CEO comments and highlights

Satisfactory Q1 results: Improved EBITDA development and cash flow growth – on track to deliver full-year ambition

In Q1, revenue increased by 0.7% while EBITDA declined by 0.9%. This was a significant improvement compared with recent years and was driven by improvements in Denmark. But, Get also continued to accomplish high growth rates in Norway. In addition, contained EBITDA decline and lower interest payments led to a 39% increase in our EFCF cash flow YoY.

We achieved good progress on our customer satisfaction. A new cross-organisational 'Quality Time' programme, to increase the quality of the customers' experiences, has shown promising results, including a 9% reduction in non-value-adding calls to our support centres YoY following years of increases. Furthermore, customers with positive experiences after interacting with TDC has increased by 3 percentage points vs. Q4. As a very visible result of our focused work on customer satisfaction, Telmore and Get both won awards for "Best Customer Service in 2017" across Danish industries and among Norwegian TV-providers, respectively.

A point worth noting is that the customer bases in our Consumer divisions in both Norway and Denmark decreased during Q1. In Norway, competition on homes connected remained intense resulting in a decline in TV customers. In Denmark, we lost 22k TV customers. This compared unfavourably with previous quarters but reflected a general market decline. To increase the relevance of our TV offerings in both Denmark and Norway, we are introducing improved flexibility and integrating in our products on-demand services.

In the Danish Consumer mobile market, we saw aggressive marketing from some competitors. We remained focused on value and increased our ARPU YoY in Q1 but at the expense of a loss of 10k mobile customers. We have not seen all commercial actions in the market with respect to the imminent Roam Like at Home regulations and this remains one of the biggest uncertainties with respect to 2017 performance.

In B2B, the majority of the public contracts are up for re-tender during 2017, unfortunately with price as the primary selection criteria. The outcome of these tenders will have an impact on our financial performance from 2018 and onwards.

During Q1, we further streamlined our business by disposing of TDC Hosting with impact from Q2. Throughout the rest of the business, our continued focus on process improvements has enabled us to reduce our cost levels. Further reductions will come in the coming quarters. In light of the improved financial development in the first quarter, but with some concerns and uncertainties regarding the market developments, we confirm our full-year guidance.

Pernille Erenbjerg, Group CEO and President

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

Group performance

Strategic ambitions

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

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's recommend score was 64 in Q1 2017 and remained level with Q4 2016. This score has been challenged by the unfortunate TV break down on New Year's Eve in YouSee but this was offset by better performance at TDC Business, where customers appreciate our superior 4G network including voice quality, mobile coverage and data quality.

Our ongoing focus is to improve our customer experience, and new initiatives have been introduced to support this goal. A Customer Feedback Loop (CFL), whereby all customers with a negative experience are contacted by phone within 4 hours, and the customer care programme 'Quality Time' that focus on the quality of customers' experiences, have been implemented successfully. Our focus on customer experience has led to an improvement in touchpoints and overall operational KPIs in Q1. This resulted in an increase of 3 percentage points in customers with positive experiences after interacting with TDC vs. Q4 2016.

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

Equity free cash flow

The increase of DKK 126m in equity free cash flow was driven by reduced net interest paid (DKK 134m) following the repurchase of bonds at the end of 2016. The EFCF growth was also affected by different timing, especially regarding the change in net working capital (DKK 73m), income tax paid (DKK 60m) and cash flow related to capex[2] (DKK -63m).

YTD financial performance

Revenue

In Q1 2017, TDC Group's reported revenue increased by 0.7% or DKK 34m to DKK 5,211m, including negative effects from regulated EU roaming prices. Adjusted for these effects as well as foreign exchange rates and acquisitions, organic revenue remained almost stable YoY. This development in reported revenue, the best in several years, was driven by improved performance in Norway as well as landline voice and mobility services in Denmark. Furthermore sales of low-margin mobile handsets increased YoY.

[2] Cash flow related to capex includes adjustments to capex for timing differences regarding mobile license payments, reestablishment obligation, non-paid investments, etc.

TDC Group, key figures[1]

DKKm		Q1 2017	Q1 2016	Change in %
Income statements	DKKm			
Revenue		5,211	5,177	0.7
Gross profit		3,871	3,905	(0.9)
EBITDA		2,128	2,148	(0.9)
Organic revenue[2]		5,211	5,221	(0.2)
Organic gross profit[2]		3,871	3,912	(1.0)
Organic EBITDA[2]		2,128	2,134	(0.3)
Profit for the period from continuing operations excluding special items		537	682	(21.3)
Profit for the period		612	624	(1.9)
Total comprehensive income/(loss)		802	(220)	-
Capital expenditure		(1,040)	(952)	(9.2)
Equity free cash flow (EFCF)		452	326	38.7
Key financial ratios				
Earnings Per Share (EPS)	DKK	0.56	0.56	-
Adjusted EPS	DKK	0.78	0.98	(20.4)
Gross margin	%	74.3	75.4	-
EBITDA margin	%	40.8	41.5	-
Customer satisfaction				
Recommend score	YTD avg. index	64	65	-

[1] For additional data, see TDC Fact Sheet on www.tdcgroup.com/en/investor-relations/financial-reports.
[2] Reported revenue and gross profit excluding the impact from foreign exchange rates, regulatory price adjustments as well as the impact from acquisitions and divestments.

Gross profit

In TDC Group, reported gross profit decreased by 0.9% or DKK 34m to DKK 3,871 in Q1 2017. Organic gross profit decreased by 1.0% or DKK 41m, however this is a substantial improvement compared with previous quarters, reflecting the improved revenue development. The gross margin decreased from 75.4% in Q1 2016 to 74.3% in Q1 2017, yet remained level with the full-year 2016 gross profit margin.

Operational expenditure[1]

In Q1 2017, reported operational expenditure decreased by 0.8% or DKK 14m to DKK 1,743m including negative effects from foreign exchange rates and acquisitions. Adjusted for these effects, organic operational expenditure decreased by 2.0% or DKK 35m, 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 in Norway and Other operations.

The planned cost savings for the rest of the year are expected to come mainly from further improvements in fault-handling, additional renegotiations of supplier contracts and call reduction initiatives as well as the financial impact of already executed initiatives. These include FTE reductions in Other operations, Business and Consumer with financial impact in coming quarters.

EBITDA

Reported EBITDA decreased by 0.9% or DKK 20m to DKK 2,128m. Organic EBITDA decreased by 0.3% or DKK 6m, consisting of a DKK 25m decline in Denmark and an increase of DKK 19m in Norway. This represents an improvement compared with the organic EBITDA decline of 8.5% in Q1 2016.

Profit for the period

Excluding discontinued operations and special items, profit for the period decreased by 21.3% or DKK 145m driven by higher amortisation and depreciation as well as a negative development in currency translation adjustments of intercompany loans denominated in NOK.

