

Financial Report October – December 2015

February 5th, 2016

TDC Group



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

Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this financial report. Key factors that may have a direct bearing on TDC's results include: the competitive environment and the industry in which TDC operates; contractual obligations in TDC's financing arrangements; developments in competition within the domestic and international communications industry; information technology and operational risks including TDC'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 the 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 cannot predict. In addition, TDC cannot assess the impact of each factor on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those described in any forward-looking statements.

The Market shares included in this report are estimated by TDC Market Intelligence and may change with retrospective effect as increased knowledge of the market is obtained. The total market is defined to include residential and business. Market shares for landline voice, broadband and TV are based on number of lines and mobile voice is based on the number of SIM cards, excluding Prepaid cards and Data only SIM cards.

Introduction

- Q4 highlights
 - Double-digit Q4 EBITDA growth rates in both **Get** (Norway) and **Sweden**
 - Unsatisfactory, but expected, development in **Denmark** with EBITDA decrease of 9.8% in Q4
 - Danish product specific KPIs (**ARPU and RGU**) tracking in line with recent quarters' trend
 - Lowest "all you can eat" **mobile price** points increased in late 2015 in the Consumer market
 - New CSO, CFO and Business CEO appointed to the **management team**
- 2015 FY performance
 - Organic **revenue** development (-1.9%) and **EBITDA** (9,809m) met the 2015 guidance
 - **Capex** of 4.5bn (guidance ~4.3bn) partly due to accelerated Get footprint expansion
 - Cancellation of the remaining 2015 **dividend payment** due to weak 2016 outlook
 - Flat 2015 **EFCF** development as lower tax paid and Get impact outweighed the decline in cash contribution from Denmark
 - **Impairment losses** on goodwill (4.6bn) related to our Danish activities
- 2016 guidance: EBITDA of ~8.8bn, EFCF of ~1.9bn and DPS of DKK 1.00

Financial Highlights

TDC Group

DKKm




	Q4			Full Year		
	2015	Growth, %		2015	Growth, %	
		Reported	Organic		Reported	Organic
Revenue	6,245	(0.2)	(1.5)	24,366	4.4	(1.9)
Gross Profit	4,318	(2.9)	(4.7)	17,484	2.3	(4.6)
Opex	(1,933)	1.4	3.4	(7,675)	(5.3)	1.4
EBITDA	2,385	(4.1)	(5.7)	9,809	0.1	(6.9)
Profit for the period	(3,982)	NM		(2,384)	(173.9)	
Capex	(1,334)	(2.5)	1.6 ¹	(4,537)	(16.1)	(1.5) ¹
EFCF	780	172.7		3,227	0.4	
Adjusted NIBD/EBITDA ²				2.9	(0.5) ³	

1. Adjusted for the inclusion of Get

2. Hybrid bonds are accounted for as equity and are not included in NIBD. The hybrid bonds are assigned 50% equity credit from rating agencies. Adjusted NIBD is calculated by adding 50% of the hybrid capital

3. Absolute change

Q4 2015 performance per business line

DKKm/ Growth in local currency		 TDC Group							
		Consumer	Business	Wholesale	Cost centre	Denmark in total	Get ²	TDC Norway	Sweden
Revenue¹	6,245 -0.2%	2,777 -6.4%	1,557 -2.7%	426 -7.8%	122 +9.9%	4,827 -5.0%	566 +4.9%	204 -1.2%	757 +9.5%
Gross profit¹	4,318 -2.9%	2,054 -7.6%	1,140 -11.4%	288 +1.4%	88 +41.9%	3,535 -7.6%	447 +8.8%	68 -8.5%	280 +10.4%
EBITDA¹	2,385 -4.1%	1,851 -8.9%	889 -15.8%	251 +5.9%	-992 +10.2%	1,998 -9.8%	280 +13.3%	22 -22.2%	86 +35.0%

- 1 Consumer:** Negative EBITDA development (-8.9%) from pressure on landline voice, mobility service and other services
- 2 Business:** Continued substantial EBITDA leakage (-15.8%) across products and segments
- 3 Strong Q4 EBITDA growth rates in both **Get** (13.3%) and **Sweden** (35.0%)**

