Q2 highlights

- Domestic reported **revenue growth** of 1.0% in Q2 YoY

- **Reported EBITDA development** of -1.4% in Q2 YoY. Positive domestic growth of 1.1%

- **Organic EBITDA growth** of 0.6% in Q2 YoY. Domestic organic growth of 3.2%

- **Organic operating expenses** improvement of 2.7% in Q2 YoY driven mainly by renegotiations of supplier contracts and FTE reductions from efficiency improvements in the field force

- **Organic domestic mobility services gross profit growth** of 7.9% in Q2 YoY following higher Consumer mobile voice ARPU, as well as growing subscriber bases. In Q2, the Consumer and Business mobility services RGU bases grew by 2k and 46k, respectively, compared with the previous quarter

- YouSee launched **free data roaming in 8 countries outside EU** (including the popular destinations USA, Turkey and Thailand) in premium mobile subscriptions

- As of 1 August 2018, TDC Group organised itself into two operating units in Denmark: One unit called **NetCo** focusing on network and digital infrastructure, and another unit called **OpCo** focusing on digital services and customer experiences

- **Divestment of Get** to Telia Company A/S for a cash sales price of NOK 21bn; approval of transaction expected in Q4 2018. Get will be treated as discontinued activities in the reporting from Q3 2018

Group performance

YTD financial performance

Revenue

In H1 2018, TDC Group's reported revenue decreased by 1.4% or DKK 147m to DKK 10,184m, including negative effects from regulated EU roaming prices. Adjusted for these effects as well as foreign exchange rates and acquisitions and divestments, organic revenue remained almost stable YoY (-0.5%). This represented an improved trend compared with full-year 2017 and related mainly to other services.

Gross profit

In TDC Group, reported gross profit decreased by 2.8% or DKK 208m to DKK 7,307 in H1 2018. Organic gross profit decreased by 1.4% or DKK 103m driven by the continued decline in landline voice and TV in Denmark. The gross profit margin decreased from 72.7% in H1 2017 to 71.7% in H1 2018 yet remained level with the full-year 2017 gross profit margin.

Operating expenses[1]

In H1 2018, reported operating expenses decreased by 3.7% or DKK 122m to DKK 3,213m including minor effects from foreign exchange rates as well as acquisitions and divestments. Adjusted for these effects, organic operating expenses decreased by 4.1% or DKK 137m in H1 2018. These cost savings were driven mainly by renegotiation of supplier contracts within Other operations and organic FTE reductions of 6.4% or 470 FTEs vs Q2 2017 from efficiency improvements in the field force .

EBITDA

Reported EBITDA in H1 2018 decreased by 2.1% or DKK 86m to DKK 4,094m. Organic EBITDA increased by 0.8% or DKK 34m, consisting of a domestic increase of DKK 100m partly countered by a DKK 66m decline in Norway. In Denmark the development was driven by positive growth in mobility services and savings in operating expenses, partly offset by the continued decline in landline voice and TV. On TDC Group level, this represented an improved trend compared with the organic EBITDA decline of 1.6% in H1 2017.

Consumer

Almost stable EBITDA development YoY in Consumer with an H1 EBITDA decrease of 0.6% or DKK 19m to DKK 3,061m. Gross profit slightly improved by 0.6% or DKK 24m to DKK 3,936m, driven mainly by mobility services, partly offset by TV and landline voice. Operating expenses increased by 5.2% or DKK 43m to DKK 875m, driven by higher personnel cost following the call centre insourcing in Q4 2017 and Plenti acquisition in Q3 2017. This was partly countered by effects from reduced call levels and sales cost.

Key figures[1]

DKKm

		Q2 2018	Q2 2017	Change in %	H1 2018	H1 2017	Change in %
Income statements	DKKm						
Revenue		5,088	5,092	(0.1)	10,184	10,331	(1.4)
Gross profit		3,654	3,706	(1.4)	7,307	7,515	(2.8)
EBITDA		2,018	2,047	(1.4)	4,094	4,180	(2.1)
Organic revenue[2]		5,088	5,105	(0.3)	10,184	10,239	(0.5)
Organic gross profit[2]		3,654	3,689	(0.9)	7,307	7,410	(1.4)
Organic EBITDA[2]		2,018	2,007	0.6	4,094	4,060	0.8
Profit for the period from continuing operations excluding special items		579	406	42.6	1,214	946	28.3
Profit for the period		(76)	433	(117.6)	567	1,048	(45.9)
Total comprehensive income		(178)	185	(196.2)	614	990	(38.0)
Capital expenditure		(1,020)	(1,072)	4.9	(2,009)	(2,112)	4.9
Key financial ratios							
Gross margin	%	71.8	72.8	-	71.7	72.7	-
EBITDA margin	%	39.7	40.2	-	40.2	40.5	-
Net interest-bearing debt/EBITDA[3]	x	4.5	2.9	-	4.5	2.9	-

1 For additional data, see TDC Fact Sheet at 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.
3 NIBD figures for 2017 include 50% of hybrid capital as rating agencies provide 50% equity credit for hybrid bonds.

[1] Including other income.