Profit for the period (including discontinued operations and special items) decreased by only DKK 12m, mainly as a result of the gain from divesting TDC Hosting (DKK 108m) in Q1 2017.

Comprehensive income

Total comprehensive income increased by DKK 1,022m. The declining profit for the period (DKK 12m) was more than offset by the increase in other comprehensive income (DKK 1,034m) related to defined benefit plans for Danish employees. The gain in Q1 2017 and loss in Q1 2016 resulted primarily from the development in the discount rate and inflation rate impacting the pension obligation[2].

Capital expenditure

In Q1 2017, capital expenditure totalled DKK 1,040m, an increase of 9.2% or DKK 88m that was driven by the upgrading of the cable network to enable 1 gigabit broadband speeds for half of all Danish households. The launch of YouSee's TV set-top box in Q2 2016 and focus on providing TV and broadband services via the optimal infrastructure has resulted in more investments in customer installations on the cable network, which was partly offset by fewer investments in customer installations on the copper network. TDC Group continues to invest in IT to support a simplified digital operating model, while investing in the Danish mobile network to ensure that TDC Group retains a best-in-class mobile network.

Net interest-bearing debt

Both net interest-bearing debt and adjusted net interest-bearing debt fell by DKK 293m during Q1 2017 following the net cash flows from operating and investing activities including the net proceeds[3] from divesting TDC Hosting (DKK 469m) offset by the payment of dividend (DKK 602m).

Cash flow and NIBD, key figures

DKKm

		Q1 2017	Q1 2016	Change in %
Cash flow from operating activities		1,675	1,482	13.0
Investment in property, plant and equipment		(775)	(751)	(3.2)
Investment in intangible assets		(232)	(189)	(22.8)
Finance lease repayments		(21)	(20)	(5.0)
Coupon payments on hybrid capital		(195)	(196)	0.5
Equity free cash flow		**452**	**326**	**38.7**
Total cash flow from operating activities		1,675	1,482	13.0
Total cash flow from investing activities		(531)	(1,041)	49.0
Total cash flow from financing activities		(818)	(219)	-
Total cash flow from continuing operations		326	222	46.8
Total cash flow from discontinued operations		0	(18)	-
Total cash flow		**326**	**204**	**59.8**
Net interest-bearing debt (NIBD)		(21,840)	(25,792)	15.3
Adjusted NIBD		(24,616)	(28,568)	13.8
Net interest-bearing debt/EBITDA	x	2.6	2.7	-
Adjusted NIBD/EBITDA	x	2.9	3.0	-

[1] Including other income.

[2] For further information see note 6 Pension assets and pension obligations.

[3] After adjustment for cash and debt as well as transaction costs.

Guidance 2017

TDC Group confirms our full-year guidance presented below. Guidance have been updated after the divestment of TDC Hosting.

Our guidance for 2017 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 Group's Annual Report.

Factors affecting full-year guidance

- 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

2017 guidance status

	2017 guidance	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[1]	DKK 1.05	-	Supported by EFCF YTD

[1] Will be paid out in Q1 2018.

TDC Group's performance per business line in Q1 2017

The illustration below reflects TDC Group's Q1 2017 performance based on 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 2.1. The Q1 2017 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	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] Both absolute figures and growth rates are excluding eliminations and therefore do not amount to 100%.

Consumer in Denmark

Q1 highlights

- EBITDA decline of 0.5% YoY
- Improved call centre performance with fewer calls to support and billing
- Net loss of 22k TV subscribers vs. Q4 in line with market development
- Loss of a large MDU (9k TV and 6k broadband RGUs) with effect from Q2 2017
- Net loss of 10k mobility services customers vs. Q4 (mobile voice and mobile broadband)
- Telmore awarded for the best customer service in 2017 across industries
- Telmore, Fullrate and YouSee launched new Roam Like at Home mobile portfolios
- Introduction of Netflix on TV set-top box

Consumer, key figures

DKKm

		Q1 2017	Q1 2016	Change in %
Revenue	DKKm	**2,679**	**2,686**	**(0.3)**
Mobility services		695	668	4.0
TV		1,059	1,073	(1.3)
Internet & network		604	612	(1.3)
Landline voice		187	226	(17.3)
Other services		134	107	25.2
Gross profit		**1,997**	**2,040**	**(2.1)**
EBITDA		**1,541**	**1,548**	**(0.5)**
Gross margin	%	74.5	75.9	-
EBITDA margin	%	57.5	57.6	-
Number of FTEs (end-of-period)	#	1,962	1,972	(0.5)

Q1 performance

Consumer succeeded in delivering an almost level YoY EBITDA development with EBITDA decreasing by 0.5% or DKK 7m to DKK 1,541m in Q1 2017. This was a significant improvement compared with the EBITDA loss of 6.8% in 2016. Gross profit decreased by 2.1% driven mainly by continued landline voice loss, offset by lower opex spending e.g. renegotiation of contracts and the TDC/YouSee brand merger.

Mobility services

In Q1 2017, mobility services delivered reported revenue and gross profit growth for the fourth consecutive quarter with revenue and gross profit increasing by 4.0% and 3.5%, respectively. The positive development was driven mainly by a mobile voice ARPU increase and positive effects from mobile broadband. Mobile voice ARPU increased by DKK 2 YoY driven by price increases, partly offset by less billed traffic especially related to roaming . The mobile voice customer base decreased by 4k YoY, however with a reduced trend over the last 12 months, including the loss of 10k customers in Q1 2017[1]. Both gross adds and churn in Q1 2017 were affected by the price-competitive market.

Our mobile broadband customer base increased by 22k[1] YoY, and ARPU rose by DKK 14 YoY driven by our new portfolio. Mobile broadband is increasingly substituting landline broadband, as our best-in-class mobile network allows high-speed mobile product offerings.

TV

In Q1 2017, reported revenue and gross profit from TV decreased by 1.3% and 1.4%, respectively. This development was due to a 39k YoY decline in the customer base as a result of sustained cord-cutting. The customer loss was in line with the declining flow-TV market trend. TDC Group's pay-TV market share was up 1 percentage point YoY and remained level with Q4 2016.

TV ARPU increased by DKK 1 YoY driven by price increases. This was almost offset by customers migrating to cheaper price plans.

[1] In addition, 6k mobile voice customers were reallocated to mobile broadband in Q1 2017.

Internet & network

Reported revenue from internet & network decreased by 1.3% or DKK 8m to DKK 604m in Q1 2017, caused by a decline in the customer base. The broadband customer base decreased by 17k YoY as the loss of low-speed xDSL subscribers was only partly offset by growth in high-speed cable customers. The customer development was affected by price-aggressive competitors.

