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# DKT Holdings ApS

## Interim Financial Report January – June 2018

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# Management review

## The acquisition of TDC and Related Financings

DKT Holdings ApS (DKTH) was established 22 December 2017 with the purpose of running an investing business through its 100% owned subsidiaries, DKT Finance ApS (DKTF) and DK Telekommunikation ApS (DKT). DKTH is owned by a consortium comprising:

- DKTUK Limited (50%), managed by the Macquarie Group
- ATP Infrastructure III K/S (16.7%), managed by Arbejdsmarkedets Tillægspension (ATP)
- PFA Ophelia InvestCo I 2018 K/S (16.7%), managed by PFA Pension Forsikringsaktieselskab
- PKA Ophelia Holding K/S (16.7%), managed by Pensionskassernes Administration<sup>1</sup>.

### The acquisition

On 4 May 2018, DKT acquired 90.9% of the outstanding share capital of TDC A/S. The share capital was acquired pursuant to a tender offer for all TDC Shares at a price of DKK 50.25 per TDC Share. The TDC shares were delisted from trading and official listing on Nasdaq Copenhagen A/S with effect from June 5, 2018. Thereafter, a squeeze-out of the remaining 9.1% minority shareholders was initiated and completed in accordance with the Danish Companies Act

on 8 June 2018, resulting in DKT owning 100% of the outstanding shares in TDC A/S.

### The Acquisition Financing

In connection with the tender offer, members of the consortium provided capital in the form of equity and shareholder loans in the amount of EUR 2,763m. In addition, DKTF entered into bridge term loan facilities of EUR 2,800m and a revolving credit facility of EUR 100m.

On 28 June 2018, DKTF repaid EUR 1,400m of the bridge facilities with amounts received by DKT from TDC by way of extraordinary dividend.

On 2 July 2018, the remaining outstanding bridge term loans, EUR 1,400m were repaid following the completion of the offering of EUR 1,050m 7.000% and \$410m 9.375% Senior Notes due 2023.

### Refinancing in TDC Group

As a consequence of the takeover of TDC by 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

## Key figures

		DKK m			
		Q2 2018	Q2 2017	H1 2018	H1 2017
<b>Income statements</b>	DKK m				
Revenue		3,390	-	3,390	-
Gross profit		2,438	-	2,438	-
EBITDA		1,353	-	1,353	-
Profit/(loss) for the period from continuing operations excluding special items		(681)	-	(681)	-
Profit/(loss) for the period		(1,236)	-	(1,236)	-
Capital expenditure		(725)	-	(725)	-
<b>Cash flow</b>					
Total cash flow from operating activities		425	-	425	-
Total cash flow from investing activities		(40,882)	-	(40,882)	-
Total cash flow from financing activities		42,301	-	42,301	-
Total cash flow		1,844	-	1,844	-
<b>Key financial ratios</b>					
Gross margin	%	71.9	-	71.9	-
EBITDA margin	%	39.9	-	39.9	-
Net interest-bearing debt (NIBD)	DKK m	(63,313)	-	(63,313)	-
Net interest-bearing debt/LTM EBITDA <sup>1</sup>	x	7.8	-	7.8	-

<sup>1</sup>Based on TDC's LTM EBITDA of DKK 8,142m.

<sup>1</sup> On behalf of Pensionskassen for Sygeplejersker og Lægesekretærer, Pensionskassen for Socialrådgivere, Socialpædagoger og Kontorpersonale and Pensionskassen for Sundhedsfaglige.

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.

## The business

All core activities relate to TDC. TDC is the incumbent operator and a provider of integrated communications and entertainment solutions in Denmark with a leading market position across broadband, pay-TV, mobile and landline voice services based on end-user subscriptions to consumer, business and wholesale customers and the multi-play segment with a focus on premium digital services. We also offer integrated solutions to business customers.

The Danish business lines are:

Consumer delivers services to residential households and has a multi-brand strategy with differentiated brands, with leading market shares across mobile, broadband, landline voice and pay-TV based on end-user subscriptions.

Business provides telecommunications solutions, cloud-based services and IT solutions to businesses in Denmark

Wholesale offers and resells telecommunications services to other operators and external partners. This business line also manages our interconnect and roaming agreements.

Other Operations consists of three operating segments, Operations, Digital and Headquarters. Operations manages a number of support functions, such as IT operations, procurement, installation and network.

In Norway<sup>2</sup>, TDC offer products and services to retail consumers and to businesses. Get, a leading fixed communication provider in Norway, provides residential households with broadband, TV, landline voice and mobile. With regard to the business segment, Get provides small companies with basic broadband, while Gets subsidiary, TDC Norway, provides more advanced data communications solutions to larger corporates and public bodies.

## The consolidated financial statements

For the purposes of these consolidated financial statements for DKTH, the excess of DKT's costs to acquire TDC over the historic book value of TDC net assets acquired has been assumed to be goodwill. DKT has not performed the valuation studies necessary in order to accurately estimate the fair values of the assets acquired and liabilities assumed. Accordingly, the excess of the purchase price over the historical equity has been recorded as goodwill in the balance sheet as of 30 June 2018. Ultimately, a portion of the purchase price may be allocated to plant, property, and equipment or other intangible assets than goodwill which will result in additional depreciation and amortisation expenses.

