Financial Report
April-June 2014

August 7, 2014

TDC Group

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Highlights

Financial

- Q2 **revenue** down by 5.5%; organic revenue decreased by 3.8% in line with Q1
- **Gross profit** decline of 4.3% in Q2 affected by weak quarter in TDC Nordic including the adverse exchange rate development and different timing of Easter Holiday compared with 2013; YTD decline of 3.4%
- **EBITDA** down by 3.2% in Q2 as gross profit decline was partly offset by opex savings (5.8%); organic EBITDA down 1.9%
- Strong **Equity free cash flow** growth of 40.1% in Q2 driven by NWC improvements; H1 EFCF up by 14.4%
- The **divestment of TDC Finland** completed for a total cash consideration of DKK 1.15bn after approval by Finnish authorities; TDC Finland reclassified as "Discontinued operations"
- **2014 guidance confirmed**: Organic revenue will decrease less than in 2013 (2013: -3.5%), EBITDA > DKK 9.6bn, capex of DKK 3.7bn and DPS of DKK 3.70; **Interim dividend of DKK** 1.50/share will be paid on 13 August

Operational

- **Residential mobile subscribers** down by 39k vs. Q1, which is a lower loss than in Q1 (57k); residential mobile ARPU stable YoY; positive indications for Q3 with **Telmore Play** off to a promising start with more than 20k sign-ups since launch end of Q2
- **TV net adds** of 3k in Q2 due to growth in the TDC brand/Fullrate (11k) partly offset by loss of both individual and organised subscribers in YouSee (-8k)
- Three **large public tenders** (SKI) finalised in Q2 with effect from H2 2014; TDC renegotiated one contract at lower prices but lost the other two contracts which were settled at price levels that TDC Group was unable to match in the specific cases due to competition law restrictions
- **Accelerated network roll-out** resulted in 4G coverage increasing from 71% to 85%
- Additional call centre staff but **service levels** suffered due to an extensive number of calls; service levels expected to improve significantly as skills among new staff members are improved and call levels return to normal
- Development of **TDC Group's future operating model** prompted outsourcing of customer support (approx. 800 TDC employees) to Sitel from H2 2014 resulting in both savings on operational expenses and expected positive impact on customer satisfaction

Continued pressure on revenue and gross profit, but positive execution of the five strategic focus areas in 2014

Commercial

TAK – a seamless cross-channel experience ✗

- Customer experience challenged by service level issues, technician strike, systems breakdowns etc.
- Plan in place to improve customer experience in H2

Digital transformation of TDC Group (✓)

- Fees on paper communication introduced as a first step towards a broader digital transformation; in line with similar push from the Danish public sector
- Broader plan with several initiatives to be implemented in H2 2014 with longer term impact

Integrated solutions to change the game ✓

- Successful launch of Telmore Play with strong new sales momentum
- TDC Business fiber campaign in Q2 resulted in a very satisfactory number of sign-ups; FY gross-add target already realized end of June

Operational

Accelerated network roll-out ✓

- Network roll-out continued according to plan moving towards Denmark's undisputed best quality network
- New mobile network has been fully implemented on North Zealand & Copenhagen covering 40% of all TDC mobile traffic

Transformational

Developing the future operating model ✓

- FOM execution on track – outsourcing of customer support to Sitel (approx. 800 employees) and opening of call center outside Denmark

Telmore Play which offers premium mobile content at a fixed monthly price has generated new sales momentum

Launched on June 16, 2014

Telmore Play aggregates premium mobile content at a fixed price

DKK 249,-/mth

Unlimited	Unlimited	Unlimited	5 GB	4G
Use of 12 services	Talk	Text	Data	Speed

mofibo	TELMORE Musik	POLITIKEN den levende avis
gastro	RUM	MIN BIO
HBO NORDIC	TV2 PLAY	CMORE PLAY
Ekstra Bladet	EUROMAN	EUROWOMAN

- Utilizing TDC's **strong content position** to drive significant new sales
- Setting **a new market agenda** with a product that focuses on content rather than price
- **More than 20,000 Telmore Play sign ups** within the first 6 weeks
  - ~60% upsell to existing customers (ARPU uplift)
  - ~40% are new customers to Telmore, with a large share from competitors (larger than fair share)

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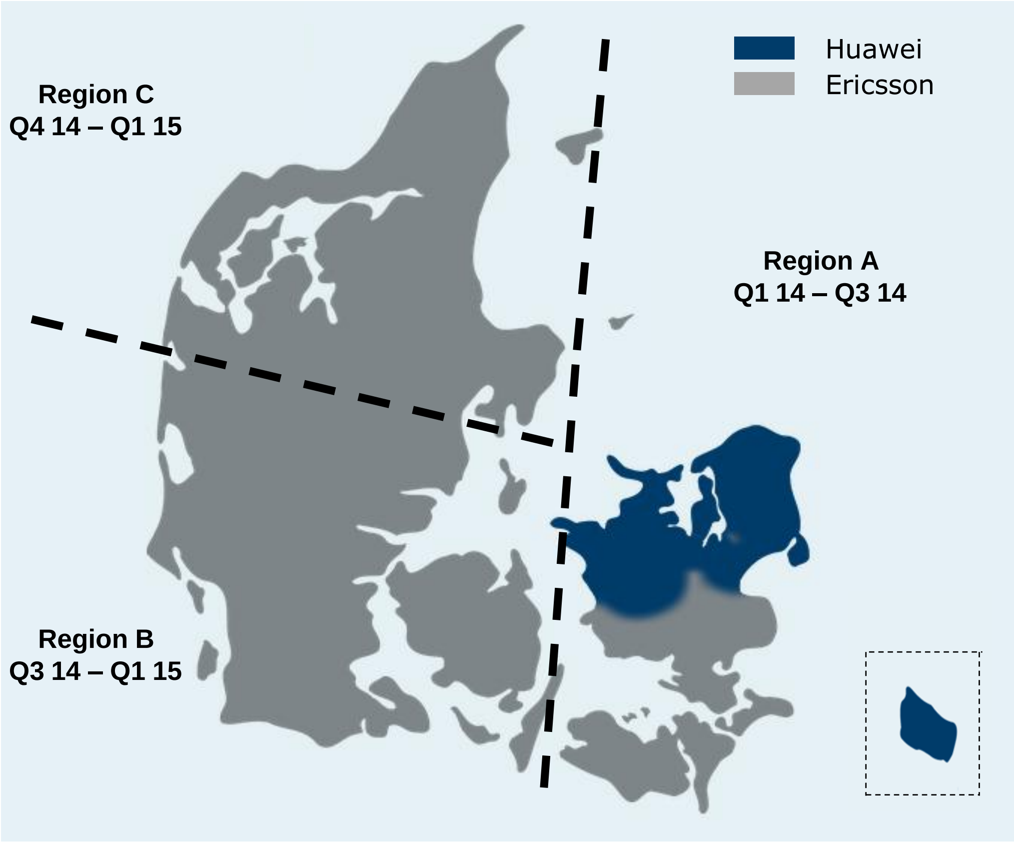
Moving towards Denmark's undisputed best quality network

Ambitious network build out plan well underway…



- Ambitious network build out plan **fully implemented in North Zealand and Copenhagen**, covering 40% of all TDC mobile traffic
- **Excessive improvements in 3G and 4G** coverage[1] as well as capacity post build out in Region A:
  - 4G outdoor now 99.8%
  - 4G indoor now 97%
  - 3G outdoor now 99.5%
  - 3G indoor now 97%
- **Customer experience** has been preserved during network swap
- Build out plan involves upgrading of up to **400 masts per month** and 3,377 sites swapped