Broadband ARPU remained level YoY as a better customer mix with more high-speed cable customers was offset by a decline in xDSL ARPU.

Landline voice

In Q1 2017, reported revenue from landline voice decreased by 17.3%, which represented an improvement compared with the quarterly losses in 2016 caused by a lower ARPU decline than previously. The revenue decline resulted from a YoY decrease of 14.2% or 79k in the customer base and an ARPU decrease of DKK 5 stemming from migrations to cheaper (flat-rate) price plans and churn of traditional landline voice telephony (PSTN) customers with high ARPU.

Other services

Revenue from other services increased by 25.2% or DKK 27m to DKK 134m in Q1 2017, driven by sales of low-margin mobile handsets. Gross profit decreased by 28.2% or DKK 11m due to decreasing effects from paper communication fees.

Business in Denmark

Q1 highlights

- EBITDA decrease of 10.9% or DKK 84m due to decline across products. However, an improvement on previous quarters
- Improved GP development with a decrease of 5.7% in Q1 2017 YoY (10.4% in Q1 2016)
- Broadband net loss of 9k vs. Q4 2016 and 22k YoY, but partly offset by a DKK 6 increase in ARPU. Several initiatives in place to drive up ARPU and reduce churn
- Improvement in customer satisfaction service YoY driven by improvements in touch points and processes, which has led to more customers with positive experiences YoY
- Divestment of TDC Hosting completed on 31 March 2017

Q1 performance

In Q1 2017, Business' financial performance continued to decline with an EBITDA loss of 10.9% or DKK 84m to DKK 689m, driven by intense competition across segments and products.

The 10.9% decline in EBITDA in Q1 2017 was an improvement compared with the full-year decrease of 14.3% in 2016. Furthermore the past three quarters have experienced an overall YoY EBITDA improvement.

Mobility services

Reported revenue from mobility services in Business declined by 5.9% or DKK 19m to DKK 304m in Q1 2017 YoY, which is an improvement compared with the 11.3% decrease in Q1 2016. The main contributor to the improved revenue from mobility services was a smaller YoY decline in ARPU (DKK 9) compared with the decline in ARPU in Q1 2016 (DKK 17). The decline in ARPU in Q1 2017 was driven by roaming, which has been included in the portfolios due to continued intense competition. However, the ARPU in the small and medium-sized segment has increased YoY.

Including Cirque[1] (12k) the mobile voice customer base increased by 7k YoY. An improved churn ratio was also evident in the small and medium-sized business segment YoY. However, the loss of large contracts in 2016 is still expected to increase churn in forthcoming quarters.

Internet & network

In Q1 2017, Business' reported revenue from internet & network decreased by 5.2% or DKK 24m to DKK 439m. The decline in revenue is related to both broadband and other internet & network.

Revenue from broadband was affected mainly by a declining customer base with a net loss of 22k customers YoY across segments, although this was offset by an increased ARPU of DKK 6. Several initiatives have been introduced to increase the ARPU and reduce churn such as converting customers to higher speeds.

Revenue from other internet & network was affected by a decline in revenue from fibre due to a continued price pressure in the market.

Landline voice

In Q1 2017, reported revenue from landline voice decreased by 8.5% or DKK 19m to DKK 205m compared with the 20.6% decrease in Q1 2016.This improvement was to a large degree driven by ARPU stabilisation, a favourable product-mix and the acquisition of Cirque[1,2].

Including net adds from Cirque[1] (8k), the customer base decreased by 20k YoY, which is in line with the overall expectation of a declining market for landline voice and ARPU increased by DKK 1 YoY.

Other services

Reported revenue from other services increased by 9.5% or DKK 27m to DKK 311m. This increase in revenue was driven mainly by the acquisition of Mobil Center Holbæk in Q4 2016.

In Q1 2017, NetDesign's revenue increased by 3.5% or DKK 7m to DKK 206m. This increase stemmed mainly from growth in sales of hardware and software as well as consultancy services, however partly offset by increased churn as well as low intake of new customers.

Business, key figures

DKKm		Q1 2017	Q1 2016	Change in %
Revenue	DKKm	**1,259**	**1,294**	**(2.7)**
Mobility services		304	323	(5.9)
Internet & network		439	463	(5.2)
Landline voice		205	224	(8.5)
Other services		311	284	9.5
Gross profit		**987**	**1,047**	**(5.7)**
EBITDA		**689**	**773**	**(10.9)**
Gross margin	%	78.4	80.9	-
EBITDA margin	%	54.7	59.7	-
Number of FTEs (end-of-period)	#	1,411	1,316	7.2

[1] Cirque, the leading B2B supplier of cloud-based communication solutions, was acquired Q1 2016 with financial impact from Q2 2016.

[2] Cirque (landline voice) was included in 'Other services' from Q2 2016 to Q4 2016.

Wholesale in Denmark

Q1 highlights

- Strong EBITDA growth of 12.7% driven by a one-off on landline voice gross profit of DKK 15m and opex savings from improved roaming agreements and FTE reductions
- Mobile voice customer base up 8k vs. Q4 2016 driven by existing customers
- 6k increase in broadband customer base vs. Q4 2016 and 22k YoY

Q1 performance

In Q1 2017, Wholesale reported strong EBITDA growth of 12.7% or DKK 29 to DKK 258m. This stemmed from gross profit growth in especially landline voice and from opex savings. The latter was positively affected by improved roaming agreements and FTE reductions.

Mobility services

Reported revenue from mobility services increased by 23.4% or DKK 25m to DKK 132m in Q1 2017. This was driven mainly by increased revenue from interconnect with limited gross profit impact. To a lesser extent, roaming also added to the revenue increase as a result of higher inbound data volumes.

Reported gross profit from mobility services decreased by 10.4% or DKK 8m to DKK 69m in Q1 2017. This was due partly to the loss of an MVNO contract with financial effect as of 1 March 2016.

Mobile voice ARPU remained level YoY in Q1 2017, while the customer base increased by 14k driven primarily by increased customer intake among existing wholesale customers.

Internet & network

In Q1 2017, reported revenue from internet & network increased by 2.2% or DKK 4m to DKK 186m driven by broadband.

The increase in broadband revenue resulted from a 22k rise in the customer base, driven by a number of new wholesale customers' intake. ARPU increased by DKK 3 due to a changed customer mix.

Revenue from capacity decreased as a result of a decline in national capacity products based on old technologies that were only partly offset by growth in new fibre-based products.

Landline voice

Reported revenue from landline voice decreased by 13.8% or DKK 9m to DKK 56m in Q1 2017, stemming primarily from decreases in service provider customers and interconnect.

The 13k decrease in service provider customers was due to the continuous decline in the overall landline voice market. ARPU saw a decrease of DKK 7 triggered by decreased fees, while revenue from subscriptions remained stable.

