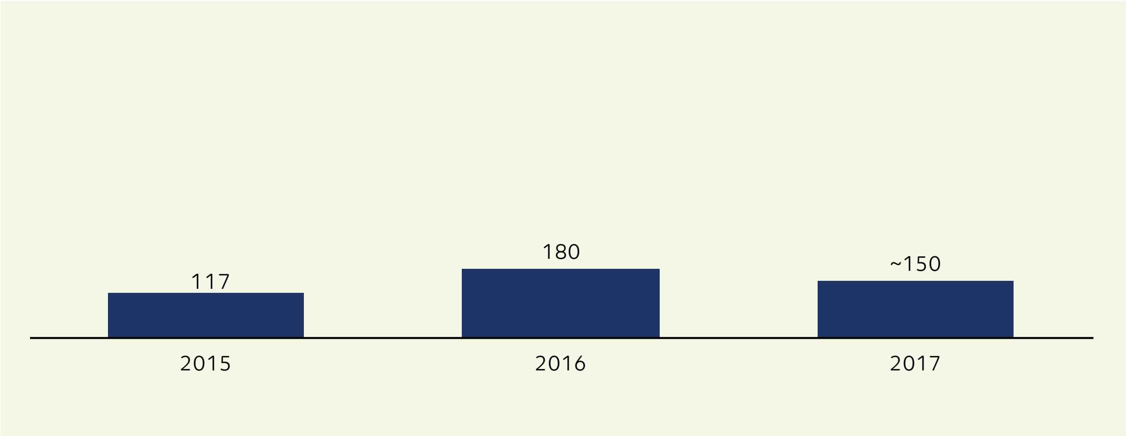
Q&A

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

- Roam Like at Home will take full effect on 15 June 2017. The 'Fair Use Policy', announced on 15 December 2016, 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

1. Regulatory includes mobile termination rates regulation (voice and SMS), international roaming regulation and various landline regulations (ULL, leased lines, BSA, VULA and interconnect)
2. There is no gross profit loss caused by mobile termination rates regulation (voice and SMS)

TDC Group