Business

In H1 2018, Business' financial performance continued to decline with an EBITDA loss of 10.6% or DKK 141m to DKK 1,187m, driven by intense competition across segments and products. The decline stemmed from a revenue loss consisting of DKK 155m within internet & network (of which DKK 106m related to the divestment of TDC Hosting), and DKK 49m within landline voice. This was offset by lower operating expenses of 9.9% or 47m due to the divestment of TDC Hosting, partly counter-balanced by the acquisition of Business Centres Jutland.

Adjusted for acquisitions, divestments and regulation, the organic EBITDA decline of 6.8% in H1 2018 was an improvement compared with the organic full-year decrease of 12.3% in 2017.

Wholesale

In H1 2018, Wholesale reported EBITDA growth of 6.1% or DKK 32m to DKK 553m, whereas gross profit improved by 6.1% or DKK 35m to DKK 611m. This increase was attributable to more mobile voice subscribers vs Q2 2017 and an improved subscriber mix in internet & network, combined with higher regulatory prices. This was partly offset by a continued decline in landline voice with a net loss of 15k customers YoY. Operating expenses increased by 5.5 % or DKK 3m to DKK 58m.

Other operations

Other operations consists of TDC Group's support functions such as IT, procurement, network, installation, digital activities, facility management and Headquarters. In H1 2018, EBITDA improved by 9.4% or DKK 138m to DKK -1,334m, driven by lower operating expenses of 9.7% or DKK 158m to DKK -1,479m. This improvement stemmed mainly from renegotiation of supplier contracts and FTE reductions, especially in the field force.

Norway

In H1 2018, reported EBITDA in Norway decreased by 9.5% or NOK 85m to NOK 811m, driven by an EBITDA decline in Get. Revenue decreased by 1.0% or NOK 20m to NOK 2,007m, while gross profit declined by 4.0% or NOK 55m to NOK 1,311m, from increased content costs related to the flexible TV offering launched by Get in April 2017 and revenue one offs in H1 2017. Operating expenses increased by 6.4% or NOK 30m to NOK 500m, driven by investment in IT digitalisation and customer-centric activities in Get.

Capital expenditure

In H1 2018, capital expenditure totalled DKK 2,009m, a decrease of 4.9% or DKK 103m. This development resulted partly from a large investment in H1 2017 relating to the cable network upgrade and the Danish mobile network as well as lower spending on CPE[1] for customer installations.

Our IT investment and digitalisation journey remains a priority, and the new Digital business line is off to a good start on further strengthening our focus on developing innovative TV and B2B cloud offerings combined with a superior digital customer experience. This resulted in higher spending on digital activities in H1 2018.

1 Customer premises equipment (CPE).

Cash flow

The decrease of DKK 1,617m in cash flow from operating activities in H1 2018 was driven primarily by a negative contribution from the change in net working capital (DKK -815m) due to the strong performance in H1 2017 and by special items cash outflow (DKK -860m) related to the takeover of TDC by DK Telekommunikation ApS (DKT).

Profit for the period

Excluding discontinued operations and special items, profit for the period grew by 28.3% or DKK 268m driven by a positive development in currency translation adjustments of intercompany loans denominated in NOK (DKK 318m).

Profit for the period (including discontinued operations and special items) decreased by DKK 481m because the positive development in currency translation adjustments mentioned above were more than offset by a negative development in special items due to the takeover of TDC by DKT.

Comprehensive income

Total comprehensive income decreased by DKK 376m. The decrease in profit for the period (DKK 481m) was partly offset by an increase in other comprehensive income (DKK 105m). The DKK 105m increase in other comprehensive income related to a positive development of DKK 701m in exchange-rate adjustments of foreign enterprises (primarily in Norway) partly offset by a negative development in defined benefit plans for Danish employees (DKK 537m after tax) and a negative development in value adjustments of hedging instruments (DKK 59m).

Refinancing

As a consequence of the takeover by TDC of DKT, a change of control event occurred resulting in the triggering of various repayment clauses under the terms of TDCs outstanding EMTN bonds and bank loans. TDCs Hybrid Bond (EUR 750m), the EMTN bond maturing in 2027 (EUR 800m) as well as the loans from KfW and the European Investment Bank ended up being repaid with drawings under a newly established senior secured financing (EUR 2,700m and USD 1,418m) entered into in May 2018. As of 30 June 2018 the refinancing was almost completed with only the EMTN 2027 being repaid during the course of Q3 2018.

Net interest-bearing debt

Net interest-bearing debt increased by DKK 14,085m to DKK 36,959m during H1 2018 following payment of dividend (DKK 10,816m) and repayment of hybrid capital (DKK 2,776m). Leverage was 4.5 x EBITDA at the end of 1H 2018.

Cash flow and Net interest-bearing debt, key figures

DKKm

		Q2 2018	Q2 2017	Change in %	H1 2018	H1 2017	Change in %
Total cash flow from operating activities		265	1,800	(85.3)	1,858	3,475	(46.5)
Total cash flow from investing activities		(1,023)	(1,037)	1.4	(2,078)	(1,568)	(32.5)
Total cash flow from financing activities		677	(216)	-	(273)	(1,034)	73.6
Total cash flow from continuing operations		(81)	547	(114.8)	(493)	873	(156.5)
Total cash flow from discontinued operations		0	6	-	0	6	-
Total cash flow		**(81)**	**553**	**(114.6)**	**(493)**	**879**	**(156.1)**
Net interest-bearing debt (NIBD)[1]		(36,959)	(24,042)	(53.7)	(36,959)	(24,042)	(53.7)
NIBD/EBITDA	x	4.5	2.9	-	4.5	2.9	-

1 NIBD figures for 2017 include 50% of hybrid capital as rating agencies provide 50% equity credit for hybrid bonds.

1 Cash flow related to capex includes adjustments to capex for timing differences regarding mobile licence payments, reestablishment obligation, non-paid investments, etc.