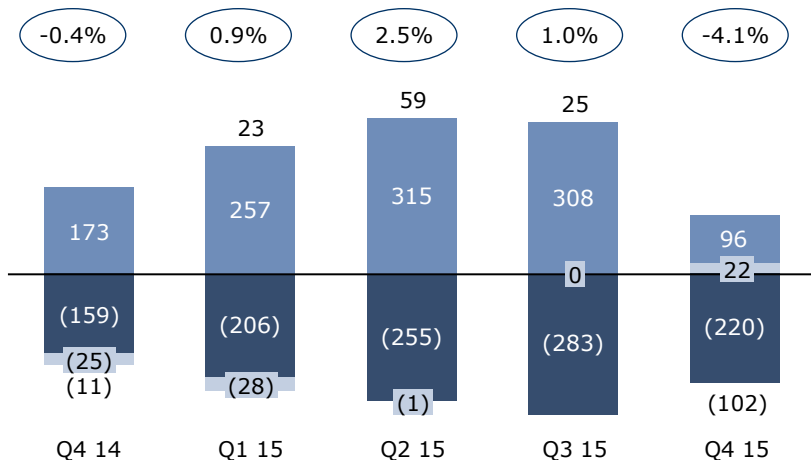
1. Business line absolute figures and growth rates exclude eliminations and therefore do not amount to total Group figures
 2. The absolute figures show Get's contribution to TDC Group's financial results, while the growth figures show Get's growth from 2014 to 2015 in local currency

Quarterly EBITDA trends

■ Denmark¹ ■ Norway ■ Sweden

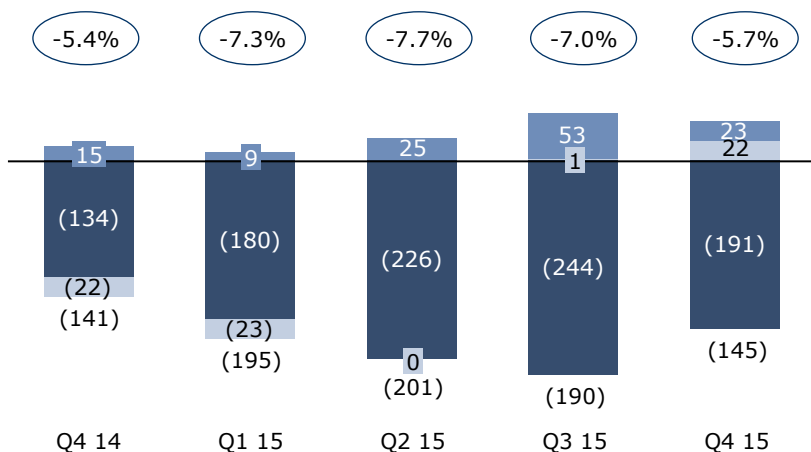
Reported YoY EBITDA growth

DKKkm



Organic² YoY EBITDA growth

DKKkm



- **Reported EBITDA development** in Q4 negatively affected by lower contribution from Norway as Get was now partly included in the YoY comparison (Get included as of November 2014)
- **Q4 organic EBITDA growth rate** (-5.7%) in line with recent trend as the decline in EBITDA in Denmark was only partly compensated by growth in activities in Norway and Sweden

1. Eliminations between countries included in Denmark numbers
 2. Adjusted for regulation, acquisitions/divestments, sales of assets and foreign exchange

TDC Group snapshot



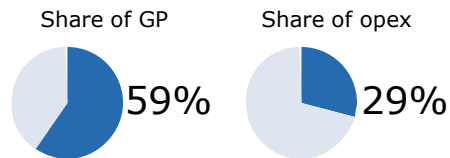
Consumer



- Market leader in communication and home entertainment, with focused
 - Full household brands
 - Agile online brands



2015



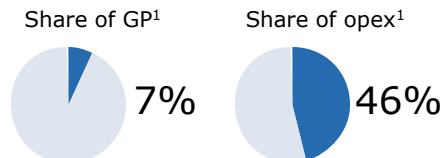
Network assets, Wholesale & Operations



- Unparalleled infrastructure base with unique mix of all technologies



2015



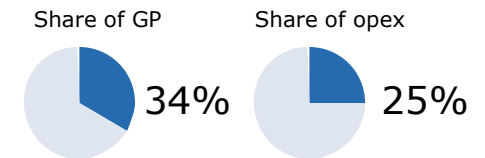
Business



- B2B leader in Denmark with footprints in Norway and Sweden
- High quality customer base from small, over mid-size to large enterprises
- Agile online SMB player