1. Coverage measured against population, license obligation 4G: 99.8% (pop) in 207 postal areas

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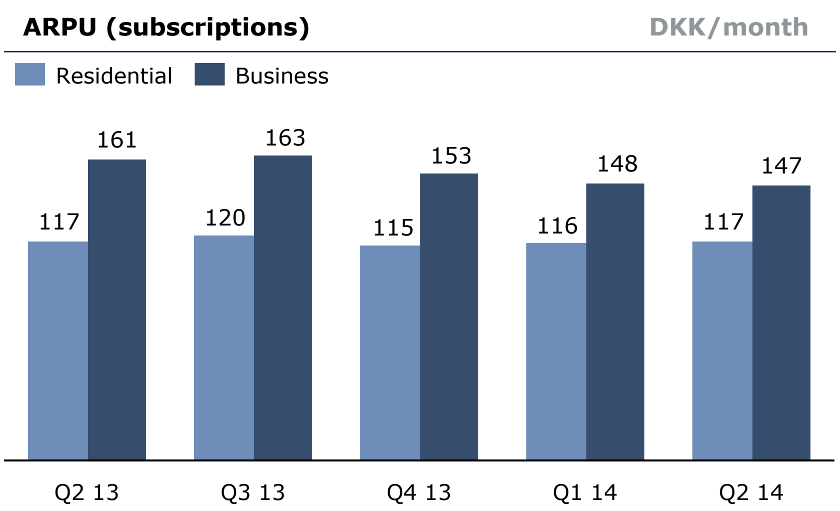
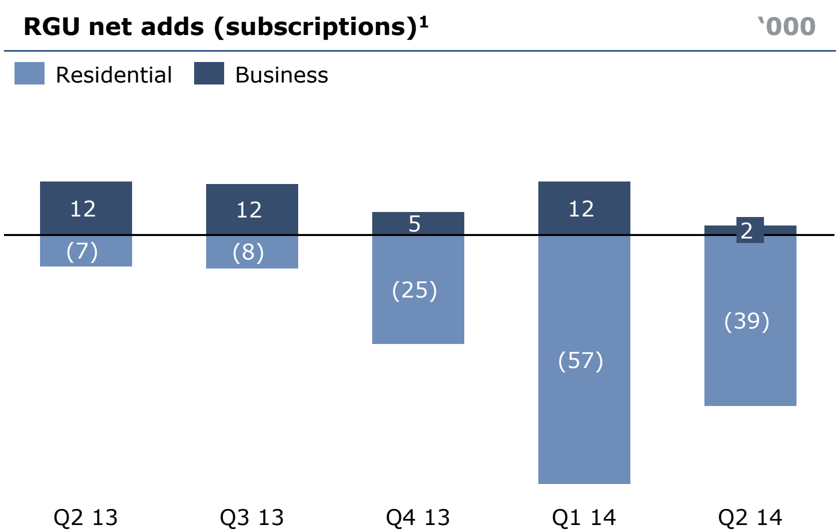
Mobility Services



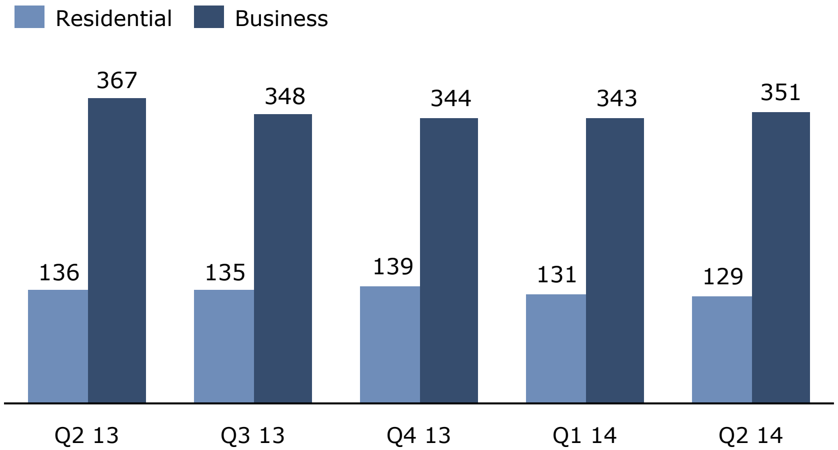


- Successful launch of Telmore Play with more than 20k sign ups within the first 6 weeks, including migrations from the existing customer base
- Continued high churn of low-ARPU customers[1] corresponding to 25% of total mobile churn in Q2 2014, driven by price increases and the introduction of minimum usage
- Targeted retention activities resulted in a lower loss of residential subscribers than in Q1 2014 (39k vs. 57k)
- Business ARPU YoY drop of DKK 14 following continued price pressure
- Reduced Business net adds, however the reduction was driven mainly by low-ARPU data-only SIM cards
- Continued negative YoY organic gross profit in Q2 14; expected to continue impacted by the loss of two SKI contracts in Business and migration to permanently lower price levels in Consumer

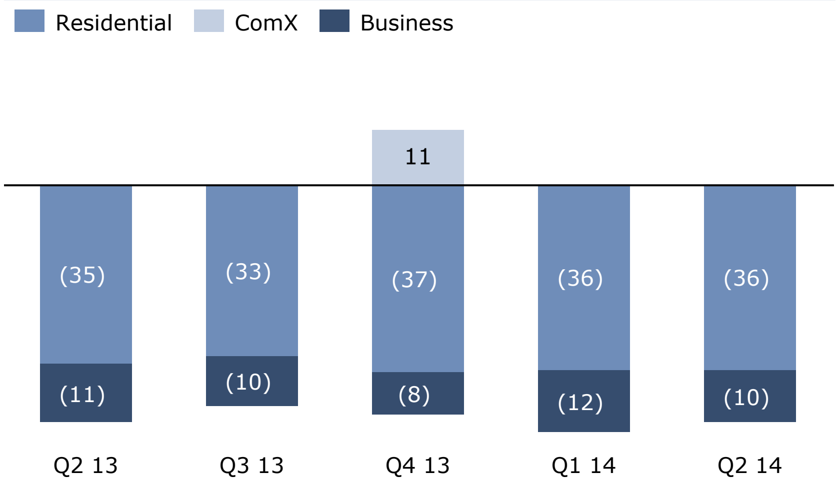
1. Compared with TDC Factsheet, Q3 13 data have been adjusted to reflect a movement of 8k “Fullrate Erhverv” RGUs from Consumer to Business
2. Low-ARPU customers have a usage of below a minimum threshold of DKK 39 per month in the last 3 months before termination of subscriptions