Reported gross profit from landline voice increased by 229% or DKK 16m due to a one-off of DKK 15m and lower outbound traffic on interconnect.

Wholesale, key figures

DKKm		Q1 2017	Q1 2016	Change in %
Revenue	DKKm	**424**	**399**	**6.3**
Mobility services		132	107	23.4
Internet & network		186	182	2.2
Landline voice		56	65	(13.8)
Other services		50	45	11.1
Gross profit		**286**	**269**	**6.3**
EBITDA		**258**	**229**	**12.7**
Gross margin	%	67.5	67.4	-
EBITDA margin	%	60.8	57.4	-
Number of FTEs (end-of-period)	#	127	131	(3.1)

Other operations in Denmark

Q1 highlights

- Continued improvement in fault-handling hours (8.7% YoY) driven by improved productivity
- Reduction of 52 FTEs or 1.5% YoY in Q1 stemming from efficiency improvements; reductions of 140 FTEs carried out will have effect in coming quarters
- Foundation for future cost reductions established in Q1, financial impact from savings initiatives will be achieved in coming quarters

Q1 performance

Other operations consists of TDC Group's support functions such as IT, procurement, network, installation and Headquarters. In Q1 2017, EBITDA from Other operations increased by 0.8% or DKK 6m to DKK -719m driven by a gross profit increase of 11.1% or DKK 7m to DKK 70m. The gross profit increase stemmed mainly from transferring the Alarm network business area from TDC Business to Other operations from Q3 2016.

Opex development remained flat in Q1 2017, with an increase of 0.1% or DKK 1m to DKK 789m. A number of initiatives were initiated in 2016 and Q1 2017 that will have financial impact in coming quarters. These included reductions of 140 FTEs completed following the reorganisation in Q4 2016 that enabled better processes and clearer E2E responsibility. Another initiative involved renegotiating a number of contracts, e.g. within IT, from late 2016 and going forward.

In Q1 2017, Other operations also continued to focus on optimising core processes and increasing efficiency. This led to an 8.7% reduction in fault-handling hours on customer premises, driven mainly by improved productivity. The improved productivity stems from initiatives regarding planning and dispatch and from intensive work on performance management.

Other operations, key figures

DKKm

		Q1 2017	Q1 2016	Change in %
Revenue	DKKm	105	101	4.0
Gross profit		70	63	11.1
Opex		(789)	(788)	(0.1)
EBITDA		**(719)**	**(725)**	**0.8**
KPIs				
Fault-handling hours	Hours ('000)	**126**	**138**	**(8.7)**
Number of FTEs (end-of-period)	#	3,519	3,571	(1.5)

Norway

Q1 highlights

- Norway delivered reported EBITDA growth of 5.3% or NOK 22m, partly affected by higher one-offs in 2017 than in 2016
- EBITDA growth of 9.8% YoY in Get; TDC Norway negative EBITDA growth of 38.9% YoY
- Successful launch of new flexible TV offer in Get in combination with price increases as of 1 April 2017; Content cost also increased on 1 April
- Get has been awarded for the best customer service 2017 among Norwegian TV-providers
- Negative development in TV RGUs -3k YoY driven by increased competition and unbundling, but ARPU up NOK 38
- Positive YoY broadband customer (+11k) and ARPU (NOK +4) development; customer development vs Q4 2016 stagnated due to loss of homes connected
- Capex down by 22.4% or NOK 56m caused by lower build volumes and reduced CPE purchases
- Get Safe showed strong progress with signing of several MDUs

Norway, key figures

NOKm

		Q1 2017[2]	Q1 2016[3]	Change in %
Revenue	NOKm	**995**	**984**	**1.1**
TV		408	363	12.4
Residential broadband		282	266	6.0
Business[1]		229	269	(14.9)
Other residential services		76	86	(11.6)
Gross profit		**685**	**669**	**2.4**
EBITDA		**436**	**414**	**5.3**
Gross margin	%	68.8	68.0	-
EBITDA margin	%	43.8	42.1	-
Number of FTEs (end-of-period)	#	764	902	(15.3)

[1] Includes TDC Norway and Get's Business division.
[2] Q1 2017 TV revenue affected by one-off revenue of NOK ~30m.
[3] Q1 2016 positively affected by one-offs (revenue: NOK 13m and operational expenses: NOK 5m) that related primarily to a settlement in a legal dispute over partner customers.

Q1 performance

In Q1 2017, reported EBITDA in Norway increased by 5.3% or NOK 22m. Adjusted for different one offs in 2016 and 2017, EBITDA increased 2.5%. However, the underlying results from TDC Norway and Get revealed opposing trends. Get EBITDA increased by 9.8% or NOK 37m resulting mainly from increased TV revenue of 12.4% or NOK 45m and opex savings of 6.2% or NOK 13m YoY. TDC Norway showed a reported EBITDA decline of 38.9% or NOK -14m YoY. This development was driven by falling gross profit mainly from weak customer intake in H2 2016.

Opex in Norway decreased by NOK 6m. This was driven by FTE savings in Get that were executed in December 2016. Savings were achieved despite increased marketing related to new flexible TV offer. However, Get's savings were partly offset by an opex increase in TDC Norway related to the separation from TDC Sweden and legal fees associated with fraud issues.

TV

In Q1 2017, Get's reported revenue from TV increased by 12.4% or NOK 45m to NOK 408m. This was driven partly by price increases as of 1 January related to an increase in underlying content costs, though this was also affected by one-off revenue of NOK~30m. This also positively affected TV ARPU, which increased by NOK 38 YoY in Q1.

Get's TV customer base decreased by 3k YoY in Q1 2017. This resulted from intensified competition in the residential TV market in Norway but was also affected by the unbundling of TV and Broadband.

TV box penetration increased by 2 percentage points YoY to 94% of TV subscribers.

Residential broadband

Residential broadband showed a strong YoY development on all parameters. Revenue increased by 6% or NOK 16m. This was driven by an 11k YoY increase in the customer base with a raise of 3 percentage points in broadband penetration. Furthermore, broadband ARPU increased by NOK 4 YoY because of customer migration to higher speeds and prices. However, broadband net adds stagnated in Q1 2017. This was an effect of a decrease in homes connected due to the enhanced competition also affecting the TV-market. But, broadband penetration continued to increased, keeping the customer development flat.

Business

In Q1 2017, reported revenue from Business decreased by 14.9% or NOK 40m to NOK 229m. The revenue decline stemmed mainly from weak sales volumes in H2 2016 and ARPU pressure.