The impact from the purchase price allocation with effect from 4 May 2018 may also result in other income or expenses and is expected to be recognized in 4Q 2018.

This interim financial report includes consolidated financial statements for DKTH. The operating activities of the DKTH Group relate to activities in TDC Group.

The reporting period covers 1 January 2018 to 30 June 2018. As TDC was acquired by DKT as of 4 May 2018, the figures for the DKTH Group do not include the operations of TDC for the full reporting period, but only for 4 May 2018 to 30 June 2018. Consequently, the figures for the DKTH Group for six months include two months operations of TDC as well as interest expenses, acquisition costs and administrative expenses in DKT, DKTF and DKTH for six months.

As it is not possible to conduct a meaningful analysis of the consolidated results for the DKTH Group due to the two months' ownership of the TDC Group, the analysis set out below is focusing on the activities in DKT, DKTF and DKTH for 1H 2018.

For a separate analysis of the development of TDC's activities, please see the Interim Financial Report for TDC for 1 January to 30 June 2018 included as appendix to this report.

## Group performance

### EBITDA

DKTH group revenue, cost of sales, external expenses, personnel expenses and other income are all related to the TDC Group. Accordingly, all EBITDA (Operating profit before depreciation, amortisation and special items) related to the TDC Group.

### Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses are all related to the TDC Group.

### Special items

Of the total special items, representing a net expense of DKK 623m before tax, estimated costs related to DKT's acquisition of TDC amounted to DKK 286m. All other special items related to the TDC Group. Other restructuring costs in the TDC Group related primarily to the takeover of TDC by DKT.

### Financial income and expenses

Of the total financial income and expenses, representing of net expense of DKK 1,022m, DKK 1,056m related to DKT, DKTF and DKTH. These financial expenses are primarily related to bridge term loan fees (DKK 480m) as well as interest expenses on DKTH's bridge term loan facilities and shareholder loans.

<sup>2</sup> However, see Note 9 to the consolidated financial statements regarding the expected divestment of TDC's Norwegian activities.

### **Income taxes**

DKTH Group income taxes related to the profit before income taxes in TDC and financial expenses in DKT, DKTF and DKTH. Part of the financial expenses are non-deductible for tax purpose due to the Danish rules on limitation on the tax deductibility of interest expenses.

### **Loss for the period**

The loss for the period of DKK 1,236m comprised a profit for TDC of DKK 107 and a loss in DKT, DKTF and DKTH of DKK 1,343m.

The loss for the period excl. special items of DKK 681m comprised a profit for TDC of DKK 375m and a loss in DKT, DKTF and DKTH of DKK 1,056m corresponding to the net financial expenses.

### **Comprehensive loss**

Total comprehensive loss amounted to DKK 1,324m. In addition to the loss for the period of DKK 1,236m other comprehensive loss of amounted to DKK 88m. Other comprehensive loss related primarily to remeasurement losses from TDC's defined benefit plans, partly offset by exchange rate adjustments of TDC's foreign enterprises in Norway.

### **Net interest-bearing debt**

Total DKTH Group net leverage amounted to DKK 63,313m of which DKK 36,959m related to TDC, DKK 9,901m to Senior Notes issued in DKTF and DKK 16,453m to shareholder loans in DKTH.

# Consolidated financial statements

## Income statement

DKKm

	Note	Q2 2018	Q2 2017	H1 2018	H1 2017
<b>Revenue</b>		<b>3,390</b>	-	<b>3,390</b>	-
Cost of sales		(952)	-	(952)	-
<b>Gross profit</b>		<b>2,438</b>	-	<b>2,438</b>	-
External expenses		(493)	-	(493)	-
Personnel expenses		(618)	-	(618)	-
Other income		26	-	26	-
<b>Operating profit before depreciation, amortisation and special items (EBITDA)</b>		<b>1,353</b>	-	<b>1,353</b>	-
Depreciation, amortisation and impairment losses	2	(774)	-	(774)	-
<b>Operating profit excluding special items (EBIT excluding special items)</b>		<b>579</b>	-	<b>579</b>	-
Special items	3	(623)	-	(623)	-
<b>Operating profit (EBIT)</b>		<b>(44)</b>	-	<b>(44)</b>	-
Financial income and expenses	4	(1,022)	-	(1,022)	-
<b>Profit/(loss) before income taxes</b>		<b>(1,066)</b>	-	<b>(1,066)</b>	-
Income taxes		(170)	-	(170)	-
<b>Profit/(loss) for the period</b>		<b>(1,236)</b>	-	<b>(1,236)</b>	-
<b>Profit/(loss) attributable to:</b>					
Owners of the parent company		(1,294)	-	(1,294)	-
Non-controlling interests		58	-	58	-