2015



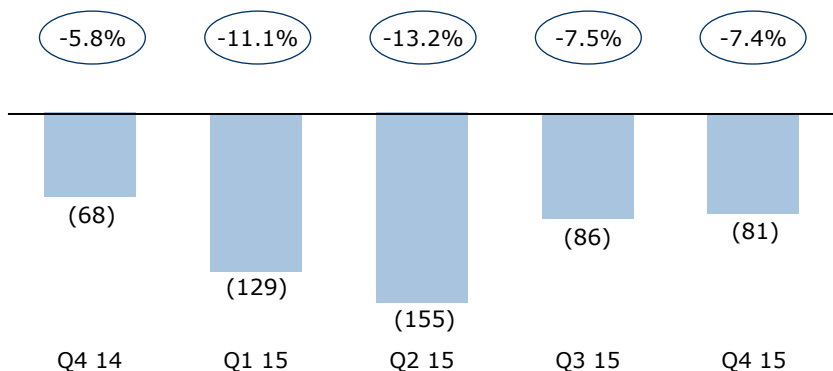
1. Including eliminations and Headquarter
Note that the shares in the pie's are based on our new organisation from 2016

Mobility services in Denmark

■ Consumer ■ Business ○ YoY growth

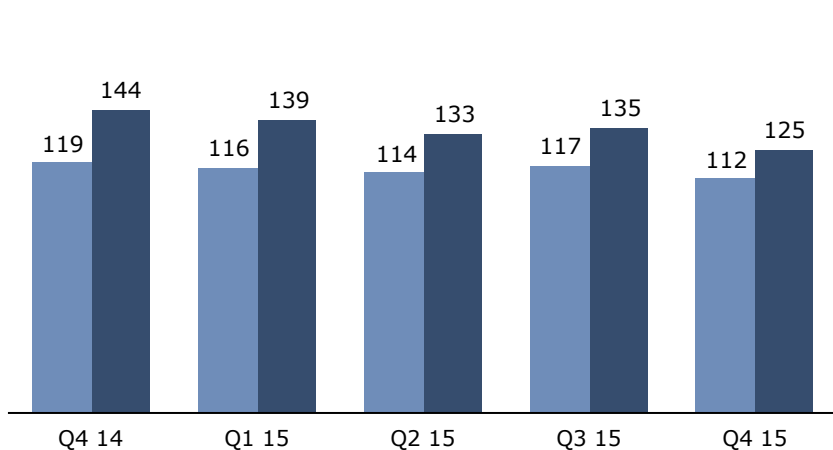
Organic¹ YoY gross profit development

DKKm



Mobile voice ARPU

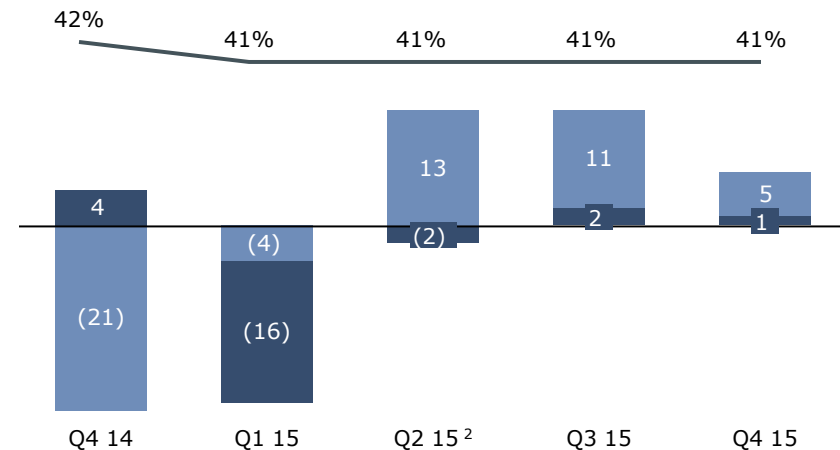
DKK/month



- **Organic gross profit** decline in Consumer and Business
- **Consumer ARPU** down by DKK 7 YoY (6%), representing a slightly worsened trend compared with previous quarters
- As expected, **recent price initiatives** in Consumer impacted customer intake in Telmore/Fullrate negatively; nevertheless Consumer succeeded in net adding 5k vs. Q3
- **Business ARPU** down by 13% YoY (-15% Q3 YoY) due to price pressure in both Enterprise and SMB segments