Landline Telephony

ARPU DKK/month



RGU net adds[1] '000

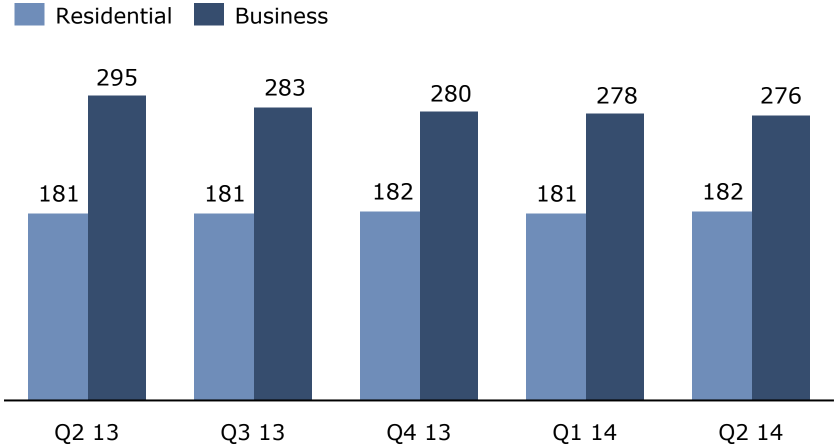


- Loss of 36k residential subscribers vs. Q1 2014 same level as previous quarters
- Increased PSTN-only churn in the last part of the quarter as a result of announced price increases. Q3 churn is expected to continue at a high level
- Business Q2 ARPU decrease of DKK 16 vs. a strong Q2 2013, including different timing of the Easter holiday
- ARPU in Wholesale remained level with Q1, but decreased by DKK 17 vs. Q2 2013, driven by intensified regulation on PSTN resold

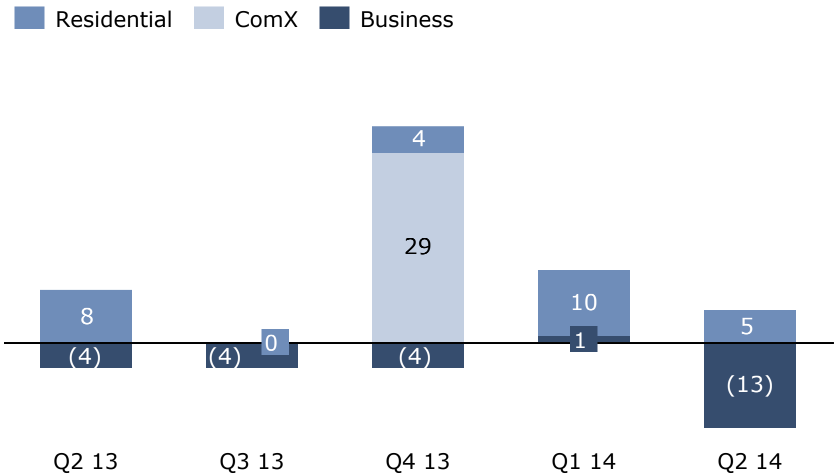
1. Compared with TDC Factsheet, Q3 13 data have been adjusted to reflect a movement of 7k "Fullrate Erhverv" RGUs from Consumer to Business

Broadband

ARPU DKK/month



RGU net adds[1] '000



- Residential net adds of 5k vs. Q1 2014, driven by continued growth in YouSee and a positive contribution from the TDC brand after quarters with small losses
- Extraordinarily high net loss of Business broadband customers (-13k vs. Q1 2014), related partly to employee broadband and home office connections
- Launch of home office connections and employee broadband in Q3 in Business to YouSee TV customers
- Large focus on Business fibre sales in Q2 2014 resulted in a very satisfactory increase in customer sign-ups

1. Compared with TDC Factsheet, Q3 13 data have been adjusted to reflect a movement of 15k "Fullrate Erhverv" RGUs from Consumer to Business

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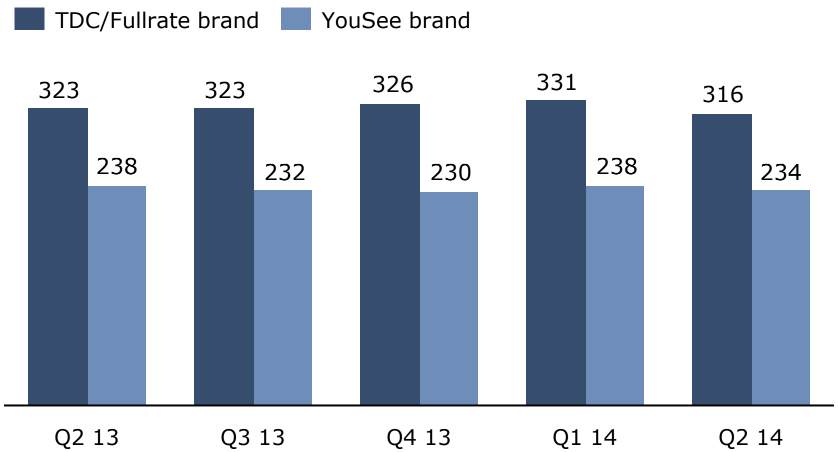
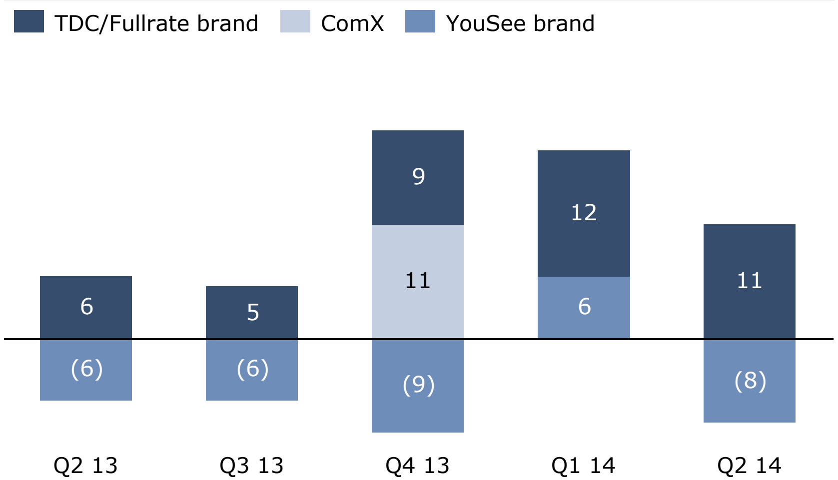
TV