TDC Group's performance per business line in H1 2018

The illustration below reflects TDC Group's H1 2018 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.

DKKm/ Growth in local currency	TDC Group	Consumer	Business	Wholesale	Other operations	Denmark in total	Norway in total
Revenue[1]	10,184 -1.4%	5,491 -1.6%	2,114 -8.0%	860 -2.1%	249 +5.1%	8,678 -0.8%	1,558 -1.0%
Gross profit[1]	7,307 -2.8%	3,936 +0.6%	1,615 -10.4%	611 +6.1%	145 -12.1%	6,288 -1.9%	1,018 -4.0%
EBITDA[1]	4,094 -2.1%	3,061 -0.6%	1,187 -10.6%	553 +6.1%	-1,334 +9.4%	3,464 +0.3%	630 -9.5%

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

Consolidated financial statements

Income statement

DKKm

	Note	Q2 2018	Q2 2017	Change in %	H1 2018	H1 2017	Change in %
Revenue	2	**5,088**	**5,092**	**(0.1)**	**10,184**	**10,331**	**(1.4)**
Cost of sales		(1,434)	(1,386)	(3.5)	(2,877)	(2,816)	(2.2)
Gross profit		**3,654**	**3,706**	**(1.4)**	**7,307**	**7,515**	**(2.8)**
External expenses		(715)	(760)	5.9	(1,417)	(1,526)	7.1
Personnel expenses		(954)	(925)	(3.1)	(1,852)	(1,860)	0.4
Other income		33	26	26.9	56	51	9.8
Operating profit before depreciation, amortisation and special items (EBITDA)	2	**2,018**	**2,047**	**(1.4)**	**4,094**	**4,180**	**(2.1)**
Depreciation, amortisation and impairment losses	3	(1,177)	(1,256)	6.3	(2,400)	(2,519)	4.7
Operating profit excluding special items (EBIT excluding special items)		**841**	**791**	**6.3**	**1,694**	**1,661**	**2.0**
Special items	4	(725)	12	-	(708)	77	-
Operating profit (EBIT)		**116**	**803**	**(85.6)**	**986**	**1,738**	**(43.3)**
Financial income and expenses	5	31	(255)	112.2	-	(421)	-
Profit before income taxes		**147**	**548**	**(73.2)**	**986**	**1,317**	**(25.1)**
Income taxes		(223)	(127)	(75.6)	(419)	(281)	(49.1)
Profit for the period from continuing operations		**(76)**	**421**	**(118.1)**	**567**	**1,036**	**(45.3)**
Profit for the period from discontinued operations		-	12	-	-	12	-
Profit for the period		**(76)**	**433**	**(117.6)**	**567**	**1,048**	**(45.9)**
Profit attributable to:							
Owners of the parent company		(134)	433	(130.9)	331	884	(62.6)
Coupon payments on hybrid capital, net of tax		57	-	-	235	164	43.3
Non-controlling interests		1	-	-	1	-	-

Balance sheet

DKKm

	Note	30 June 2018	31 December 2017	30 June 2017
Assets				
Non-current assets				
Intangible assets		32,657	32,606	32,926
Property, plant and equipment		17,859	17,840	17,854
Joint ventures, associates and other investments		62	80	83
Pension assets	6	6,523	6,752	6,071
Receivables		194	197	212
Derivative financial instruments		48	50	55
Prepaid expenses		46	13	22
Total non-current assets		**57,389**	**57,538**	**57,223**
Current assets				
Inventories		259	246	239
Receivables		2,664	2,652	2,356
Income tax receivables		-	9	-
Derivative financial instruments		482	455	400
Prepaid expenses		553	473	630
Cash		1,295	1,767	2,546
Total current assets		**5,253**	**5,602**	**6,171**
Total assets		**62,642**	**63,140**	**63,394**

Balance sheet

DKKm

	Note	30 June 2018	31 December 2017	30 June 2017
Equity and liabilities				
Equity				
Share capital		812	812	812
Reserve for exchange rate adjustments		(1,272)	(1,507)	(1,301)
Reserve for cash flow hedges		(207)	(175)	(178)
Retained earnings		10,009	20,881	19,781
Equity attributable to owners of the parent company		**9,342**	**20,011**	**19,114**
Hybrid capital	8	-	5,552	5,552
Non-controlling interests		2	1	1
Total equity		**9,344**	**25,564**	**24,667**
Non-current liabilities				
Deferred tax liabilities		4,332	4,341	4,183
Provisions		985	983	914
Pension liabilities		30	29	37
Loans	7	31,363	17,282	19,269
Derivative financial instruments		384	406	357
Total non-current liabilities		**37,094**	**23,041**	**24,760**
Current liabilities				
Loans	7	7,043	4,651	4,717
Trade and other payables		8,436	9,188	8,301
Income tax payable		54	-	91
Derivative financial instruments		458	485	478
Deferred income		94	84	254
Provisions		119	127	126
Total current liabilities		**16,204**	**14,535**	**13,967**
Total liabilities		**53,298**	**37,576**	**38,727**
Total equity and liabilities		**62,642**	**63,140**	**63,394**