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Income statement

DKKm

	Note	Q1 2017	Q1 2016	Change in %
Revenue	2	**5,211**	**5,177**	**0.7**
Cost of sales		(1,340)	(1,272)	(5.3)
Gross profit		**3,871**	**3,905**	**(0.9)**
External expenses		(823)	(813)	(1.2)
Personnel expenses		(945)	(967)	2.3
Other income		25	23	8.7
Operating profit before depreciation, amortisation and special items (EBITDA)	2	**2,128**	**2,148**	**(0.9)**
Depreciation, amortisation and impairment losses	3	(1,263)	(1,179)	(7.1)
Operating profit excluding special items (EBIT excluding special items)		**865**	**969**	**(10.7)**
Special items	4	65	(84)	177.4
Operating profit (EBIT)		**930**	**885**	**5.1**
Financial income and expenses	5	(166)	(76)	(118.4)
Profit before income taxes		**764**	**809**	**(5.6)**
Income taxes		(152)	(193)	21.2
Profit for the period from continuing operations		**612**	**616**	**(0.6)**
Profit for the period from discontinued operations		-	8	-
Profit for the period		**612**	**624**	**(1.9)**
Profit attributable to:				
Owners of the parent company		448	451	(0.7)
Coupon payments on hybrid capital, net of tax		164	175	(6.3)
Non-controlling interests		-	(2)	-
EPS (DKK)				
Earnings per share, basic		0.56	0.56	-
Earnings per share, diluted		0.56	0.56	-
Adjusted EPS		0.78	0.98	(20.4)

Statement of comprehensive income

DKKm	Note	Q1 2017	Q1 2016
Profit for the period		**612**	**624**
Items that may subsequently be reclassified to the income statement:			
Exchange rate adjustments of foreign enterprises	5	(73)	173
Value adjustments of hedging instruments	5	62	(27)
Items that cannot subsequently be reclassified to the income statement:			
Remeasurement of defined benefit pension plans		258	(1,268)
Income tax relating to remeasurement of defined benefit pension plans		(57)	278
Other comprehensive income/(loss)		**190**	**(844)**
Total comprehensive income/(loss)		**802**	**(220)**

Balance sheet

DKKm

	Note	31 March 2017	31 December 2016	31 March 2016
Assets				
Non-current assets				
Intangible assets		33,588	34,208	34,503
Property, plant and equipment		17,933	18,041	18,053
Joint ventures, associates and other investments		83	87	76
Pension assets	6	5,830	5,595	4,694
Receivables		214	256	274
Derivative financial instruments		60	88	109
Prepaid expenses		311	314	346
Total non-current assets		**58,019**	**58,589**	**58,055**
Current assets				
Inventories		234	243	303
Receivables		2,047	2,495	2,649
Income tax receivables		108	25	19
Derivative financial instruments		418	612	498
Prepaid expenses		649	681	794
Cash		2,013	1,687	574
Total current assets		**5,469**	**5,743**	**4,837**
Total assets		**63,488**	**64,332**	**62,892**

Balance sheet

DKKm

	Note	31 March 2017	31 December 2016	31 March 2016
Equity and liabilities				
Equity				
Share capital		812	812	812
Reserve for exchange rate adjustments		(908)	(835)	(1,846)
Reserve for cash flow hedges		(143)	(205)	(274)
Retained earnings		18,737	18,080	15,738
Proposed dividends		-	802	-
Equity attributable to owners of the parent company		**18,498**	**18,654**	**14,430**
Hybrid capital	8	5,552	5,552	5,552
Non-controlling interests		1	1	25
Total equity		**24,051**	**24,207**	**20,007**
Non-current liabilities				
Deferred tax liabilities		4,115	4,133	3,811
Provisions		905	935	977
Pension liabilities	6	38	39	37
Loans	7	19,417	23,966	26,973
Derivative financial instruments		222	290	9
Deferred income		375	372	425
Total non-current liabilities		**25,072**	**29,735**	**32,232**
Current liabilities				
Loans	7	4,739	220	203
Trade and other payables		5,757	6,186	6,206
Derivative financial instruments		514	659	690
Deferred income		3,212	3,132	3,313
Provisions		143	193	241
Total current liabilities		**14,365**	**10,390**	**10,653**
Total liabilities		**39,437**	**40,125**	**42,885**
Total equity and liabilities		**63,488**	**64,332**	**62,892**

Statements of cash flow

DKKm

	Q1 2017	Q1 2016	Change in %
EBITDA	2,128	2,148	(0.9)
Adjustment for non-cash items	69	106	(34.9)
Pension contributions	(24)	(21)	(14.3)
Payments related to provisions	(1)	-	-
Special items	(117)	(104)	(12.5)
Change in working capital	465	392	18.6
Interest paid, net	(575)	(709)	18.9
Income tax paid	(270)	(330)	18.2
Operating activities in continuing operations	**1,675**	**1,482**	**13.0**
Operating activities in discontinued operations	-	44	-
Total cash flow from operating activities	**1,675**	**1,526**	**9.8**
Investment in enterprises	-	(114)	-
Investment in property, plant and equipment	(775)	(751)	(3.2)
Investment in intangible assets	(232)	(189)	(22.8)
Investment in other non-current assets	(4)	-	-
Divestment of enterprises	469	-	-
Divestment of joint ventures and associates	2	-	-
Sale of other non-current assets	9	6	50.0
Dividends received from joint ventures and associates	-	7	-
Investing activities in continuing operations	**(531)**	**(1,041)**	**49.0**
Investing activities in discontinued operations	-	(62)	-
Total cash flow from investing activities	**(531)**	**(1,103)**	**51.9**
Finance lease repayments	(21)	(20)	(5.0)
Change in short-term bank loans	-	(3)	-
Coupon payments on hybrid capital	(195)	(196)	0.5
Dividends paid	(602)	-	-
Financing activities in continuing operations	**(818)**	**(219)**	**-**
Financing activities in discontinued operations	-	-	-
Total cash flow from financing activities	**(818)**	**(219)**	**-**
Total cash flow	**326**	**204**	**59.8**
Cash and cash equivalents (beginning-of-period)	1,687	363	-
Effect of exchange-rate changes on cash and cash equivalents	-	7	-
Cash and cash equivalents (end-of-period)	**2,013**	**574**	**-**

Equity free cash flow

DKKm

	Q1 2017	Q1 2016	Change in %
Cash flow from operating activities	1,675	1,482	13.0
Investment in property, plant and equipment	(775)	(751)	(3.2)
Investment in intangible assets	(232)	(189)	(22.8)
Finance lease repayments	(21)	(20)	(5.0)
Coupon payments on hybrid capital	(195)	(196)	0.5
Equity free cash flow	**452**	**326**	**38.7**

Statement 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 2016	812	(2,019)	(247)	16,229	-	14,775	5,552	27	20,354
Profit for the period				451		451	175	(2)	624
Exchange rate adjustments of foreign enterprises		173				173			173
Value adjustments of hedging instruments			(27)			(27)			(27)
Remeasurement effects of defined benefit pension plans				(1,268)		(1,268)			(1,268)
Income tax relating to remeasurement effects of 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**