## Balance sheet

DKKm

	Note	30 June 2018	31 December 2017
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets		52,751	-
Property, plant and equipment		17,859	-
Joint ventures, associates and other investments		62	-
Pension assets	5	6,523	-
Receivables		194	-
Derivative financial instruments		48	-
Prepaid expenses		46	-
<b>Total non-current assets</b>		<b>77,483</b>	-
<b>Current assets</b>			
Inventories		259	-
Receivables		2,664	-
Derivative financial instruments		482	-
Prepaid expenses		553	-
Cash		1,830	-
<b>Total current assets</b>		<b>5,788</b>	-
<b>Total assets</b>		<b>83,271</b>	-

## Balance sheet

DKKm

	Note	30 June 2018	31 December 2017
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital		-	-
Reserve for exchange rate adjustments		133	-
Reserve for cash flow hedges		(11)	-
Retained earnings		2,398	-
<b>Equity attributable to owners of the parent company</b>		<b>2,520</b>	-
Non-controlling interests		2	-
<b>Total equity</b>		<b>2,522</b>	-
<b>Non-current liabilities</b>			
Deferred tax liabilities		4,332	-
Provisions		985	-
Pension liabilities		30	-
Loans	6	31,363	-
Shareholder loans		16,453	-
Derivative financial instruments		384	-
<b>Total non-current liabilities</b>		<b>53,547</b>	-
<b>Current liabilities</b>			
Loans	6	17,479	-
Trade and other payables		8,998	-
Income tax payable		54	-
Derivative financial instruments		458	-
Deferred income		94	-
Provisions		119	-
<b>Total current liabilities</b>		<b>27,202</b>	-
<b>Total liabilities</b>		<b>80,749</b>	-
<b>Total equity and liabilities</b>		<b>83,271</b>	-

## Statements of cash flow

	DKKm			
	Q2 2018	Q2 2017	H1 2018	H1 2017
EBITDA	1,353	-	1,353	-
Adjustment for non-cash items	3	-	3	-
Pension contributions	(1)	-	(1)	-
Special items	(539)	-	(539)	-
Change in working capital	208	-	208	-
Interest paid, net	(592)	-	(592)	-
Income tax paid	(7)	-	(7)	-
<b>Total cash flow from operating activities</b>	<b>425</b>	<b>-</b>	<b>425</b>	<b>-</b>
Investment in enterprises	(36,503)	-	(36,503)	-
Investment in property, plant and equipment	(447)	-	(447)	-
Investment in intangible assets	(278)	-	(278)	-
Divestment of enterprises	(1)	-	(1)	-
Sale of other non-current assets	26	-	26	-
<b>Total cash flow from investing activities</b>	<b>(37,203)</b>	<b>-</b>	<b>(37,203)</b>	<b>-</b>
Proceeds from long-term loans	40,101	-	40,101	-
Repayment of long-term loans	(7,443)	-	(7,443)	-
Finance lease repayments	(5)	-	(5)	-
Change in short-term bank loans	11,189	-	11,189	-
Redemption of non-controlling interests	(9,267)	-	(9,267)	-
Coupon payments on hybrid capital	(66)	-	(66)	-
Capital contribution	4,113	-	4,113	-
<b>Total cash flow from financing activities</b>	<b>38,622</b>	<b>-</b>	<b>38,622</b>	<b>-</b>
<b>Total cash flow</b>	<b>1,844</b>	<b>-</b>	<b>1,844</b>	<b>-</b>
Cash and cash equivalents (beginning-of-period)	-	-	-	-
Effect of exchange-rate changes on cash and cash equivalents	(14)	-	(14)	-
<b>Cash and cash equivalents (end-of-period)</b>	<b>1,830</b>	<b>-</b>	<b>1,830</b>	<b>-</b>

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# Consolidated financial statements

## Note 1 Accounting policies

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

The consolidated financial statements have been prepared in accordance with the significant accounting policies of the TDC Group as applied in TDC's Annual Report 2017 including the implementation of IFRS 15 Revenue from contracts with customers and IFRS 9 Financial instruments, both effective from 1 January 2018.

For a general description of TDC's significant accounting policies see the Offering Memorandum regarding DKTF's issuance of EUR 1,400m (equivalent) Senior Notes, note 1.1, page F-33. For further information about the changes in TDC's significant accounting policies related to revenue from contracts and financial instruments, see Note 1 to TDC's consolidated financial statements for 1 January-30 June 2018, included as appendix to this report.

### 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 the Offering Memorandum regarding DKTF's issuance of EUR 1,400m (equivalent) Senior Notes, page 107-109.



## Note 2 Depreciation, amortisation and impairment losses

DKKm

	Q2 2018	Q2 2017	H1 2018	H1 2017
Depreciation on property, plant and equipment	(443)	-	(443)	-
Amortisation of intangible assets	(326)	-	(326)	-
Impairment losses	(5)	-	(5)	-
<b>Total</b>	<b>(774)</b>	<b>-</b>	<b>(774)</b>	<b>-</b>

All depreciation, amortisation and impairment losses related to the TDC Group.

For the purposes of the consolidated financial statements for DKTH, the excess of DKT's costs to acquire TDC over the historic book value of TDC net assets acquired has been assumed to be goodwill. DKT has not performed the valuation studies necessary in order to accurately estimate the fair values of the assets acquired and liabilities assumed. Accordingly, the excess of the purchase price over the historical equity has been recorded as goodwill in the balance sheet as of 30 June 2018. Ultimately, a portion of the purchase price may be allocated to plant, property, and equipment and other intangible assets than goodwill, which will result in additional depreciation and amortization expense.