Statements of cash flow

DKKm

	Q2 2018	Q2 2017	Change in %	H1 2018	H1 2017	Change in %
EBITDA	2,018	2,047	(1.4)	4,094	4,180	(2.1)
Adjustment for non-cash items	16	45	(64.4)	74	114	(35.1)
Pension contributions	(2)	(23)	91.3	(6)	(47)	87.2
Payments related to provisions	(2)	(5)	60.0	(6)	(6)	-
Special items	(974)	(67)	-	(950)	(184)	-
Change in working capital	(541)	(172)	-	(527)	288	-
Interest paid, net	(27)	(25)	(8.0)	(598)	(600)	0.3
Income tax paid	(223)	-	-	(223)	(270)	17.4
Operating activities in continuing operations	**265**	**1,800**	**(85.3)**	**1,858**	**3,475**	**(46.5)**
Operating activities in discontinued operations	-	-	-	-	-	-
Total cash flow from operating activities	**265**	**1,800**	**(85.3)**	**1,858**	**3,475**	**(46.5)**
Investment in enterprises	(24)	-	-	(60)	-	-
Investment in property, plant and equipment	(652)	(799)	18.4	(1,354)	(1,574)	14.0
Investment in intangible assets	(373)	(263)	(41.8)	(695)	(495)	(40.4)
Investment in other non-current assets	-	(15)	-	(1)	(19)	94.7
Divestment of enterprises	(1)	24	(104.2)	(1)	493	(100.2)
Divestment of joint ventures and associates	-	-	-	-	2	-
Sale of other non-current assets	27	15	80.0	33	24	37.5
Dividends received from joint ventures and associates	-	1	-	-	1	-
Investing activities in continuing operations	**(1,023)**	**(1,037)**	**1.4**	**(2,078)**	**(1,568)**	**(32.5)**
Investing activities in discontinued operations	-	6	-	-	6	-
Total cash flow from investing activities	**(1,023)**	**(1,031)**	**0.8**	**(2,078)**	**(1,562)**	**(33.0)**
Proceeds from long-term loans	23,648	-	-	27,372	-	-
Repayment of long-term loans	(7,443)	-	-	(11,910)	-	-
Finance lease repayments	(11)	(16)	31.3	(24)	(37)	35.1
Change in short-term bank loans	954	-	-	954	-	-
Repayment of hybrid capital	(5,588)	-	-	(5,588)	-	-
Coupon payments on hybrid capital	(66)	-	-	(261)	(195)	(33.8)
Dividends paid	(10,816)	(200)	-	(10,816)	(802)	-
Capital contribution from non-controlling interests	(1)	-	-	-	-	-
Financing activities in continuing operations	**677**	**(216)**	**-**	**(273)**	**(1,034)**	**73.6**
Financing activities in discontinued operations	-	-	-	-	-	-
Total cash flow from financing activities	**677**	**(216)**	**-**	**(273)**	**(1,034)**	**73.6**
Total cash flow	**(81)**	**553**	**(114.6)**	**(493)**	**879**	**(156.1)**
Cash and cash equivalents (beginning-of-period)	1,365	2,013	(32.2)	1,767	1,687	4.7
Effect of exchange-rate changes on cash and cash equivalents	11	(20)	155.0	21	(20)	-
Cash and cash equivalents (end-of-period)	**1,295**	**2,546**	**(49.1)**	**1,295**	**2,546**	**(49.1)**

Consolidated financial statements

Note 1 Accounting policies

TDC's Interim Financial Report for Q2 2018 has been prepared in accordance with Interim Financial Reporting Standards' (IFRS) rules on recognition and measurement.

The consolidated financial statements are based on the historical cost convention, except that the following assets and liabilities are measured at fair value: derivatives and equity investments.

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 2017, cf. TDC's Annual Report 2017.

Changed accounting for revenue from contracts with customers
As mentioned in the Annual Report for 2017, the standard IFRS 15 Revenue from contracts with customers, effective from 1 January 2018, impacts on TDC's Financial Statements as follows:

- Revenue arrangements with multiple deliverables – Discounts on bundled sales are allocated between handsets and subscriptions based on their relative fair values resulting in earlier recognition of revenue. Previously, discounts were fully allocated to the handsets.
- Handsets sold below cost – Sales of handsets below cost in an arrangement that cannot be separated from the provision of services are now recognised as revenue. Previously, such sales were not recognised as revenue.
- Subscriber acquisition costs – Costs that are incremental to obtaining contracts with customers are capitalised and subsequently recognised as expenses over the expected lifetime of the customer relationships. Previously, such costs were expensed as incurred.
- Non-refundable up-front connection fees – Such fees are no longer seen as payment for a separate service. The fees are included in the total transaction price for the contract with the customer and allocated to the identified performance obligations (services).
- Fulfilment costs – Fulfilment costs are only capitalised if they are directly related to a contract or an anticipated contract. Previously, expenses related to non-refundable up-front connection fees were capitalised even if they were not directly related to a contract.

IFRS 15 has been implemented fully retrospectively with the comparative figures for previous periods restated accordingly.