Mobile voice RGU net adds & market share

'000



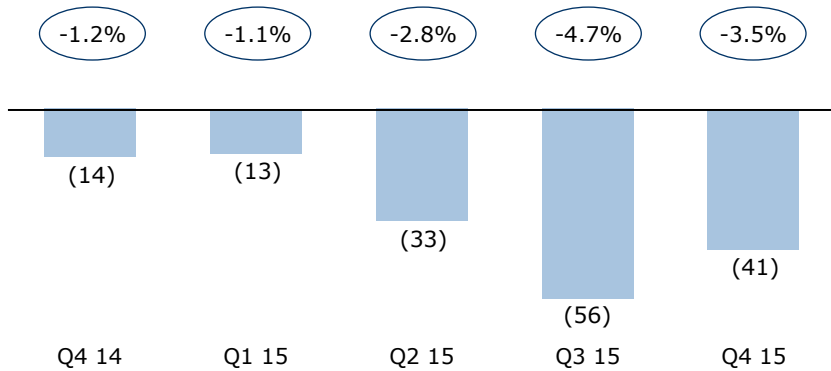
1. Adjusted for regulation and acquisitions/divestments

2. Business net adds in Q2 2015 influenced by a movement of 3k Justfone RGUs from Wholesale to Business

Internet & network in Denmark

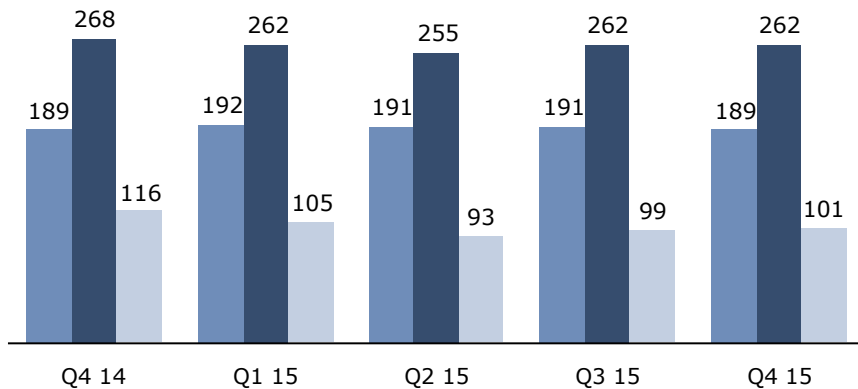
Consumer Business Wholesale² YoY growth

Organic¹ YoY gross profit development DKKm

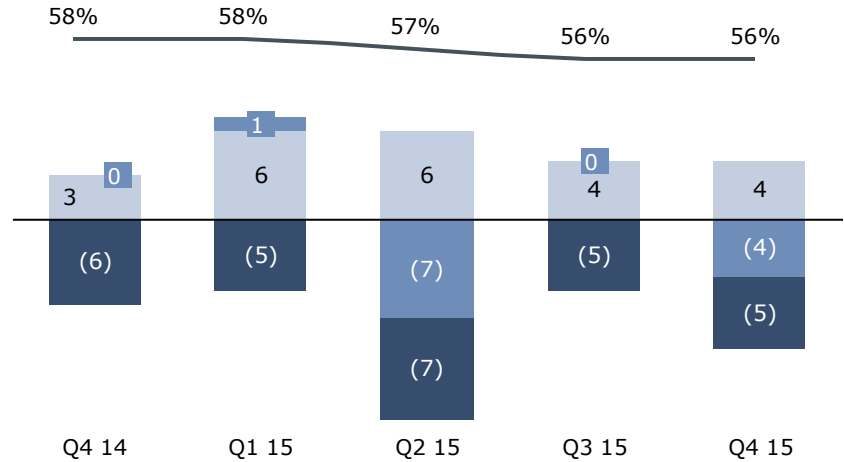


- **YoY gross profit** decrease in line with recent quarters
- Strong growth of customer base in **YouSee**. This was more than offset by loss in **TDC brand and Fullrate** in Q4 due to increased price pressure following the new wholesale prices (LRAIC), also negatively affecting **Wholesale ARPU** (-13% YoY)
- Flat **Consumer ARPU** in Q4 YoY