The impact from the purchase price allocation with effect from 4 May 2018 may also result in other income or expenses and, is expected to be recognized in 4Q 2018.

## Note 3 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	-	-	-	-
Costs related to redundancy programmes and vacant tenancies	(59)	-	(59)	-
Other restructuring costs, etc.	(70)	-	(70)	-
Income from rulings	-	-	-	-
Loss from rulings	-	-	-	-
Costs related to acquisition of enterprises	(286)	-	(286)	-
PSP settlement	(208)	-	(208)	-
<b>Special items before income taxes</b>	<b>(623)</b>	<b>-</b>	<b>(623)</b>	<b>-</b>
Income taxes related to special items	68	-	68	-
<b>Total special items</b>	<b>(555)</b>	<b>-</b>	<b>(555)</b>	<b>-</b>

Of the total special items, estimated costs related to DKT's acquisition of TDC amounted to DKK 286m. All other special items related to the TDC Group. Other restructuring costs in the TDC Group related primarily to the takeover of TDC by DKT.

## Note 4 Financial income and expense

### Financial income and expenses

	DKKm			
	Q2 2018	Q2 2017	H1 2018	H1 2017
Interest income	3	-	3	-
Interest expenses	(1,004)	-	(1,004)	-
<b>Net interest</b>	<b>(1,001)</b>	<b>-</b>	<b>(1,001)</b>	<b>-</b>
Currency translation adjustments	(105)	-	(105)	-
Fair value adjustments	66	-	66	-
<b>Interest, currency translation adjustments and fair value adjustments</b>	<b>(1,040)</b>	<b>-</b>	<b>(1,040)</b>	<b>-</b>
Profit/(loss) from joint ventures and associates	-	-	-	-
Interest on pension assets	18	-	18	-
<b>Total</b>	<b>(1,022)</b>	<b>-</b>	<b>(1,022)</b>	<b>-</b>

### Net financials recognised in other comprehensive income

DKKm

	Q2 2018	Q2 2017	H1 2018	H1 2017
Currency translation adjustment, foreign enterprises	133	-	133	-
Reversal of currency translation adjustment related to disposal of foreign enterprises	-	-	-	-
<b>Exchange-rate adjustments of foreign enterprises</b>	<b>133</b>	<b>-</b>	<b>133</b>	<b>-</b>
Change in fair value adjustments of cash flow hedges	(9)	-	(9)	-
Change in fair value adjustments of cash flow hedges transferred to financial expenses	(1)	-	(1)	-
<b>Value adjustments of hedging instruments</b>	<b>(10)</b>	<b>-</b>	<b>(10)</b>	<b>-</b>

Of the total financial income and expenses, representing of net expense of DKK 1,022m, DKK 1,056m related to DKT, DKTF and DKTH. These financial expenses are primarily related to bridge term loan fees (DKK 480m) as well as interest expenses on DKTH's bridge term loan facilities and shareholder loans.

All other financial income and expenses related to the TDC Group, see note 5 to TDC's consolidated financial statements for 1 January – 30 June 2018 included as appendix to this report.

## Note 4 Financial income and expense (continued)

### Specifications

DKK M

	Q2 2018				Q2 2017			
	Interest	Currency	Fair value ad-justments	Total	Interest	Currency	Fair value ad-justments	Total
		translation adjustments				translation adjustments		
Bank loan (Bridge Facility) incl. fees	(675)	(192)	-	<b>(867)</b>	-	-	-	-
Shareholder loan	(172)	-	-	<b>(172)</b>	-	-	-	-
Euro Medium Term Notes (EMTNs) incl. hedges	(73)	(1)	(67)	<b>(141)</b>	-	-	-	-
Senior Facility Agreement incl. hedges	(24)	65	119	<b>160</b>	-	-	-	-
European Investment Bank (EIB) and bank loans incl. hedges	(1)	6	(2)	<b>3</b>	-	-	-	-
Other hedges	-	(7)	16	<b>9</b>	-	-	-	-
Other	(56)	24	-	<b>(32)</b>	-	-	-	-
<b>Total</b>	<b>(1,001)</b>	<b>(105)</b>	<b>66</b>	<b>(1,040)</b>	-	-	-	-

  

	H1 2018				H1 2017			
	Interest	Currency	Fair value ad-justments	Total	Interest	Currency	Fair value ad-justments	Total
		translation adjustments				translation adjustments		
Bank loan (Bridge Facility) incl. fees	(675)	(192)	-	<b>(867)</b>	-	-	-	-
Shareholder loan	(172)	-	-	<b>(172)</b>	-	-	-	-
Euro Medium Term Notes (EMTNs) incl. hedges	(73)	(1)	(67)	<b>(141)</b>	-	-	-	-
Senior Facility Agreement incl. hedges	(24)	65	119	<b>160</b>	-	-	-	-
European Investment Bank (EIB) and bank loans incl. hedges	(1)	6	(2)	<b>3</b>	-	-	-	-
Other hedges	-	(7)	16	<b>9</b>	-	-	-	-
Other	(56)	24	-	<b>(32)</b>	-	-	-	-
<b>Total</b>	<b>(1,001)</b>	<b>(105)</b>	<b>66</b>	<b>(1,040)</b>	-	-	-	-

## Note 5 Pension assets and pension obligations

TDC's Danish 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.