ARPU DKK/month

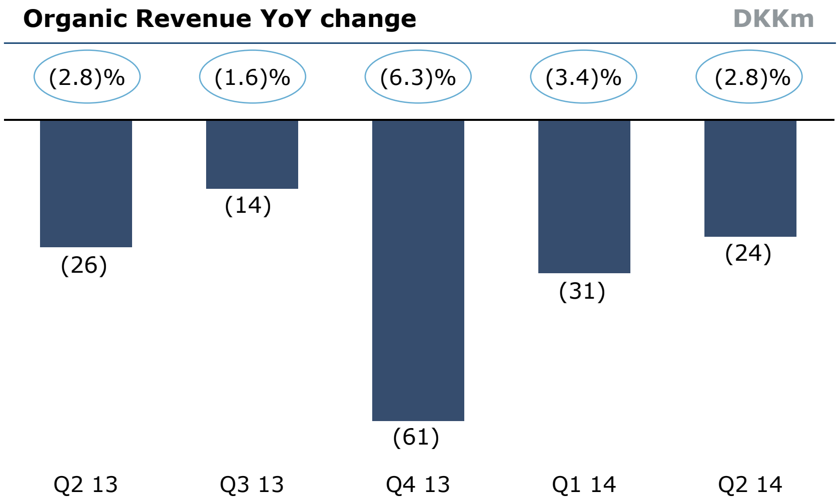


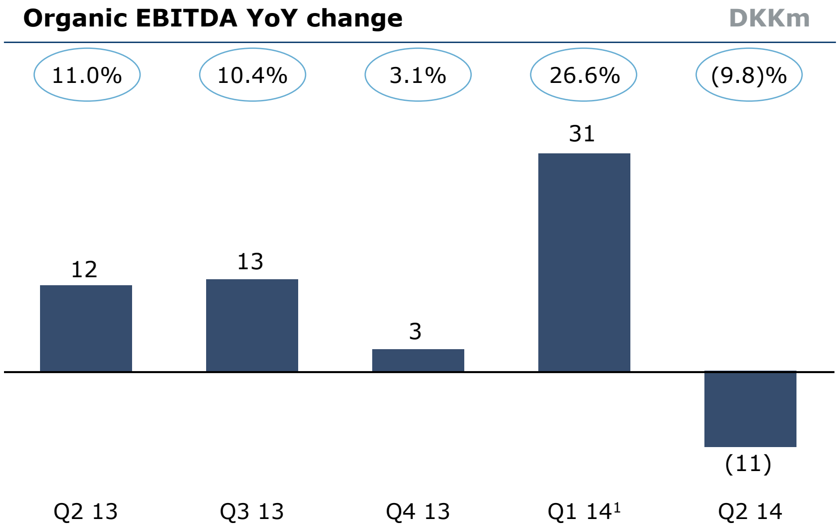
RGU net adds '000



- The TDC brand/Fullrate continued to achieve very high net adds, with an increase of 11k customers vs. Q1 2014
- Negative net adds of 8k in YouSee vs. Q1 2014 resulted from a drop in individual customers as well as leakage from antenna associations
- ARPU declined vs. Q1 2014 in both the TDC brand/Fullrate and YouSee, driven by existing TDC TV customers migrating to the new portfolio and downward migrations in YouSee
- No YoY organic gross profit growth in Q2 2014; no significant positive gross profit expected in H2 2014 as downward migration and customer drop in YouSee negatively impact gross profit

Nordic





- Organic revenue remained under pressure in TDC Sweden (-4.8% vs. Q2 2013), which related primarily to the low margin integrator business, but recent contract wins, e.g. Västmanlands Läns Landsting, reveal a promising pipeline
- In Norway, organic revenue increased by DKK 3m, but due to a changed product mix with growth in low-margin areas, organic EBITDA in Norway decreased by DKK 11m, which constituted the total organic EBITDA decrease in Nordic
- The focus on cost optimisation will continue in H2 2014 to cushion the gross profit challenge

1. Q1 2014 gross profit affected positively by one-offs due to reversed provisions related to regulatory pricing decisions in Sweden and Norway (DKK 29m)

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Group financials

Q2 2014

Financial Highlights

TDC Group

DKKm

	Q2			YTD		
	2014	Growth, %		2014	Growth, %	
		Reported	Organic		Reported	Organic
Revenue	5,668	(5.5)	(3.8)	11,443	(5.3)	(3.7)
Gross Profit	4,204	(4.3)	(3.5)	8,462	(3.4)	(2.6)
% margin	*74.2*	*0.9*[1]		*73.9*	*1.5*[1]	
Opex	(1,850)	5.8	5.5	(3,657)	5.5	5.2
% margin	*(32.6)*	*0.1*[1]		*(32.0)*	*0.1*[1]	
EBITDA	2,354	(3.2)	(1.9)	4,805	(1.7)	(0.5)
% margin	*41.5*	*1.0*[1]		*42.0*	*1.5*[1]	
Profit for the period from continuing operations excl. special items	697	(41.5)		1,526	(23.8)	
Capex	(957)	(12.7)		(1,820)	(6.1)	
EFCF	1,090	40.1		1,456	14.4	
Group FTE EoP	8,582	(2.4)				
Domestic FTE EoP	7,622	(2.0)				