The standard IFRS 9 Financial instruments, effective from 1 January 2018, has been implemented but has no impact on the income statements or balance sheets for 2Q 2018 and previous periods.

Except for the changes mentioned above, the accounting policies are unchanged compared with the policies applied in the Annual Report 2017.

Impact on Consolidated Financial Statements

DKKm

	Previous accounting policy	Changed accounting policy	New accounting policy
Revenue			
1H 2018	10,043	141	10,184
1H 2017	10,262	69	10,331
Operating profit before depreciation, amortisation and special items (EBITDA)			
1H 2018	4,078	16	4,094
1H 2017	4,185	(5)	4,180
Income taxes			
1H 2018	(415)	(4)	(419)
1H 2017	(282)	1	(281)
Profit for period			
1H 2018	555	12	567
1H 2017	1,052	(4)	1,048
Earnings per share (EPS) (DKK)			
1H 2018	0.40	0.1	0.41
1H 2017	1.11	(0.1)	1.10
Total assets			
1H 2018	62,648	(6)	62,642
1H 2017	63,427	(33)	63,394
Total equity			
1H 2018	8,943	401	9,344
1H 2017	24,271	396	24,667

Note 2 Segment reporting

Activities

DKKm

	Consumer		Business		Wholesale		Other operations[1]	
	H1 2018	H1 2017	H1 2018	H1 2017	H1 2018	H1 2017	H1 2018	H1 2017
Mobility services	1,495	1,377	571	601	278	277	1	1
Landline voice	307	361	345	394	85	105	5	6
Internet and network	1,224	1,203	630	785	397	399	87	87
TV	2,016	2,093	16	17	26	28	-	1
Other services	449	372	552	501	74	69	156	142
Norway	-	-	-	-	-	-	-	-
Revenue	**5,491**	**5,406**	**2,114**	**2,298**	**860**	**878**	**249**	**237**
Total operating expenses excl. depreciation, etc.	(2,431)	(2,326)	(927)	(970)	(307)	(357)	(1,656)	(1,777)
Other income and expenses	1	-	-	-	-	-	73	68
EBITDA	**3,061**	**3,080**	**1,187**	**1,328**	**553**	**521**	**(1,334)**	**(1,472)**
Specification of revenue:								
External revenue	5,485	5,405	2,094	2,235	832	848	239	228
Revenue across segments	6	1	20	63	28	30	10	9

	Norway[2 3]		Eliminations		Total	
	H1 2018	H1 2017	H1 2018	H1 2017	H1 2018	H1 2017
Mobility services	-	-	(5)	(2)	2,340	2,254
Landline voice	-	-	-	-	742	866
Internet and network	-	-	(6)	(36)	2,332	2,438
TV	-	-	-	-	2,058	2,139
Other services	-	-	(25)	(37)	1,206	1,047
Norway	1,558	1,642	(52)	(55)	1,506	1,587
Revenue	**1,558**	**1,642**	**(88)**	**(130)**	**10,184**	**10,331**
Total operating expenses excl. depreciation, etc.	(930)	(919)	105	147	(6,146)	(6,202)
Other income and expenses	2	2	(20)	(19)	56	51
EBITDA	**630**	**725**	**(3)**	**(2)**	**4,094**	**4,180**
Specification of revenue:						
External revenue	1,534	1,615	-	-	10,184	10,331
Revenue across segments	24	27	(88)	(130)	-	-

Note 2 Segment reporting (continued)

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

DKKm

	H1 2018	H1 2017
EBITDA from reportable segments	4,094	4,180
Unallocated:		
Depreciation, amortisation and impairment losses	(2,400)	(2,519)
Special items	(708)	77
Financial income and expenses	-	(421)
Consolidated profit/(loss) before income taxes	**986**	**1,317**

[1] Consists of the three operating segments Operations, Digital and Headquarters. At Operations, external revenue amounted to DKK 227m (H1 2017: DKK 215m), revenue across segments totalled DKK 11m (H1 2017: DKK 11m) and EBITDA amounted to DKK (657)m (H1 2017: DKK (669)m). At Digital, external revenue amounted to DKK 4m (H1 2017: DKK 5m), revenue across segments totalled DKK 2m (H12 2017: DKK 0m) and EBITDA amounted to DKK (113)m (H1 2017: DKK (112)m). At Headquarters, external revenue amounted to DKK 6m (H1 2017: DKK 10m), revenue across segments totalled DKK 20m (H1 2017: DKK 5m) and EBITDA amounted to DKK (564)m (H1 2017: DKK (691)m). Elimination of revenue across segments within Other operations totalled DKK (23)m (H1 2017: DKK (7)m).

[2] Consists of the two operating segments Get and TDC Norway AS. At Get, external revenue amounted to DKK 1,267m (H1 2017: DKK 1,311m), revenue across segments totalled DKK 0m (H1 2017: DKK 0m) and EBITDA amounted to DKK 590m (H1 2017: DKK 683m). At TDC Norway AS, external revenue amounted to DKK 267m (H1 2017: DKK 303m), revenue across segments totalled DKK 24m (H1 2017: DKK 27m) and EBITDA amounted to DKK 40m (H1 2017: DKK 42m).