For further information of the pension asset of DKK 6,523m as of 30 June 2018, see note 6 to TDC's consolidated financial statements for 1 January – 30 June 2018 included as appendix to this report.

## Note 6 Loans and net interest-bearing debt

### Euro Medium Term Notes (EMTNs) and Senior Facility Agreement (SFA) and bank loans<sup>1</sup>

DKKkM

	2018	2022	2023	2025	2025	2027 <sup>4</sup>	Total
Maturity	Jul 18	Mar 22	Feb 23	Jun 25	Jun 25	Feb 27	
Fixed/Floating rate	Floating	Fixed	Fixed	Floating	Floating	Fixed	
Coupon	5.500%	3.750%	5.625%			1.750%	
Currency	EUR	EUR	GBP	EUR	USD	EUR	
Type	Bank loan (Bridge Facility)	EMTN	EMTN	SFA	SFA	EMTN	
Nominal value (DKKkM)	10,431	3,725	3,575	15,084	9,050	5,960	47,825
Nominal value (Currency)	1,400	500	425	2,025	1,418	800	
Hereof nominal value swapped to or with floating interest rate (EURm) <sup>1</sup>	-	150	50	2,025	1,200	-	3,425
Hereof nominal value swapped from USD to EUR (USDm) <sup>2</sup>	-	-	-	-	1,418	-	1,418
Hereof nominal value swapped from GBP to EUR (GBPm) <sup>3</sup>	-	-	425	-	-	-	425

<sup>1</sup> The maturity of derivatives used for hedging long-term loans matches the maturity of the underlying loans.

<sup>2</sup> The nominal value of the notional value of USD 1,425m floating loan is fully swapped to EUR.

<sup>3</sup> The nominal value of the GBP 425m February 2023 bond is fully swapped to EUR 508m.

<sup>4</sup> ~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

DKKkM

	30 June 2018	31 December 2017
EMTN loans incl. short-term part	13,289	-
Senior Facility Agreement incl. short term part	23,668	-
Shareholder loans	16,453	-
Other long-term loans incl. financial leasing	497	-
Short-term bank loans	11,390	-
Derivatives	30	-
Interest-bearing receivables and investments	(184)	-
Cash	(1,830)	-
<b>Net interest-bearing debt</b>	<b>63,313</b>	<b>-</b>

## Note 7 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 8 Acquisitions

The acquisition of TDC Group amounted to DKK 40,502m. Adjusted for cash in TDC Group of DKK 320m and redemption of non-controlling interest in DK Telekommunikation ApS of DKK 3,679m the cash flow related to investment in enterprises amounted to DKK 36,503m.

## Note 9 Events after the balance sheet date

### Issuance of Senior Notes

On 2 July 2018, DKTF announced the completion of the offering of EUR 1,400m 7.000% and \$410m 9.375% Senior Notes due 2023. The proceeds from the issuance have been used to repay the debt under the bridge facility agreements that was entered into in connection with the acquisition of TDC.

## Note 9 Events after the balance sheet date

### Divestment of Get

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 in TDC Group's consolidated financial statements 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. In DKTH Group's consolidated financial statements the gain from the divestment of Get will be affected by the purchase price allocation and is expected to be significantly lower.

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.

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# Corporate matters

## **Risk factors**

The Offering Memorandum regarding DKTF issuance of EUR 1,400m (equivalent) Senior Notes describes as of 2 July 2018 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, DKTH expects no significant changes in the risks.

## **Forward-looking statements**

This report may include statements about DKTH 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 DKTH Group's results include: the competitive environment and the industry in which DKTH operates; contractual obligations in DKTH Group's financing arrangements; developments in competition within the domestic and international communications industry; information technology and operational risks including DKTH 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 DKTH Group cannot predict. In addition, DKTH 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.

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# Management statement

## Management statement

Today, the Board of Directors and the Executive Committee considered and approved the Interim Financial Statements of DKTH 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

Nathan Andrew Luckey

## Board of Directors

Martin Bradley  
*Chairman*

Nathan Andrew Luckey

Arthur Rakowski

Peter Tind Larsen

Ulrik Pallisø Bornø

Ulrik Dan Weuder

## About DKTH

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# Appendix

## TDC Group

Interim Financial Report January – June 2018

## 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<sup>1</sup>

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<sup>1</sup>

DKKkm

		Q2 2018	Q2 2017	Change in %	H1 2018	H1 2017	Change in %
<b>Income statements</b>	DKKkm						
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 <sup>2</sup>		5,088	5,105	(0.3)	10,184	10,239	(0.5)
Organic gross profit <sup>2</sup>		3,654	3,689	(0.9)	7,307	7,410	(1.4)
Organic EBITDA <sup>2</sup>		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
<b>Key financial ratios</b>							
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 <sup>3</sup>	x	4.5	2.9	-	4.5	2.9	-

<sup>1</sup> For additional data, see TDC Fact Sheet at [www.tdcgroup.com/en/investor-relations/financial-reports](http://www.tdcgroup.com/en/investor-relations/financial-reports).