Broadband ARPU DKK/month



Broadband RGU net adds & market share '000

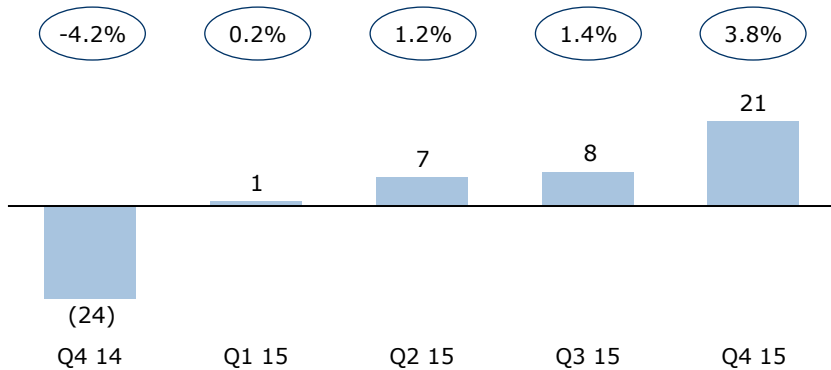


1. Adjusted for regulation and acquisitions/divestments
 2. Including xDSL resale, BSA and VULA

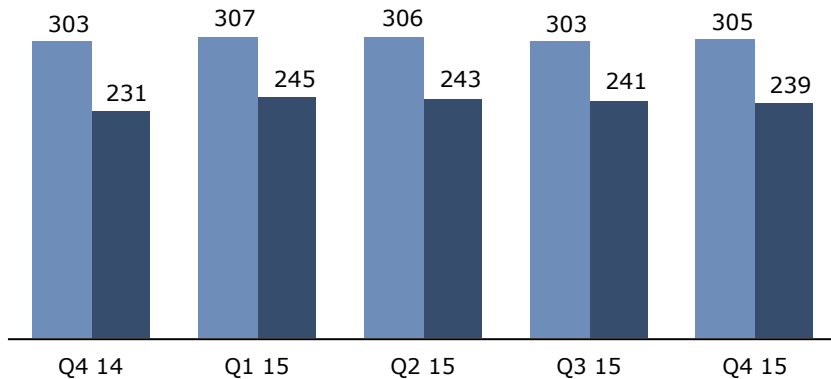
TV in Denmark

■ TDC/Fullrate brand ■ YouSee brand ○ YoY growth

Organic¹ YoY gross profit development DKKm

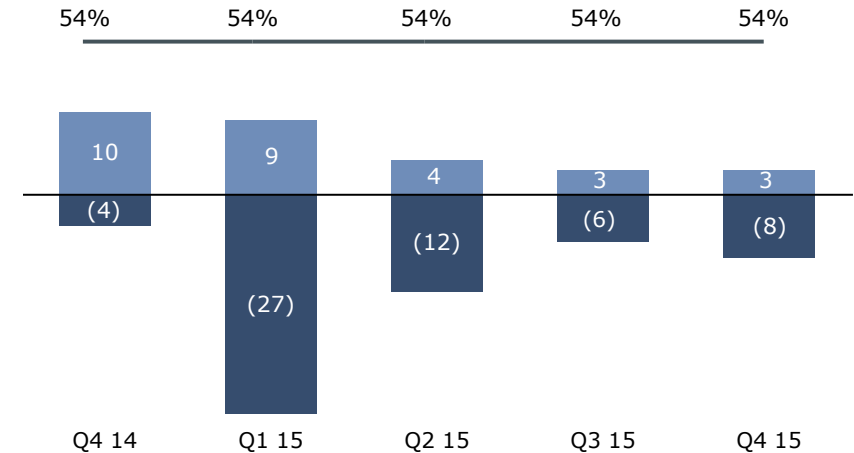


ARPU DKK/month



- YoY organic **gross profit** growth of 3.8%
- **YouSee ARPU** up by DKK 8 or 3.5% YoY, as the positive effect from price increases in January 2015 was only partly outweighed by cord shaving throughout the year
- Continued, but reduced, growth in customer base in the **TDC/Fullrate brand** (IPTV)
- Growth in customer base in **YouSee** individual customers (SDU's) more than offset by net loss of organised customers (MDU's)