1. Percentage points

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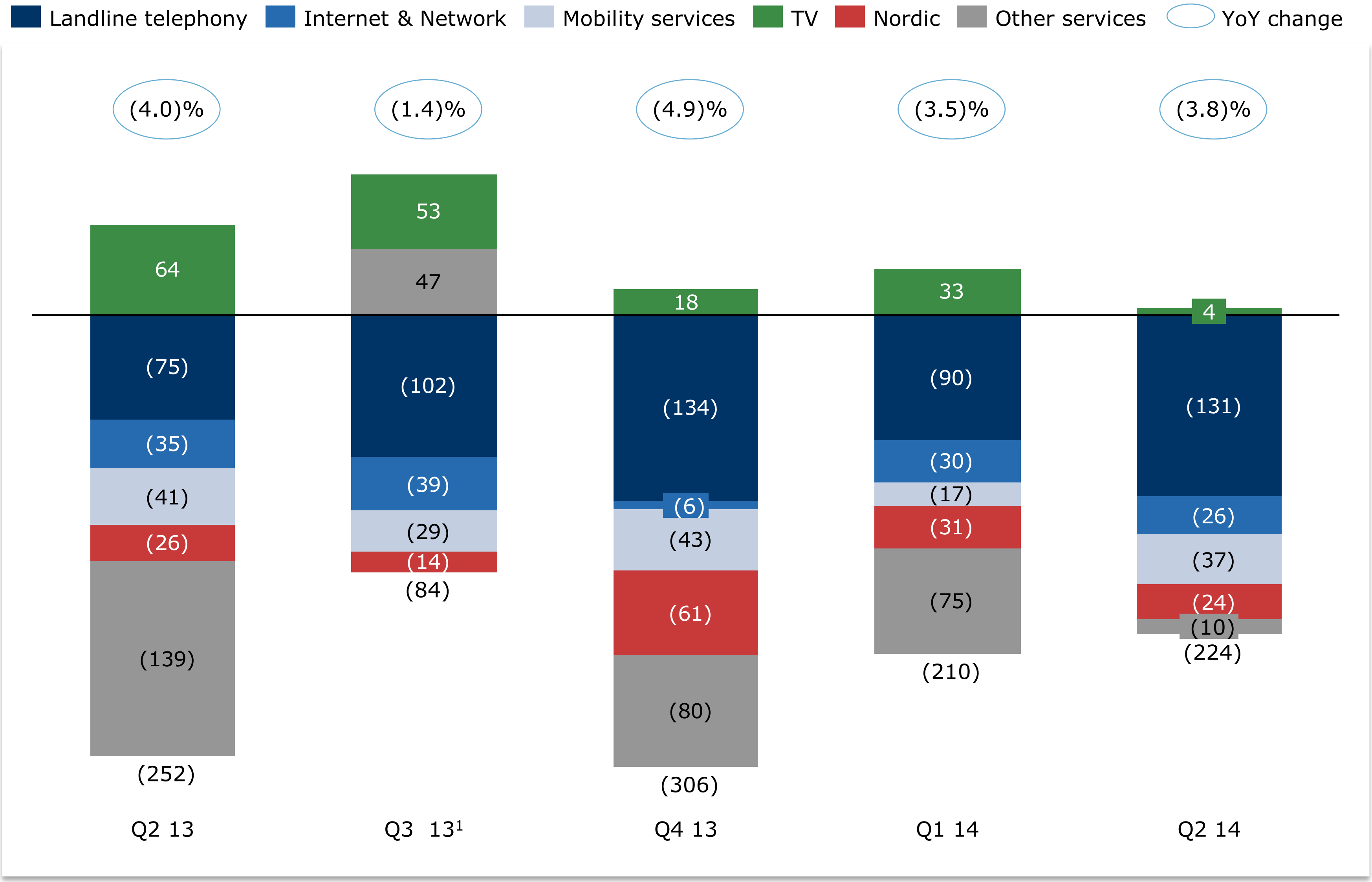
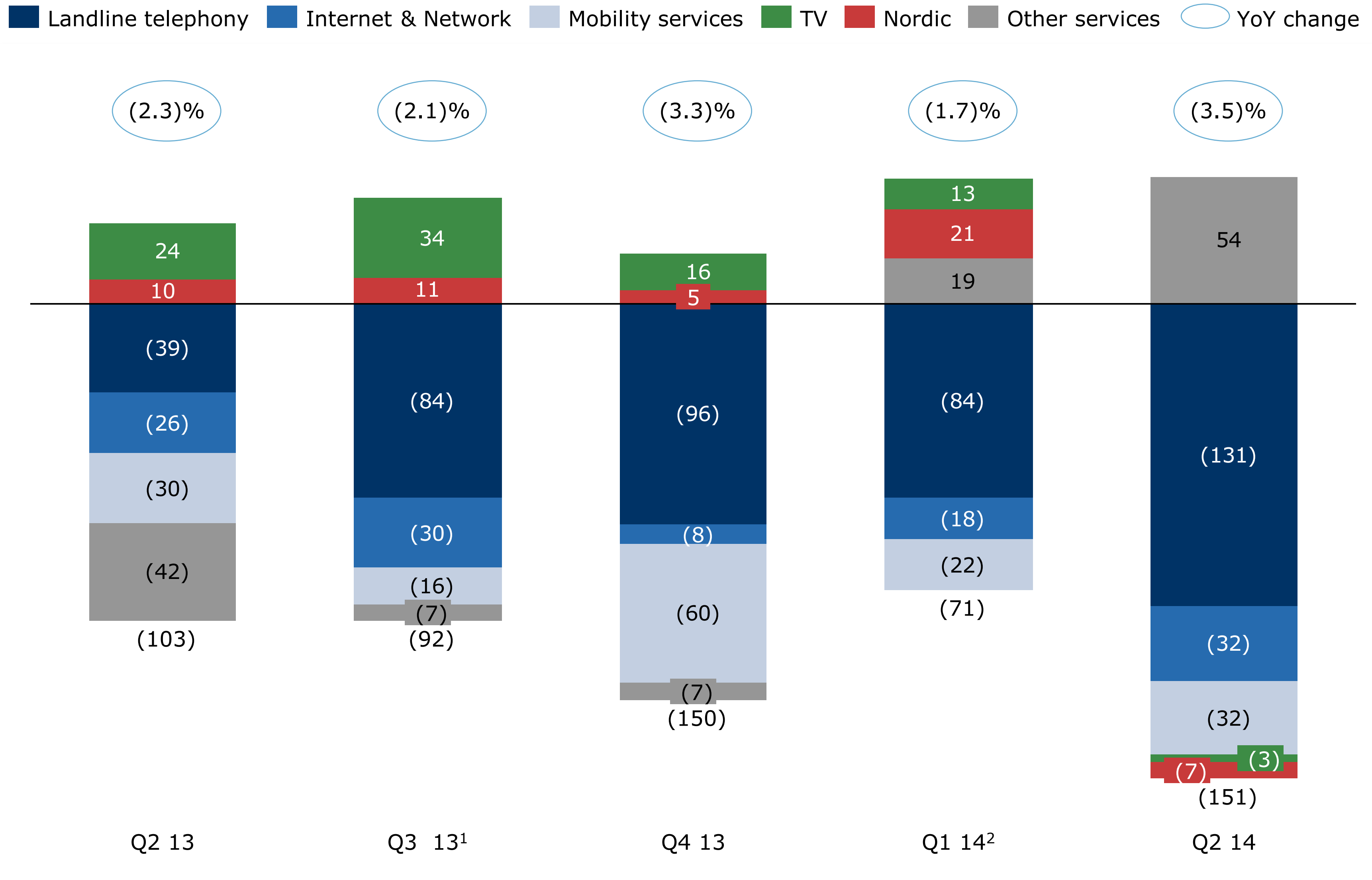
Organic revenue (YoY development)



1. YoY change in Q3 2013 data on "Other Services" positively affected by one off (DKK 50m) following a YTD change of the accounting of cost compensations regarding Coastal Radio

Organic gross profit (YoY development)



1. YoY change in Q3 2013 data on "Other Services" positively affected by one off (DKK 50m) following a YTD change of the accounting of cost compensations regarding Coastal Radio
2. Nordic Q1 14 data positively affected by one-offs on transmission costs (DKK 29m)

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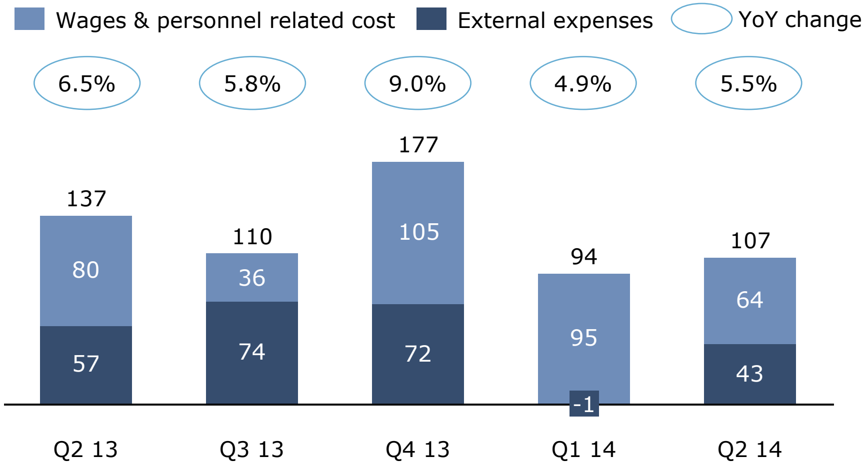
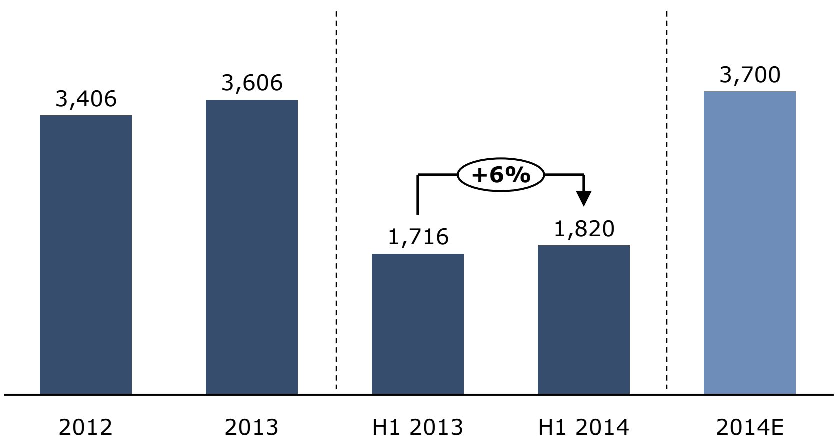
Opex & Capex