[3] Revenue from Norway consists of: TV amounting to DKK 610m (H1 2017: DKK 689m), Broadband of DKK 454m (H1 2017: DKK 459m), Business of DKK 327m (H1 2017: DKK 367m) and Other residential services totalling DKK 167m (H1 2017: DKK 127m).

Note 3 Depreciation, amortisation and impairment losses

DKKm

	Q2 2018	Q2 2017	H1 2018	H1 2017
Depreciation on property, plant and equipment	(690)	(785)	(1,429)	(1,570)
Amortisation of intangible assets	(481)	(469)	(948)	(927)
Impairment losses	(6)	(2)	(23)	(22)
Total	**(1,177)**	**(1,256)**	**(2,400)**	**(2,519)**

The decrease in depreciation, amortisation and impairment losses from H1 2017 to H1 2018 is due primarily to higher depreciation on various network equipment related to the upgrading of the cable network to enable 1 gigabit broadband in 2017.

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

	Q2 2018	Q2 2017	H1 2018	H1 2017
Gain from divestments of enterprises and property	-	29	-	137
Costs related to redundancy programmes and vacant tenancies	(68)	(71)	(111)	(110)
Other restructuring costs, etc.	(446)	-	(453)	(3)
Income from rulings	-	54	85	54
Loss from rulings	-	-	-	(1)
Costs related to acquisition of enterprises	(3)	-	(21)	-
Settlement of Performance Share Programme	(208)	-	(208)	-
Special items before income taxes	**(725)**	**12**	**(708)**	**77**
Income taxes related to special items	70	3	61	13
Special items related to discontinued operations	-	12	-	12
Total special items	**(655)**	**27**	**(647)**	**102**

The negative development in special items is due to the takeover of TDC by DKT.

Note 5 Financial income and expense

Financial income and expenses

DKKm

	Q2 2018	Q2 2017	Change in %	H1 2018	H1 2017	Change in %
Interest income	3	4	(25.0)	5	8	(37.5)
Interest expenses	(196)	(162)	(21.0)	(345)	(324)	(6.5)
Net interest	**(193)**	**(158)**	**(22.2)**	**(340)**	**(316)**	**(7.6)**
Currency translation adjustments	123	(113)	-	216	(145)	-
Fair value adjustments	73	-	-	70	8	-
Interest, currency translation adjustments and fair value adjustments	**3**	**(271)**	**101.1**	**(54)**	**(453)**	**88.1**
Profit/(loss) from joint ventures and associates	1	(3)	133.3	-	(7)	-
Interest on pension assets	27	19	42.1	54	39	38.5
Total	**31**	**(255)**	**112.2**	**-**	**(421)**	**-**

Net financials recognised in other comprehensive income

DKKm

	Q2 2018	Q2 2017	H1 2018	H1 2017
Currency translation adjustment, foreign enterprises	106	(393)	235	(466)
Reversal of currency translation adjustment related to disposal of foreign enterprises	-	-	-	-
Exchange-rate adjustments of foreign enterprises	**106**	**(393)**	**235**	**(466)**
Change in fair value adjustments of cash flow hedges	5	(33)	(29)	31
Change in fair value adjustments of cash flow hedges transferred to financial expenses	(1)	(2)	(3)	(4)
Value adjustments of hedging instruments	**4**	**(35)**	**(32)**	**27**

Financial income and expenses amounted to DKK 0m in H1 2018, an improvement of DKK 421m compared with H1 2017 driven primarily by:

- Currency translation adjustments related to intercompany loans denominated in NOK resulting in an improvement of DKK 318m.
- A USD 1,418m bank loan was established under the Senior Facility Agreement on 28 June 2018 but was pre-hedged from 11 June, resulting in a total gain of DKK 180m.
- A redemption of EMTN 2027 (in July 2018) resulted in a loss of DKK 68m in H1 2018.

Note 5 Financial income and expense (continued)

Specifications

DKKm

	Q2 2018				Q2 2017			
	Interest	Currency translation adjustments	Fair value adjustments	Total	Interest	Currency translation adjustments	Fair value adjustments	Total
Euro Medium Term Notes (EMTNs) incl. hedges	(109)	6	(67)	**(170)**	(142)	2	2	**(138)**
Senior Facility Agreement incl. hedges	(24)	68	119	**163**	-	-	-	**-**
European Investment Bank (EIB) and bank loans incl. hedges	(2)	12	(2)	**8**	(6)	1	-	**(5)**
Other hedges	-	-	23	**23**	-	-	(2)	**(2)**
Other	(58)	37	-	**(21)**	(10)	(116)	-	**(126)**
Total	**(193)**	**123**	**73**	**3**	**(158)**	**(113)**	**-**	**(271)**

	H1 2018				H1 2017			
	Interest	Currency translation adjustments	Fair value adjustments	Total	Interest	Currency translation adjustments	Fair value adjustments	Total
Euro Medium Term Notes (EMTNs) incl. hedges	(237)	(9)	(71)	**(317)**	(283)	(2)	4	**(281)**
Senior Facility Agreement incl. hedges	(24)	67	119	**162**	-	-	-	**-**
European Investment Bank (EIB) and bank loans incl. hedges	(4)	3	(2)	**(3)**	(12)	-	-	**(12)**
Other hedges	-	-	24	**24**	-	-	4	**4**
Other	(75)	155	-	**80**	(21)	(143)	-	**(164)**
Total	**(340)**	**216**	**70**	**(54)**	**(316)**	**(145)**	**8**	**(453)**