<sup>2</sup> Reported revenue and gross profit excluding the impact from foreign exchange rates, regulatory price adjustments as well as the impact from acquisitions and divestments.

<sup>3</sup> NIBD figures for 2017 include 50% of hybrid capital as rating agencies provide 50% equity credit for hybrid bonds.

<sup>1</sup> 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<sup>1</sup> 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.

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<sup>1</sup> 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

DKK m

	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	-
<b>Total cash flow</b>	<b>(81)</b>	<b>553</b>	<b>(114.6)</b>	<b>(493)</b>	<b>879</b>	<b>(156.1)</b>
Net interest-bearing debt (NIBD) <sup>1</sup>	(36,959)	(24,042)	(53.7)	(36,959)	(24,042)	(53.7)
NIBD/EBITDA	x 4.5	2.9	-	4.5	2.9	-

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

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

<sup>1</sup> 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 %
<b>Revenue</b>	2	<b>5,088</b>	<b>5,092</b>	<b>(0.1)</b>	<b>10,184</b>	<b>10,331</b>	<b>(1.4)</b>
Cost of sales		(1,434)	(1,386)	(3.5)	(2,877)	(2,816)	(2.2)
<b>Gross profit</b>		<b>3,654</b>	<b>3,706</b>	<b>(1.4)</b>	<b>7,307</b>	<b>7,515</b>	<b>(2.8)</b>
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
<b>Operating profit before depreciation, amortisation and special items (EBITDA)</b>	2	<b>2,018</b>	<b>2,047</b>	<b>(1.4)</b>	<b>4,094</b>	<b>4,180</b>	<b>(2.1)</b>
Depreciation, amortisation and impairment losses	3	(1,177)	(1,256)	6.3	(2,400)	(2,519)	4.7
<b>Operating profit excluding special items (EBIT excluding special items)</b>		<b>841</b>	<b>791</b>	<b>6.3</b>	<b>1,694</b>	<b>1,661</b>	<b>2.0</b>
Special items	4	(725)	12	-	(708)	77	-
<b>Operating profit (EBIT)</b>		<b>116</b>	<b>803</b>	<b>(85.6)</b>	<b>986</b>	<b>1,738</b>	<b>(43.3)</b>
Financial income and expenses	5	31	(255)	112.2	-	(421)	-
<b>Profit before income taxes</b>		<b>147</b>	<b>548</b>	<b>(73.2)</b>	<b>986</b>	<b>1,317</b>	<b>(25.1)</b>
Income taxes		(223)	(127)	(75.6)	(419)	(281)	(49.1)
<b>Profit for the period from continuing operations</b>		<b>(76)</b>	<b>421</b>	<b>(118.1)</b>	<b>567</b>	<b>1,036</b>	<b>(45.3)</b>
Profit for the period from discontinued operations		-	12	-	-	12	-
<b>Profit for the period</b>		<b>(76)</b>	<b>433</b>	<b>(117.6)</b>	<b>567</b>	<b>1,048</b>	<b>(45.9)</b>
<b>Profit attributable to:</b>							
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	31 December		30 June 2017
		30 June 2018	2017	
<b>Assets</b>				
<b>Non-current assets</b>				
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
<b>Total non-current assets</b>		<b>57,389</b>	<b>57,538</b>	<b>57,223</b>
<b>Current assets</b>				
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
<b>Total current assets</b>		<b>5,253</b>	<b>5,602</b>	<b>6,171</b>
<b>Total assets</b>		<b>62,642</b>	<b>63,140</b>	<b>63,394</b>

## Balance sheet

DKKm

	Note	31 December		30 June 2017
		30 June 2018	2017	
<b>Equity and liabilities</b>				
<b>Equity</b>				
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
<b>Equity attributable to owners of the parent company</b>		<b>9,342</b>	<b>20,011</b>	<b>19,114</b>
Hybrid capital	8	-	5,552	5,552
Non-controlling interests		2	1	1
<b>Total equity</b>		<b>9,344</b>	<b>25,564</b>	<b>24,667</b>
<b>Non-current liabilities</b>				
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
<b>Total non-current liabilities</b>		<b>37,094</b>	<b>23,041</b>	<b>24,760</b>
<b>Current liabilities</b>				
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
<b>Total current liabilities</b>		<b>16,204</b>	<b>14,535</b>	<b>13,967</b>
<b>Total liabilities</b>		<b>53,298</b>	<b>37,576</b>	<b>38,727</b>
<b>Total equity and liabilities</b>		<b>62,642</b>	<b>63,140</b>	<b>63,394</b>