Statement 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 2017	812	(835)	(205)	18,080	802	18,654	5,552	1	24,207
Profit for the period				448		448	164		612
Exchange rate adjustments of foreign enterprises		(73)				(73)			(73)
Value adjustments of hedging instruments			62			62			62
Remeasurement effects related to defined benefit pension plans				258		258			258
Income tax relating to remeasurement effects from defined benefit pension plans				(57)		(57)			(57)
Total comprehensive income	**-**	**(73)**	**62**	**649**	**-**	**638**	**164**	**-**	**802**
Distributed dividends					(802)	(802)			(802)
Share-based remuneration				8		8			8
Coupon payments on hybrid capital							(195)		(195)
Income tax relating to coupon payments on hybrid capital							31		31
Total transactions with shareholders	**-**	**-**	**-**	**8**	**(802)**	**(794)**	**(164)**	**-**	**(958)**
Equity at 31 March 2017	**812**	**(908)**	**(143)**	**18,737**	**-**	**18,498**	**5,552**	**1**	**24,051**

Consolidated financial statements

Note 1 Accounting policies

TDC's Interim Financial Report for Q1 2017 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 Annual Report 2016.

The consolidated financial statements are based on the historical cost convention, except that the following assets and liabilities are measured at fair value: derivatives, financial instruments held for trading, and financial instruments classified as available for sale.

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 2016, cf. TDC's Annual Report 2016.

Note 2 Segment reporting

Activities

DKKm

	Consumer		Business		Wholesale		Other operations[1]	
	Q1 2017	Q1 2016	Q1 2017	Q1 2016	Q1 2017	Q1 2016	Q1 2017	Q1 2016
Mobility services	695	668	304	323	132	107	1	1
Landline voice	187	226	205	224	56	65	3	3
Internet and network	604	612	439	463	186	182	45	22
TV	1,059	1,073	9	9	13	11	1	-
Other services	134	107	302	275	37	34	55	75
Norway	-	-	-	-	-	-	-	-
Revenue	**2,679**	**2,686**	**1,259**	**1,294**	**424**	**399**	**105**	**101**
Total operating expenses excl. depreciation, etc.	(1,138)	(1,138)	(570)	(521)	(166)	(170)	(857)	(859)
Other income and expenses	-	-	-	-	-	-	33	33
EBITDA	**1,541**	**1,548**	**689**	**773**	**258**	**229**	**(719)**	**(725)**
Specification of revenue:								
External revenue	2,679	2,686	1,214	1,257	411	385	98	93
Revenue across segments	-	-	45	37	13	14	7	8

	Norway[2]		Eliminations		Total	
	Q1 2017	Q1 2016	Q1 2017	Q1 2016	Q1 2017	Q1 2016
Mobility services	-	-	(1)	(1)	1,131	1,098
Landline voice	-	-	1	(1)	452	517
Internet and network	-	-	(34)	(22)	1,240	1,257
TV	-	-	(1)	1	1,081	1,094
Other services	-	-	(15)	(23)	513	468
Norway	823	771	(29)	(28)	794	743
Revenue	**823**	**771**	**(79)**	**(74)**	**5,211**	**5,177**
Total operating expenses excl. depreciation, etc.	(463)	(448)	86	84	(3,108)	(3,052)
Other income and expenses	1	1	(9)	(11)	25	23
EBITDA	**361**	**324**	**(2)**	**(1)**	**2,128**	**2,148**
Specification of revenue:						
External revenue	809	756	-	-	5,211	5,177
Revenue across segments	14	15	(79)	(74)	-	-

Note 2 Segment reporting (continued)

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

DKKm

	Q1 2017	Q1 2016
EBITDA from reportable segments	2,128	2,148
Unallocated:		
Depreciation, amortisation and impairment losses	(1,263)	(1,179)
Special items	65	(84)
Financial income and expenses	(166)	(76)
Consolidated profit before income taxes	**764**	**809**

[1] Consists of the two operating segments Operations and Headquarters. At Operations, external revenue amounted to DKK 94m (Q1 2016: DKK 88m), revenue across segments amounted to DKK 4m (Q1 2016: DKK 3m) and EBITDA amounted to DKK (383)m (Q1 2016: DKK (400)m). At Headquarters, external revenue amounted to DKK 4m (Q1 2016: DKK 5m), revenue across segments amounted to DKK 3m (Q1 2016: DKK 5m) and EBITDA amounted to DKK (336)m (Q1 2016: DKK (325)m).

[2] Consists of the two operating segments Get and TDC Norway AS. At Get, external revenue amounted to DKK 653m (Q1 2016: DKK 577m), revenue across segments amounted to DKK 0m (Q1 2016: DKK 0m) and EBITDA amounted to DKK 343m (Q1 2016: DKK 296m). At TDC Norway AS, external revenue amounted to DKK 156m (Q1 2016: DKK 179m), revenue across segments amounted to DKK 14m (Q1 2016: DKK 15m) and EBITDA amounted to DKK 18m (Q1 2016: DKK 28m).

Note 3 Depreciation, amortisation and impairment losses

DKKm

	Q1 2017	Q1 2016
Depreciation on property, plant and equipment	(785)	(746)
Amortisation of intangible assets	(458)	(431)
Impairment losses	(20)	(2)
Total	**(1,263)**	**(1,179)**

The rise in depreciation, amortisation and impairment losses from Q1 2016 to Q1 2017 reflects primarily a change in the useful lives for various property, plant and equipment as well as software.

Note 4 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 2017	Q1 2016
Gain from divestments of enterprises and property	108	-
Costs related to redundancy programmes and vacant tenancies	(39)	(73)
Other restructuring costs, etc.	(3)	(8)
Loss from rulings	(1)	(3)
Special items before income taxes	**65**	**(84)**
Income taxes related to special items	10	18
Special items related to discontinued operations	-	(9)
Total special items	**75**	**(75)**

The positive development in special items was due to the gain from divestment of TDC Hosting in Q1 2017 (DKK 108m) and a decline in the costs related to redundancy programmes and vacant tenancies (DKK 34m).