Organic YoY opex savings DKKm

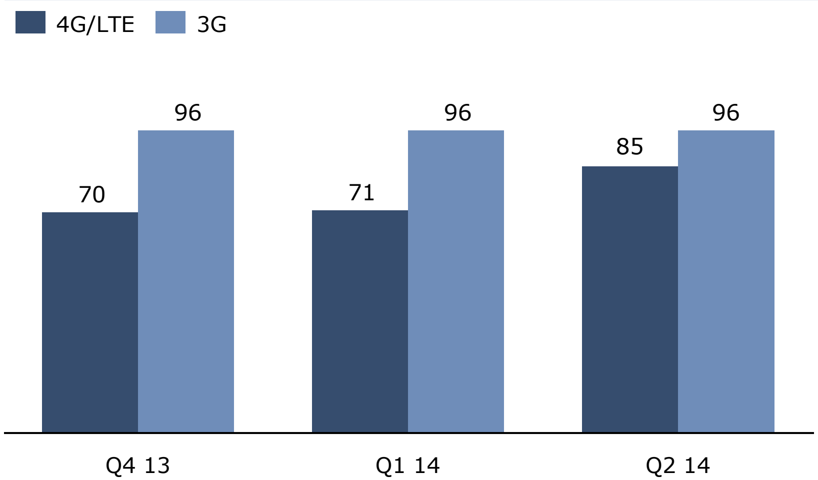


- Organic opex reduced by 5.5% vs. Q2 2013, due to savings on wages and personnel-related costs as well as SAC/SRC and property costs
- Upgrade and build-out of the mobile network resulted in a capex increase of 12.7% in Q2 2014. 4G mobile population coverage has now reached 84.6% (13.8%-points increase vs. Q1 2014)

Capex DKKm

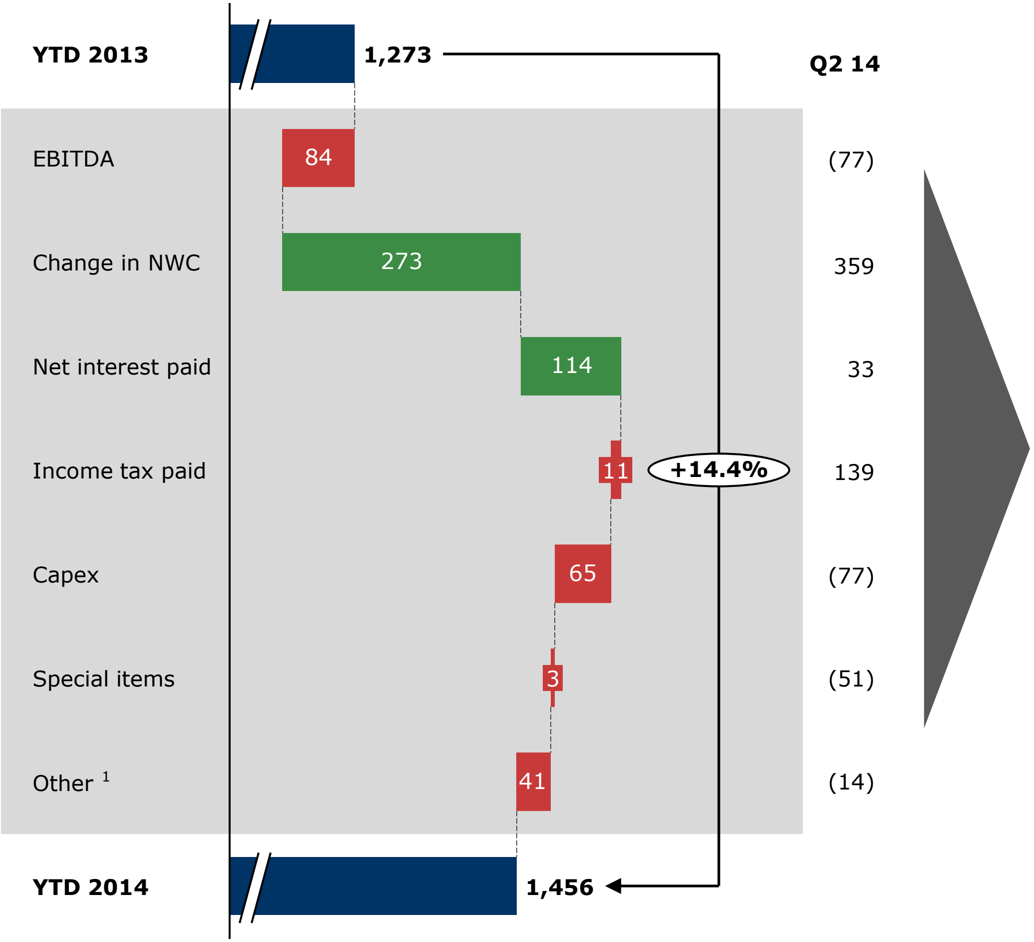


Mobile pop. coverage – 4G/LTE & 3G %



Equity Free Cash Flow

EFCF YoY change DKKm



- EFCF up by 40.1% in Q2 14
- NWC improved in Q2 due to optimization of invoicing cycles in Consumer and Business. Furthermore, positive growth effect in Q2 from different creditor payment pattern in 2014 vs. 2013, partly due to change of major suppliers
- The development in income tax paid affected by payments in Q2 2013 related to tax disputes and higher mandatory on account payments in Q1 2014 than in Q1 2013
- The positive development in net interest paid YTD caused by higher interest related to swaps in Q1 2013
- EFCF development supporting the interim dividend paid out on August 13 of DKK 1.50 per share

1. Including adjustment for non-cash items, pension contributions, payments related to provisions, realized currency translation adjustments and finance lease repayments

2015 financial results challenged by public tenders (SKI)…

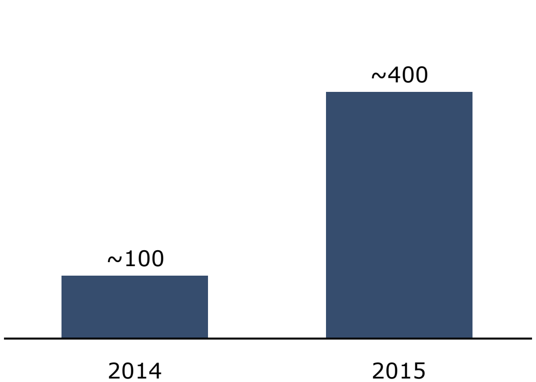
One old SKI agreement

- TDC Group has the **framework agreement** with the public sector (SKI 02.08) involving voice and broadband products (mobile and landline) as well as mobile handset
- This 3 year agreement terminates end of October 2014. The old SKI agreement has been split into three new agreements
- The public sector has had the option to use other governmental agreements or ad hoc tenders

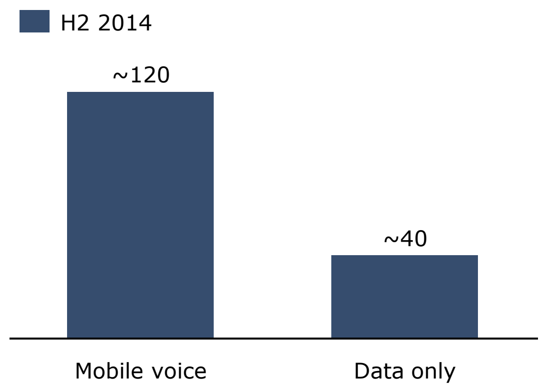
Three new SKI agreements

- TDC Group renegotiated a part of the SKI agreement as a **binding agreement** (SKI 50.48) where amongst others 65 (of 98) municipalities are obligated to purchase mobile voice, broadband and handsets as well as landline voice
- The remainder of the SKI **framework agreement** (SKI 02.08 and 02.11)[2] was won by Telenor at price levels that TDC was unable to match due to competition law restrictions