## Statements of cash flow

DKK m

	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
<b>Operating activities in continuing operations</b>	<b>265</b>	<b>1,800</b>	<b>(85.3)</b>	<b>1,858</b>	<b>3,475</b>	<b>(46.5)</b>
Operating activities in discontinued operations	-	-	-	-	-	-
<b>Total cash flow from operating activities</b>	<b>265</b>	<b>1,800</b>	<b>(85.3)</b>	<b>1,858</b>	<b>3,475</b>	<b>(46.5)</b>
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	-
<b>Investing activities in continuing operations</b>	<b>(1,023)</b>	<b>(1,037)</b>	<b>1.4</b>	<b>(2,078)</b>	<b>(1,568)</b>	<b>(32.5)</b>
Investing activities in discontinued operations	-	6	-	-	6	-
<b>Total cash flow from investing activities</b>	<b>(1,023)</b>	<b>(1,031)</b>	<b>0.8</b>	<b>(2,078)</b>	<b>(1,562)</b>	<b>(33.0)</b>
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)	-	-	-	-	-
<b>Financing activities in continuing operations</b>	<b>677</b>	<b>(216)</b>	<b>-</b>	<b>(273)</b>	<b>(1,034)</b>	<b>73.6</b>
Financing activities in discontinued operations	-	-	-	-	-	-
<b>Total cash flow from financing activities</b>	<b>677</b>	<b>(216)</b>	<b>-</b>	<b>(273)</b>	<b>(1,034)</b>	<b>73.6</b>
<b>Total cash flow</b>	<b>(81)</b>	<b>553</b>	<b>(114.6)</b>	<b>(493)</b>	<b>879</b>	<b>(156.1)</b>
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)	-
<b>Cash and cash equivalents (end-of-period)</b>	<b>1,295</b>	<b>2,546</b>	<b>(49.1)</b>	<b>1,295</b>	<b>2,546</b>	<b>(49.1)</b>

# 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

DKK m

	Previous accounting policy	Changed accounting policy	New accounting policy
<b>Revenue</b>			
1H 2018	10,043	141	10,184
1H 2017	10,262	69	10,331
<b>Operating profit before depreciation, amortisation and special items (EBITDA)</b>			
1H 2018	4,078	16	4,094
1H 2017	4,185	(5)	4,180
<b>Income taxes</b>			
1H 2018	(415)	(4)	(419)
1H 2017	(282)	1	(281)
<b>Profit for period</b>			
1H 2018	555	12	567
1H 2017	1,052	(4)	1,048
<b>Earnings per share (EPS) (DKK)</b>			
1H 2018	0.40	0.1	0.41
1H 2017	1.11	(0.1)	1.10
<b>Total assets</b>			
1H 2018	62,648	(6)	62,642
1H 2017	63,427	(33)	63,394
<b>Total equity</b>			
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 <sup>1</sup>	
	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	-	-	-	-	-	-	-	-
<b>Revenue</b>	<b>5,491</b>	<b>5,406</b>	<b>2,114</b>	<b>2,298</b>	<b>860</b>	<b>878</b>	<b>249</b>	<b>237</b>
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
<b>EBITDA</b>	<b>3,061</b>	<b>3,080</b>	<b>1,187</b>	<b>1,328</b>	<b>553</b>	<b>521</b>	<b>(1,334)</b>	<b>(1,472)</b>
<b>Specification of revenue:</b>								
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 <sup>2,3</sup>		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
<b>Revenue</b>	<b>1,558</b>	<b>1,642</b>	<b>(88)</b>	<b>(130)</b>	<b>10,184</b>	<b>10,331</b>
Total operating expenses excl. depreciation, etc.	(930)	(919)	105	147	(6,146)	(6,202)
Other income and expenses	2	2	(20)	(19)	56	51
<b>EBITDA</b>	<b>630</b>	<b>725</b>	<b>(3)</b>	<b>(2)</b>	<b>4,094</b>	<b>4,180</b>
<b>Specification of revenue:</b>						
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)

	DKK m	
	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)
<b>Consolidated profit/(loss) before income taxes</b>	<b>986</b>	<b>1,317</b>

<sup>1</sup> 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 (H1 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).

<sup>2</sup> 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 40m (H1 2017: DKK 42m).

<sup>3</sup> 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)
<b>Total</b>	<b>(1,177)</b>	<b>(1,256)</b>	<b>(2,400)</b>	<b>(2,519)</b>

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)	-
<b>Special items before income taxes</b>	<b>(725)</b>	<b>12</b>	<b>(708)</b>	<b>77</b>
Income taxes related to special items	70	3	61	13
Special items related to discontinued operations	-	12	-	12
<b>Total special items</b>	<b>(655)</b>	<b>27</b>	<b>(647)</b>	<b>102</b>

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

DKK m

	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)
<b>Net interest</b>	<b>(193)</b>	<b>(158)</b>	<b>(22.2)</b>	<b>(340)</b>	<b>(316)</b>	<b>(7.6)</b>
Currency translation adjustments	123	(113)	-	216	(145)	-
Fair value adjustments	73	-	-	70	8	-
<b>Interest, currency translation adjustments and fair value adjustments</b>	<b>3</b>	<b>(271)</b>	<b>101.1</b>	<b>(54)</b>	<b>(453)</b>	<b>88.1</b>
Profit/(loss) from joint ventures and associates	1	(3)	133.3	-	(7)	-
Interest on pension assets	27	19	42.1	54	39	38.5
<b>Total</b>	<b>31</b>	<b>(255)</b>	<b>112.2</b>	<b>-</b>	<b>(421)</b>	<b>-</b>