RGU net adds & market share '000



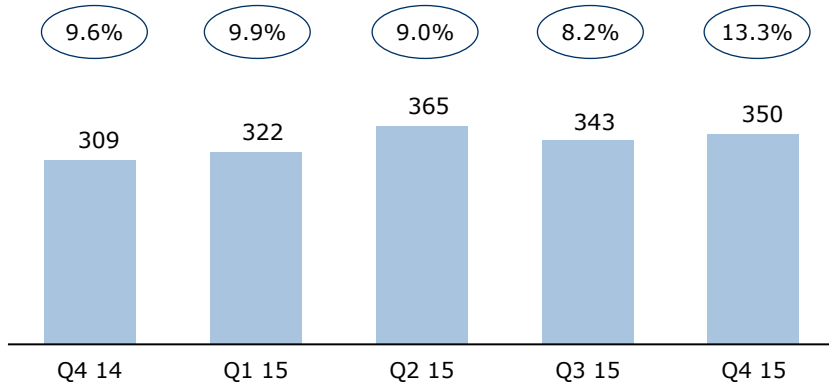
1. Adjusted for acquisitions/divestments

Get

■ Broadband ■ TV ○ YoY growth

EBITDA¹

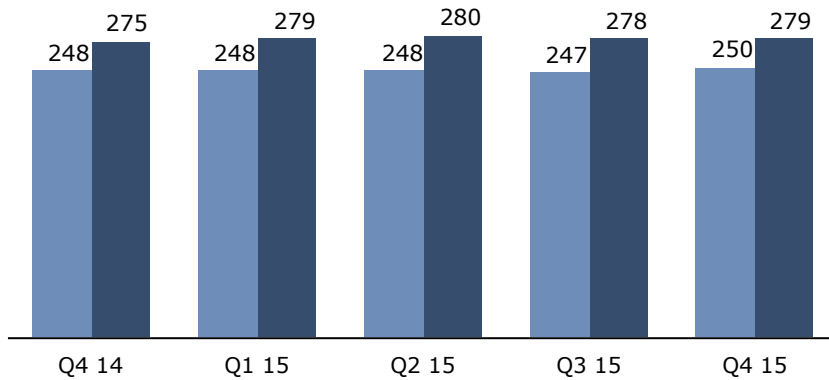
NOKm



- Get delivered strong YoY **gross profit** and **EBITDA growth** of 8.8% and 13.3%, respectively
- Continued strong growth in **broadband customers**; Q4 TV net adds affected by an MDU contract changing to a broadband only solution with potential individual TV upsale
- Get **household ARPU** rose by 3% in Q4 YoY driven by higher broadband penetration and higher TV ARPU

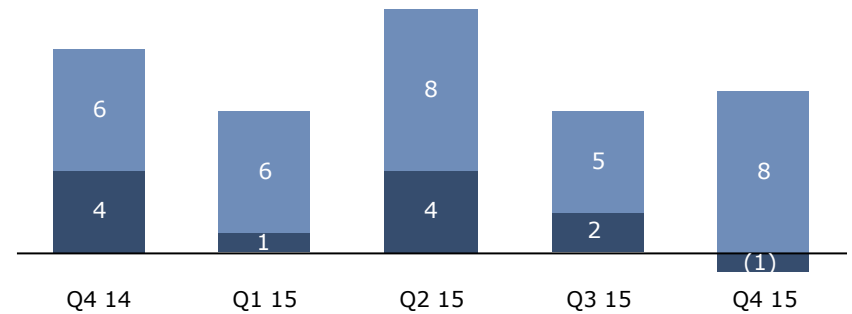
Residential ARPU

NOK/month



Residential RGU net adds

'000



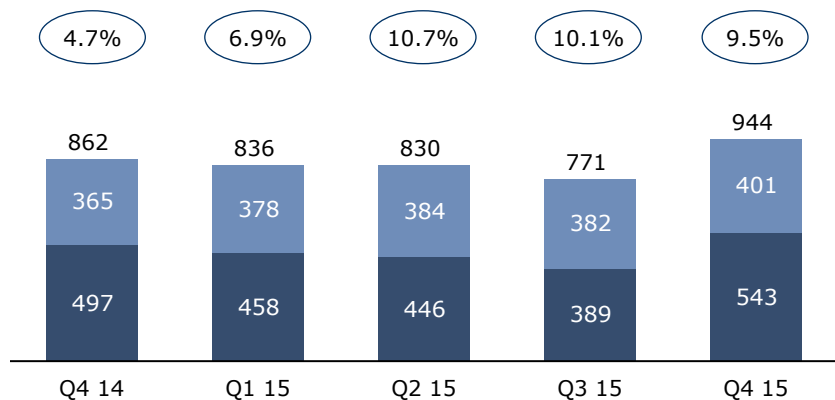
1. Including Gets historical data before the acquisition as of November 2014