Note 5 Financial income and expense

Financial income and expenses

DKKm

	Q1 2017	Q1 2016	Change in %
Interest income	4	4	-
Interest expenses	(162)	(200)	19.0
Net interest	**(158)**	**(196)**	**19.4**
Currency translation adjustments	(32)	77	(141.6)
Fair value adjustments	8	13	(38.5)
Interest, currency translation adjustments and fair value adjustments	**(182)**	**(106)**	**(71.7)**
Profit/(loss) from joint ventures and associates	(4)	-	-
Interest on pension assets	20	30	(33.3)
Total	**(166)**	**(76)**	**(118.4)**

Net financials recognised in other comprehensive income

DKKm

	Q1 2017	Q1 2016
Currency translation adjustment, foreign enterprises	(73)	173
Reversal of currency translation adjustment related to disposal of foreign enterprises	-	-
Exhange rate adjustments of foreign enterprises	**(73)**	**173**
Change in fair value adjustments of cash flow hedges	64	(25)
Change in fair value adjustments of cash flow hedges transferred to financial expenses	(2)	(2)
Value adjustments of hedging instruments	**62**	**(27)**

Financial income and expenses represented an expense of DKK 182m in Q1 2017, an increase of DKK 76m compared with Q1 2016, driven primarily by a negative development in currency translation adjustments, partly offset by lower net interest expenses:

- The EMTN bond buy-back in December 2016 resulted in a DKK 34m reduction in interest expenses in Q1 2017
- In Q1 2017 intercompany loans denominated in NOK resulted in a currency loss of DKK 30m, whereas these loans resulted in a currency gain of DKK 64m in Q1 2016.

Note 5 Financial income and expense (continued)

Specifications

DKKm

	Q1 2017				Q1 2016			
	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)	(141)	(4)	2	**(143)**	(175)	18	2	**(155)**
European Investment Bank (EIB) and KfW bank loans incl. hedges (treated as hedge accounting)	(6)	(1)	-	**(7)**	(6)	8	-	**2**
Other hedges (not treated as hedge accounting)	-	-	6	**6**	-	-	11	**11**
Other	(11)	(27)	-	**(38)**	(15)	51	-	**36**
Total	**(158)**	**(32)**	**8**	**(182)**	**(196)**	**77**	**13**	**(106)**

Note 6 Pension assets and pension obligations

Pension (costs)/income

DKKm	Q1 2017	Q1 2016
Specification of plans:		
Denmark	(14)	(2)
Norway	-	-
Pension income/(costs) from defined benefit plans	**(14)**	**(2)**
Recognition in the income statement:		
Service cost[1]	(32)	(30)
Administrative expenses	(2)	(2)
Personnel expenses (included in EBITDA)	**(34)**	**(32)**
Interest on pension assets	20	30
Pension income/(costs) from defined benefit plans	**(14)**	**(2)**

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

Domestic defined benefit plan

DKKm	Q1 2017	Q1 2016
Pension (costs)/income		
Service cost	(32)	(30)
Administrative expenses	(2)	(2)
Personnel expenses (included in EBITDA)	**(34)**	**(32)**
Interest on pension assets	20	30
Pension (costs)/income	**(14)**	**(2)**
Domestic redundancy programmes recognised in special items	(33)	(8)
Total pension (costs)/income recognised in the income statement	**(47)**	**(10)**

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 6 Pension assets and pension obligations (continued)

Domestic defined benefit plan (continued)

DKKm	31 March 2017	31 December 2016	31 March 2016
Assets and obligations			
Specification of pension assets			
Fair value of plan assets	30,394	30,836	29,191
Defined benefit obligation	(24,564)	(25,241)	(24,497)
Pension assets recognised in the balance sheet	**5,830**	**5,595**	**4,694**
Change in pension assets			
Pension assets recognised at 1 January	5,595	5,947	5,947
Pension (costs)/income	(47)	(34)	(10)
Remeasurement effects	258	(426)	(1,268)
TDC's contribution	24	108	25
Pension assets recognised in the balance sheet	**5,830**	**5,595**	**4,694**
Assumptions used to determine defined benefit obligations (balance sheet)			%
Discount rate	1.50	1.41	1.40
General price/wage inflation	1.60	1.69	1.30
Assumptions used to determine pension (costs)/income			%
Discount rate	1.41	2.00	2.00
General price/wage inflation	1.69	1.50	1.50

The pension obligation is calculated by discounting the expected future pension payments.

The remeasurement effects in Q1 2017 (a net gain of DKK 258m) cover primarily a gain related to the benefit obligation (DKK 657m) resulting from the increasing discount rate (from 1.41% to 1.50%) and the decreasing inflation rate (from 1.69% to 1.60%). The gain was partly offset by a loss related to the plan assets (DKK 398m) as the actual return was lower than the expected return[1].

The remeasurement effects in Q1 2016 (a net loss of DKK 1,268m) cover a loss related to the pension obligation (DKK 1,371m) resulting from the decreasing discount rate (from 2.00% to 1.40%), partly offset by the decreasing inflation rate (from 1.50% to 1.30%). This loss was partly offset by a gain related to plan assets (DKK 103m) as the actual return was higher than the expected return[1].

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 related to foreign defined benefit plans amounted to DKK 1m (Q1 2016: DKK 0m). Pension liabilities relating to foreign defined benefit plans amounted to DKK 38m (Q1 2016: DKK 37m).

[1] In accordance with International Financial Reporting Standards the expected return should be assumed to be equal to the discount rate as of the end of the previous year.

Note 7 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	4 Feb 20	14 Dec 20	2 Mar 22	23 Feb 23	27 Feb 27	
Fixed/Floating rate	Fixed	Floating	Floating	Floating	Fixed	Fixed	Fixed	
Coupon	4.375%				3.750%	5.625%	1.750%	
Currency	EUR	EUR	EUR	EUR	EUR	GBP	EUR	
Type	Bond	Bank loan	Bank loan	Bank loan	Bond	Bond	Bond	
Nominal value (DKKm)	4,462	2,975	1,859	744	3,719	3,703	5,950	23,412
Nominal value (Currency)	600	400	250	100	500	425	800	
Hereof nominal value swapped to or with floating interest rate (EURm)	200	400	250	100	150	50	-	1,150
Hereof nominal value swapped from GBP to EUR (GBPm)[2]	-	-	-	-	-	425	-	425

[1] The maturity of derivatives used for hedging long-term loans matches the maturity of the underlying loans.
[2] The nominal value of the GBP 425m February 2023 bond was fully swapped to EUR 508m.

The maturity analysis above does not include hybrid capital with a principal amount totalling DKK 5,578m due in 3015. For further details on hybrid capital, see note 8.

Net interest-bearing debt

DKKm

	31 March 2017	31 December 2016	31 March 2016
Long-term loans	19,417	23,966	26,973
Short-term loans	4,739	220	203
Interest-bearing payables	2	2	2
Derivatives	(86)	(109)	(536)
Interest-bearing receivables and investments	(219)	(259)	(276)
Cash	(2,013)	(1,687)	(574)
Net interest-bearing debt	**21,840**	**22,133**	**25,792**
50% of hybrid capital	2,776	2,776	2,776
Adjusted net interest-bearing debt	**24,616**	**24,909**	**28,568**

Both net interest-bearing debt and adjusted net interest-bearing debt fell by DKK 293m during Q1 2017 following the net cash flows from operating and investing activities including the net proceeds from divesting TDC Hosting (DKK 469m)[1] offset by the payment of dividend (DKK 602m).