Note 6 Pension assets and pension obligations

Pension (costs)/income

DKKm

	Q2 2018	Q2 2017	H1 2018	H1 2017
Specification of plans:				
Denmark	(4)	(14)	(7)	(28)
Norway	-	(1)	-	(1)
Pension income/(costs) from defined benefit plans	**(4)**	**(15)**	**(7)**	**(29)**
Recognition in the income statement:				
Service cost[1]	(27)	(32)	(54)	(64)
Administrative expenses	(4)	(2)	(7)	(4)
Personnel expenses (included in EBITDA)	**(31)**	**(34)**	**(61)**	**(68)**
Interest on pension assets	27	19	54	39
Pension income/(costs) from defined benefit plans	**(4)**	**(15)**	**(7)**	**(29)**

[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

	Q2 2018	Q2 2017	H1 2018	H1 2017
Pension (costs)/income				
Service cost	(27)	(32)	(54)	(64)
Administrative expenses	(4)	(2)	(7)	(4)
Personnel expenses (included in EBITDA)	**(31)**	**(34)**	**(61)**	**(68)**
Interest on pension assets	27	20	54	40
Pension (costs)/income	**(4)**	**(14)**	**(7)**	**(28)**
Domestic redundancy programmes recognised in special items	(26)	(2)	(32)	(35)
Total pension (costs)/income recognised in the income statement	**(30)**	**(16)**	**(39)**	**(63)**

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. 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

	30 June 2018	31 December 2017	30 June 2017
Assets and obligations			
Specification of pension assets			
Fair value of plan assets	30,938	30,959	30,049
Defined benefit obligation	(24,415)	(24,207)	(23,978)
Pension assets recognised in the balance sheet	**6,523**	**6,752**	**6,071**
Change in pension assets			
Pension assets recognised at 1 January	6,752	5,595	5,595
Pension (costs)/income	(39)	(118)	(63)
Remeasurement effects	(199)	1,172	488
TDC's contribution	9	103	51
Pension assets recognised in the balance sheet	**6,523**	**6,752**	**6,071**
Assumptions used to determine defined benefit obligations			
Discount rate	1.44	1.56	1.57
General price/wage inflation	1.75	1.73	1.57
Assumptions used to determine pension (costs)/income			
Discount rate	1.56	1.41	1.41
General price/wage inflation	1.73	1.69	1.69

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

The remeasurement effects in H1 2018 (a net loss of DKK 199m) cover primarily a loss related to the benefit obligation (DKK 470m) resulting from the decreasing discount rate (from 1.56% to 1.44%) and the increasing inflation rate (from 1.73% to 1.75%). The loss was partly offset by a gain related to the plan assets (DKK 271m) 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 0m (H1 2017: DKK 0m). Pension liabilities relating to foreign defined benefit plans amounted to DKK 30m (H1 2017: 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 Senior Facility Agreement (SFA)[1]

DKKm

	2022	2023	2025	2025	2027[4]	Total
Maturity	Mar 22	Feb 23	Jun 25	Jun 25	Feb 27	
Fixed/Floating rate	Fixed	Fixed	Floating	Floating	Fixed	
Coupon	3.750%	5.625%			1.750%	
Currency	EUR	GBP	EUR	USD	EUR	
Type	EMTN	EMTN	SFA	Bank loan	EMTN	
Nominal value (DKKm)	3,725	3,575	15,084	9,050	5,960	37,394
Nominal value (Currency)	500	425	2,025	1,418	800	
Hereof nominal value swapped to or with floating interest rate (EURm)[1]	150	50	2,025	1,200	-	3,425
Hereof nominal value swapped from USD to EUR (USDm)[2]	-	-	-	1,418	-	1,418
Hereof nominal value swapped from GBP to EUR (GBPm)[3]	-	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 notional value of USD 1,425m floating loan is fully swapped to EUR.
[3] The nominal value of the GBP 425m February 2023 bond is fully swapped to EUR 508m.
[4] ~96% of the 2027 bond was repaid in July 2018 due to the change of control option and the remainder will be repaid in September 2018.

Net interest-bearing debt

DKKm

	30 June 2018	31 December 2017	30 June 2017
EMTN loans incl. short-term part	13,289	17,668	17,727
Senior Facility Agreement incl. short term part	23,668	3,719	5,574
Debt regarding financial leasing incl. short-term part	80	102	139
Other long-term loans incl. short-term part	415	444	546
Short-term bank loans	954	-	-
Interest-bearing payables	2	2	2
Derivatives	30	133	42
Interest-bearing receivables and invest-ments	(184)	(203)	(218)
Cash	(1,295)	(1,767)	(2,546)
	36,959	**20,098**	**21,266**
50% of hybrid capital	-	2,776	2,776
Net interest-bearing debt	**36,959**	**22,874**	**24,042**

Net interest-bearing debt increased by DKK 14,085m during H1 2018 due to payment of dividend (DKK 10,816m) and repayment of hybrid capital (DKK 2,776m).

Note 8 Hybrid capital

Until repayment in June 2018 TDC Group had EUR 750m in callable subordinated capital securities (hybrid bonds) outstanding that were accounted for as equity. The hybrid capital was subordinated to the Group's other creditors.