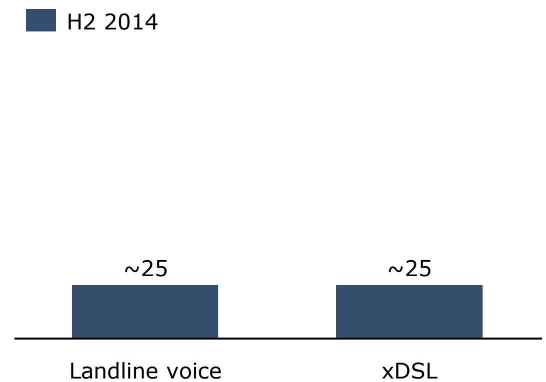
Revenue/Gross profit loss[1] DKKm



Mobile RGU loss[1] '000



Landline RGU loss[1] '000



1. Loss in TDC Business vs. 2013. Not including any upsides from Telenor's possible use of TDC landline infrastructure in order to deliver on their offer or any other mitigating effects
2. Two year agreements with two one-year options

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...and expected tougher regulation

Roam like Home

- End of retail roaming charges intra-EU by December 2015 will impact TDC's revenue related to roaming in the EU of currently approximately DKK 200-300m annually
- Risk of financial effect already in 2015 due to the market adapting faster than regulatory demands (not included in the estimated losses below)

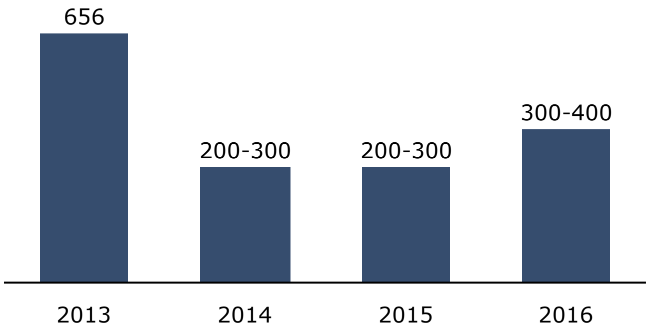
LRAIC prices

- A large revision of broadband wholesale prices is currently being undertaken
- The preliminary drafts suggest that 2015 prices will be considerably below the level that EU recommends
- Risk of lower wholesale prices affecting retail prices (not included in the estimated losses below)

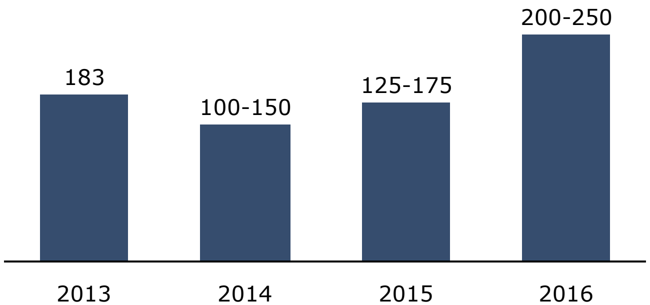
New coax TV regulation

- TDC will be obligated to resell a basic TV-package including the content rights in a bundle with BSA via coax at regulated prices
- The financial effect is expected to be minor in 2015 but may increase in the coming years

Revenue loss from regulation DKKm



Gross profit loss from regulation DKKm



Guidance 2014[1] confirmed on all parameters

	2014 Guidance	YTD Status
Organic revenue	Lower decrease than in 2013 (> -3.5%)	-3.7%
EBITDA	> DKK 9.6bn (> -3.8%)	DKK 4.8bn (-1.7%)
Capex[2]	DKK 3.7bn (2.6%)	DKK 1.8bn (6.1%)
DPS	DKK 3.70	DKK 1.50

- Revenue growth rate expected to improve in H2 as a result of a new iPad sales agreement and a number of price changes with effect from 1 July
- EBITDA in line with expectations as revenue shortfall was offset by savings in operating expenses
- Higher YTD capex growth rate (6.1%) than 2014 guidance due to calenderization
- Interim dividend of DKK 1.50/share will be paid on 13 August

1. TDC Group's expectations as of 29 April 2014 following the announcement of the disposal of TDC Finland
2. Excluding mobile licences

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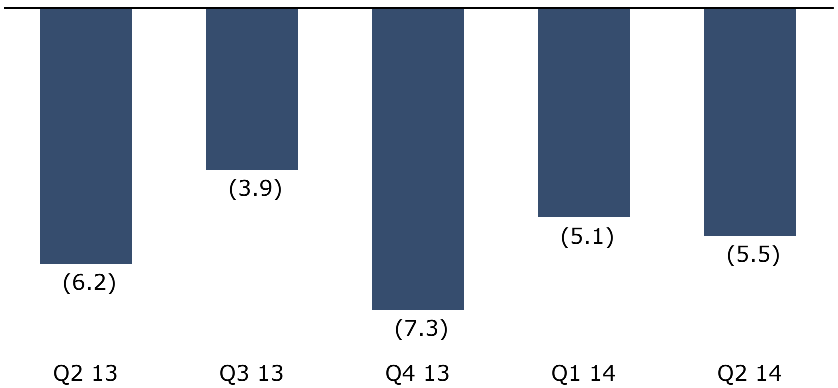
Q&A