[1] After adjustment for cash and debt as well as transaction costs.

Note 8 Hybrid capital

TDC has EUR 750m in callable subordinated capital securities (hybrid bonds) outstanding which 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. Non-recognised accumulated coupons amounted to DKK 17m as of 31 March 2017.

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 9 Events after the balance sheet date

None.

Selected financial and operational data

TDC Group

		Q1 2017	Q1 2016	2016	2015	2014	2013
Income statements	DKKm						
Revenue		5,211	5,177	21,031	21,935	21,078	21,559
Gross profit		3,871	3,905	15,627	16,458	16,062	16,365
EBITDA		**2,128**	**2,148**	**8,488**	**9,488**	**9,477**	**9,634**
Operating profit/(loss) (EBIT)		**930**	**885**	**3,267**	**(688)**	**3,727**	**3,960**
Profit/(loss) before income taxes		764	809	2,491	(1,792)	2,710	3,283
Profit/(loss) for the period from continuing operations		612	616	1,962	(2,452)	2,379	2,930
Profit/(loss) for the period		**612**	**624**	**3,037**	**(2,384)**	**3,228**	**3,119**
Income statements, excluding special items							
Operating profit (EBIT)		**865**	**969**	**3,548**	**4,414**	**5,002**	**4,950**
Profit before income taxes		699	893	2,771	3,310	3,984	4,273
Profit for the period from continuing operations		**537**	**682**	**2,182**	**2,423**	**3,461**	**3,674**
Profit for the period		537	699	2,284	2,502	3,551	3,780
Balance sheets	DKKbn						
Total assets		63.5	62.9	64.3	64.6	74.4	60.4
Net interest-bearing debt		21.8	25.8	22.1	26.0	32.9	21.7
Hybrid capital		5.6	5.6	5.6	5.6	-	-
Total equity		24.1	20.0	24.2	20.4	18.6	20.4
Average number of shares outstanding (million)		802.4	801.9	802.0	801.7	800.2	798.9
Capital expenditure		**(1,040)**	**(952)**	**(4,352)**	**(4,316)**	**(3,686)**	**(3,394)**
Statements of cash flow	DKKm						
Operating activities		1,675	1,482	6,828	7,547	6,980	6,674
Investing activities		(531)	(1,041)	(4,571)	(4,382)	(16,263)	(3,722)
Financing activities		(818)	(219)	(3,181)	(7,591)	11,896	(3,058)
Total cash flow from continuing operations		**326**	**222**	**(924)**	**(4,426)**	**2,613**	**(106)**
Total cash flow in discontinued operations[1]		-	(18)	2,243	37	961	305
Total cash flow		**326**	**204**	**1,319**	**(4,389)**	**3,574**	**199**
Equity free cash flow		**452**	**326**	**2,082**	**3,187**	**3,309**	**3,175**

TDC Group

		Q1 2017	Q1 2016	2016	2015	2014	2013
Key financial ratios							
Earnings Per Share (EPS)	DKK	0.56	0.56	3.58	(2.87)	4.05	3.90
EPS from continuing operations, excl. special items	DKK	0.67	0.85	2.72	3.02	4.33	4.60
Adjusted EPS	DKK	0.78	0.98	3.27	3.76	5.23	5.23
Dividend per share for the financial year	DKK	-	-	1.00	1.00	2.50	3.70
Dividend payout (% of EFCF)	%	-	-	38.5	24.8	62.9	89.3
Gross margin	%	74.3	75.4	74.3	75.0	76.2	75.9
EBITDA margin	%	40.8	41.5	40.4	43.3	45.0	44.7
Adjusted NIBD/EBITDA[2]	x	2.9	3.0	2.9	2.9	3.4	2.1
Retail RGUs (Denmark)							
Mobile subscriptions	# ('000)	2,581	2,578	2,592	2,576	2,566	2,655
TV	# ('000)	1,366	1,405	1,388	1,386	1,420	1,393
Broadband	# ('000)	1,297	1,332	1,312	1,329	1,358	1,361
Landline voice	# ('000)	711	809	742	847	1,010	1,193
Employees							
FTEs (end-of-period)	#	7,784	7,893	7,963	7,897	7,787	7,785
FTEs and temps (end-of-period)	#	7,847	7,976	8,046	8,016	7,848	7,867
Customer satisfaction							
Recommend score	Index[3]	64	65	64	64	64	64

[1] TDC Finland (divested in 2014) and Sweden (divested in Q2 2016) are presented as 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 had been included for the full year 2014, the leverage ratio at year-end 2014 would have been 3.1.
[3] YTD average index.

Corporate matters

Change in the Executive Committee
On 6 February 2017, TDC A/S announced that Senior Executive Vice President of TDC Operations and COO, Peter Trier Schleidt had resigned. Andreas Pfisterer has been appointed as acting Head of TDC Operations and Chief Technology and Information Officer (CTIO) and member of TDC's Corporate Management Team. Andreas Pfisterer is 45 years and holds a MSc in Economics and Business Administration and in Computer Science. He has previously held positions as CTO/CIO in Telefónica Germany, KPN Mobile International Network, E-Plus Mobilfunk and Sunrise Communications.

Risk factors
TDC Group's Annual Report describes certain risks that could materially and adversely affect TDC Group's business, financial condition, results of operations and/or cash flows. At the end of Q1 2017, TDC expects no significant changes in the risks.

Forward-looking statements
This report may include statements about TDC Group'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 Group's results include: the competitive environment and the industry in which TDC 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 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 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.

Management statement

Management statement
Today, the Board of Directors and the Executive Committee considered and approved the Interim Financial Statements of TDC Group for Q1 2017.

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 2017 as well as the results of operations and cash flows for Q1 2017. 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, 5 May 2017

Executive Committee

Pernille Erenbjerg
Group Chief Executive Officer and President

Stig Pastwa
Senior Executive Vice President, Group Chief Financial Officer

Jaap Postma
Senior Executive Vice President of YouSee

Gunnar Evensen
Chief Executive Officer of Norway

Marina Lønning
Senior Executive Vice President of Business

Jens Aaløse
Senior Executive Vice President of Stakeholder Relations and Group Chief Customer Officer

Board of Directors

Pierre Danon
Chairman

Lene Skole
Vice Chairman

Marianne Rørslev Bock

Stine Bosse

Pieter Knook

Angus Porter

Benoit Scheen

Mogens Jensen

John Schwartzbach

Zanne Stensballe

Gert Winkelmann

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Listing

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