Coupon payments were recognised directly in equity at the time the payment obligation arose.

Coupon payments were recognised in the statement of cash flow as a separate item within financing activities.

The hybrid bonds issued by TDC Group provided 50% equity credit from rating agencies. Accordingly, 50% of the hybrid capital is included in NIBD.

Note 9 Events after the balance sheet date

On 17 July 2018, TDC A/S announced that it had signed a share purchase agreement whereby it is selling all its shares in its Norwegian business Get (Get AS and its subsidiaries including the Norwegian B2B business, TDC Norway) to Telia Company AB for a cash sales price of NOK 21.0 billion on a cash and debt free basis, corresponding to an EV/EBITDA multiple of 12.1x and an EV/(EBITDA-CAPEX) multiple of 23.7x1.

The transaction is subject to the approval of the Norwegian competition authority.

The divestment of Get is estimated to result in a gain of approximately DKK 5.0 billion after tax (calculated on the basis of an estimated transaction closure by the end of Q3 2018) that, after the transaction closure, will be recognised as special items related to 'Discontinued operations' in TDC Group's consolidated financial statements.

Get will be classified as 'Discontinued operations' in TDC Group's consolidated financial statements effective from Q3 2018. Comparative figures in the income statements and cash flow statements will be restated accordingly.

In TDC Group's guidance for 2018, Get was assumed to impact EBITDA by DKK 1.3-1.4 billion and EFCF by approximately DKK 900 million. For reference Get contributed in 2017 with an EBITDA of DKK 1,386m, Capex of DKK 679m and Operating cash flow of DKK 707m.

Notice of redemption

On 26 July 2018, TDC A/S announced its intention to redeem the outstanding 3.6% of EMTNs due 2027. Following the put event notice published on 9 May 2018 TDC announced that 96.4 per cent. of the aggregate nominal amount of the Notes then outstanding (representing a total of €771,486,000) were redeemed on 2 July 2018. The outstanding notes on 26 July 2018 will be redeemed on 24 September 2018, at a price of 100 per cent. of their aggregate nominal amount together with any interest accrued.

Corporate matters

Change of control
On 28 February 2018, TDC A/S announced that DK Telekommunikation ApS (DKT), acting on behalf of a consortium comprised of PFA Pension, PKA, ATP and Macquarie Infrastructure and Real Assets Europe Limited acting on behalf of funds or entities managed or advised by it, had submitted a voluntary recommended public takeover offer to buy the entire share capital of TDC A/S for an all-cash consideration of DKK 50.25 per share.

On 4 May 2018, DKT acquired more than 90 percent of the entire share capital and voting rights in TDC excluding treasury shares. TDC A/S' shares were delisted from trading and the official list on Nasdaq Copenhagen AS with effect from 5 June 2018. Subsequently, DKTinitiated and completed a squeeze-out of the remaining minority shareholders in accordance with the Danish Companies Acts on 8 June 2018, resulting in DKT owning 100% of the outstanding shares in TDC A/S.

TDC Group divests its Norwegian business to Telia Company
On 17 July 2018, TDC A/S announced that it had signed a share purchase agreement whereby it is selling all its shares in its Norwegian business Get (Get AS and its subsidiaries including the Norwegian B2B business, TDC Norway) to Telia Company AB for a cash sales price of NOK 21.0 billion on a cash and debt-free basis, corresponding to an EV/EBITDA multiple of 12.1x and an EV/(EBITDA-CAPEX) multiple of 23.7x1.

The transaction is subject to the approval of the Norwegian competition authority.

The divestment of Get is estimated to result in a gain of approximately DKK 5.0 billion after tax (calculated on the basis of an estimated transaction closure by the end of Q3 2018) that, after transaction closure, will be recognised as special items related to 'Discontinued operations' in TDC Group's consolidated financial statements.

Get will be classified as 'Discontinued operations' in TDC Group's consolidated financial statements effective from Q3 2018. Comparative figures in the income statements and cash flow statements will be restated accordingly.

Following completion, some of the sales proceeds are expected to be applied to reduce debt with a view to maintaining an appropriate capital structure. Accordingly, the sale itself is not expected to have a negative impact on TDC Group's corporate credit ratings. The final application of the sales proceeds will be determined closer to completion based on market conditions etc., and subject to the requirements under TDC Group's new credit facilities and applicable law. This may also include reinvestment of some of the sales proceeds in TDC Group's Danish activities.

In TDC Group's guidance for 2018, the Norwegian business was assumed to impact EBITDA by DKK 1.3-1.4 billion and EFCF by approximately DKK 900 million.

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 H1 2018, 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 H1 2018.

The Financial Report has been prepared in accordance with International Financial Reporting Standards' (IFRS) rules on recognition and measurement.

In our opinion, the Financial Report gives a true and fair view of the Group's assets, liabilities and financial position at 30 June 2018 as well as the results of operations and cash flows for H1 2018. 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, 19 September 2018

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 OpCo

Andreas Pfister
Senior Executive Vice President of NetCo

Gunnar Evensen
Chief Executive Officer of Norway

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

Lasse Pilgaard
Senior Executive Vice President of Group Strategy & Portfolio Management

Board of Directors

Bert Nordberg
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Mike Parton
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Marianne Rørslev Bock

Martin Bradley

Nathan Luckey

Arthur Rakowski

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