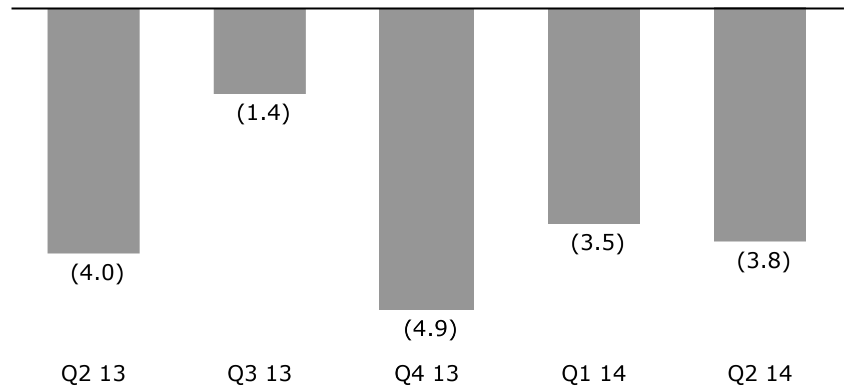
Appendix

Quarterly Revenue and EBITDA trends

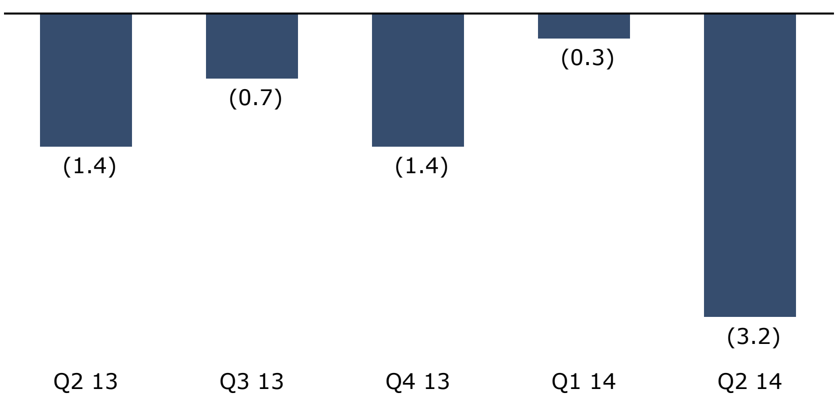
Reported YoY quarterly Revenue growth %



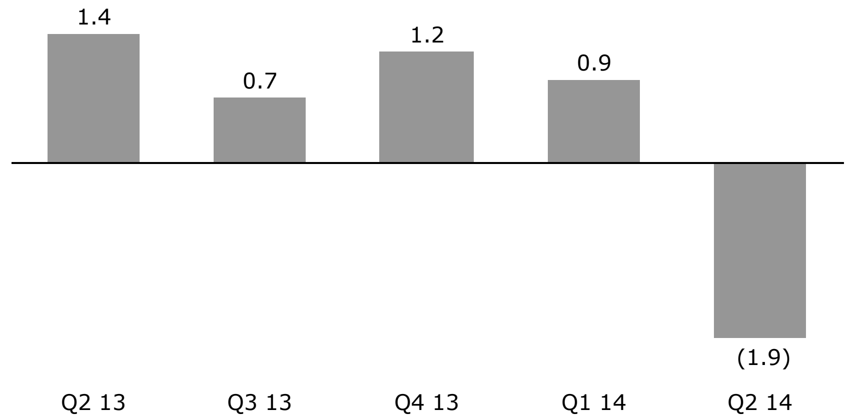
Organic[1] YoY quarterly Revenue growth %



Reported YoY quarterly EBITDA growth %



Organic[2] YoY quarterly EBITDA growth %



1. Adjusted for regulation (mobile termination rates (voice and SMS), international roaming, PSTN resale), acquisitions/divestments, sales of assets, and FOREX
2. Adjusted for regulation (international roaming, PSTN resale), acquisitions/divestments, sales of assets, and FOREX

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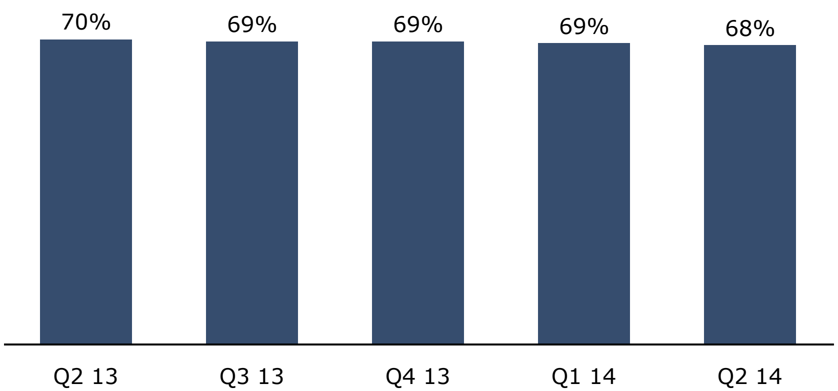
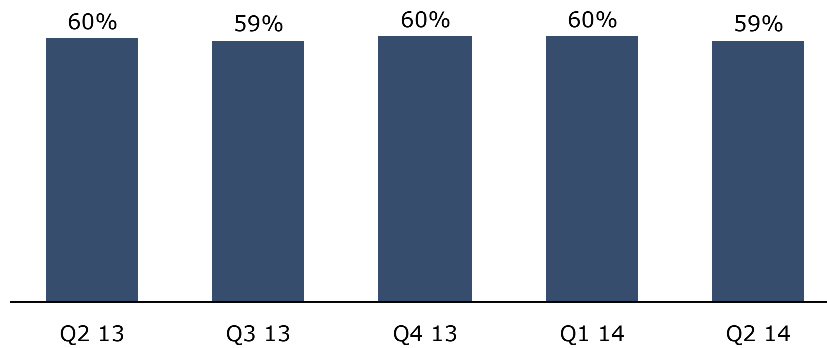
Estimated TDC Group Market Shares[1]

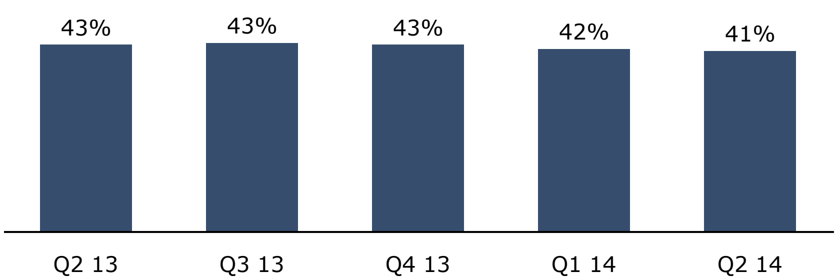
Landline Telephony %



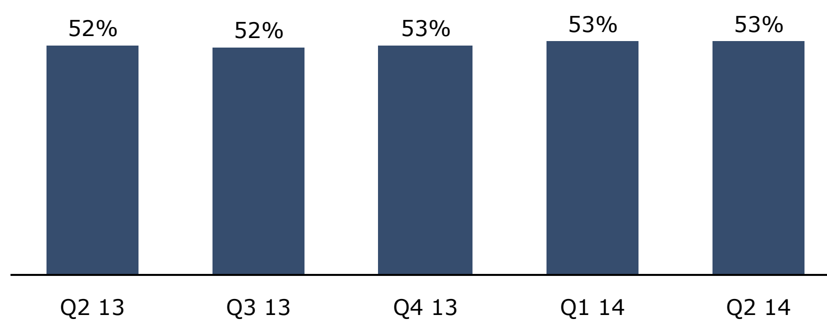
Broadband %



Mobility Services[2] %



TV %



1. Market shares for total market include residential and business. Market shares for landline voice, broadband and TV are based on number of lines and mobile voice is based on the number of SIM cards. Source: TDC Market Intelligence
2. Mobile subscriptions (excl. prepaid cards)

Revenue Bridge

DKKm	Q2	YTD	YTD growth
2013	**5,999**	**12,087**	
Forex	50	100	
Acq/Div & Sale of assets	2	4	
Regulatory [1]	59	114	
Domestic landline	131	221	(13.3)%
Domestic internet & network	26	56	(2.1)%
Domestic mobility services	37	54	(2.0)%
Domestic TV	4	37	1.7%
Nordic	24	55	(3.1)%
Other services [2]	10	85	(8.3)%
2014	**5,668**	**11,443**	

	Q2	YTD
Reported growth	(5.5)%	(5.3)%
Organic growth	(3.8)%	(3.7)%

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. Other services contains terminal equipment such as mobile and landline phones and equipment sales in Consumer and Business (incl. NetDesign), including sale of smartphones without subsidies. In addition other services also includes income from system integration and installation work, operator services, service fees, rental of masts and eliminations

EBITDA Bridge

DKKm	Q2	YTD	YTD growth
2013	**2,431**	**4,889**	
Forex	9	17	
Acq/Div & Sale of assets	6	10	
Regulatory[1]	29	55	
GP - domestic landline	131	215	(13.9)%
GP - domestic internet & network	32	50	(2.0)%
GP - domestic mobility services	32	54	(2.3)%
GP - domestic TV	3	10	0.8%
GP - Nordic	7	14	2.0%
Other services	54	73	15.5%
Opex	107	201	(5.2)%
2014	**2,354**	**4,806**	
Reported growth	(3.2)%	(1.7)%	
Organic growth	(1.9)%	(0.5)%	

1. Regulatory includes international roaming regulation and various landline regulations (ULL, leased lines, BSA, VULA and interconnect)

TDC Group