### Net financials recognised in other comprehensive income

DKK m

	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	-	-	-	-
<b>Exchange-rate adjustments of foreign enterprises</b>	<b>106</b>	<b>(393)</b>	<b>235</b>	<b>(466)</b>
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)
<b>Value adjustments of hedging instruments</b>	<b>4</b>	<b>(35)</b>	<b>(32)</b>	<b>27</b>

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	Fair value ad-justments	Total	Interest	Currency	Fair value ad-justments	Total
		translation adjustments				translation adjustments		
Euro Medium Term Notes (EMTNs) incl. hedges	(109)	6	(67)	<b>(170)</b>	(142)	2	2	<b>(138)</b>
Senior Facility Agreement incl. hedges	(24)	68	119	<b>163</b>	-	-	-	<b>-</b>
European Investment Bank (EIB) and bank loans incl. hedges	(2)	12	(2)	<b>8</b>	(6)	1	-	<b>(5)</b>
Other hedges	-	-	23	<b>23</b>	-	-	(2)	<b>(2)</b>
Other	(58)	37	-	<b>(21)</b>	(10)	(116)	-	<b>(126)</b>
<b>Total</b>	<b>(193)</b>	<b>123</b>	<b>73</b>	<b>3</b>	<b>(158)</b>	<b>(113)</b>	<b>-</b>	<b>(271)</b>
	H1 2018				H1 2017			
	Interest	Currency	Fair value ad-justments	Total	Interest	Currency	Fair value ad-justments	Total
		translation adjustments				translation adjustments		
Euro Medium Term Notes (EMTNs) incl. hedges	(237)	(9)	(71)	<b>(317)</b>	(283)	(2)	4	<b>(281)</b>
Senior Facility Agreement incl. hedges	(24)	67	119	<b>162</b>	-	-	-	<b>-</b>
European Investment Bank (EIB) and bank loans incl. hedges	(4)	3	(2)	<b>(3)</b>	(12)	-	-	<b>(12)</b>
Other hedges	-	-	24	<b>24</b>	-	-	4	<b>4</b>
Other	(75)	155	-	<b>80</b>	(21)	(143)	-	<b>(164)</b>
<b>Total</b>	<b>(340)</b>	<b>216</b>	<b>70</b>	<b>(54)</b>	<b>(316)</b>	<b>(145)</b>	<b>8</b>	<b>(453)</b>

## Note 6 Pension assets and pension obligations

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

<sup>1</sup> The increase in the present value of the defined benefit obligation resulting from employees' services in the current period.

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

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
<b>Assets and obligations</b>			
<b>Specification of pension assets</b>			
Fair value of plan assets	30,938	30,959	30,049
Defined benefit obligation	(24,415)	(24,207)	(23,978)
<b>Pension assets recognised in the balance sheet</b>	<b>6,523</b>	<b>6,752</b>	<b>6,071</b>
<b>Change in pension assets</b>			
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
<b>Pension assets recognised in the balance sheet</b>	<b>6,523</b>	<b>6,752</b>	<b>6,071</b>
<b>Assumptions used to determine defined benefit obligations</b>			
Discount rate	1.44	1.56	1.57
General price/wage inflation	1.75	1.73	1.57
<b>Assumptions used to determine pension (costs)/income</b>			
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<sup>1</sup>.

### 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).

<sup>1</sup>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)<sup>1</sup>

DKK m

	2022	2023	2025	2025	2027 <sup>4</sup>	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 (DKK m)	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 (EUR m) <sup>1</sup>	150	50	2,025	1,200	-	3,425
Hereof nominal value swapped from USD to EUR (USD m) <sup>2</sup>	-	-	-	1,418	-	1,418
Hereof nominal value swapped from GBP to EUR (GBP m) <sup>3</sup>	-	425	-	-	-	425

<sup>1</sup> The maturity of derivatives used for hedging long-term loans matches the maturity of the underlying loans.

<sup>2</sup> The nominal value of the notional value of USD 1,425m floating loan is fully swapped to EUR.

<sup>3</sup> The nominal value of the GBP 425m February 2023 bond is fully swapped to EUR 508m.

<sup>4</sup> ~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

DKK m

	31 December		
	30 June 2018	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 investments	(184)	(203)	(218)
Cash	(1,295)	(1,767)	(2,546)
	<b>36,959</b>	<b>20,098</b>	<b>21,266</b>
50% of hybrid capital	-	2,776	2,776
<b>Net interest-bearing debt</b>	<b>36,959</b>	<b>22,874</b>	<b>24,042</b>

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, DKT initiated 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; in-

creased 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  
*Chairman*

Mike Parton  
*Vice Chairman*

Marianne Rørslev Bock

Martin Bradley

Nathan Luckey

Arthur Rakowski

Mogens Jensen

Thomas Lech Pedersen

John Schwartzbach

Zanne Stensballe

## About TDC

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