Sweden

Operator Integrator YoY growth

Revenue

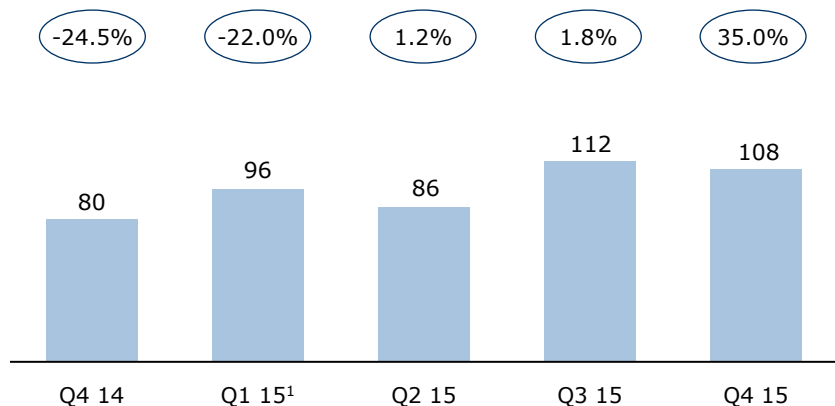
SEKm



- Strong revenue and EBITDA **growth in Q4** – partly affected by one-offs and seasonality in the integrator business – but positive pipeline and underlying growth
- Continued growth in **mobile subscriptions** fuelled by increased sale of combined business solutions
- By the end of 2015, the majority of mobile customers had been migrated to the new **MVNO contract** with TeliaSonera

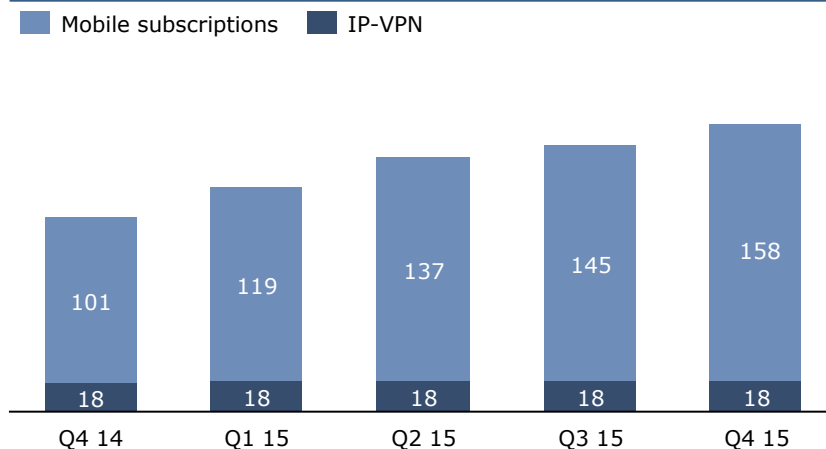
EBITDA

SEKm



Operator RGUs

'000



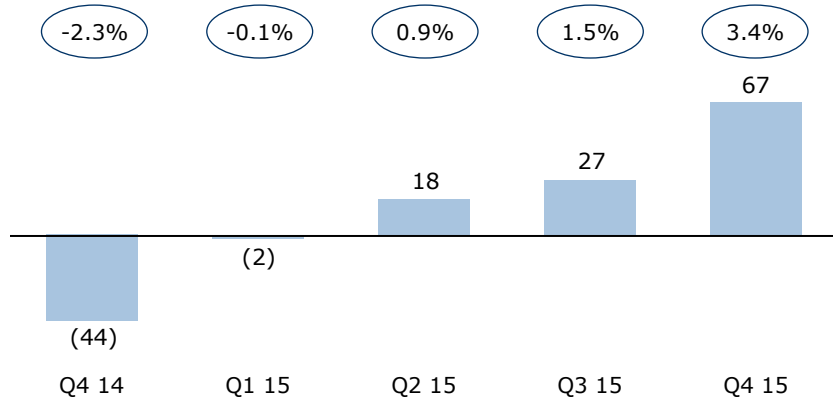
1. Negatively affected by a positive one-off on transmission costs in Q1 2014 (SEK 18m) due to reversed provision related to regulatory pricing decisions

Opex & capex

○ YoY growth

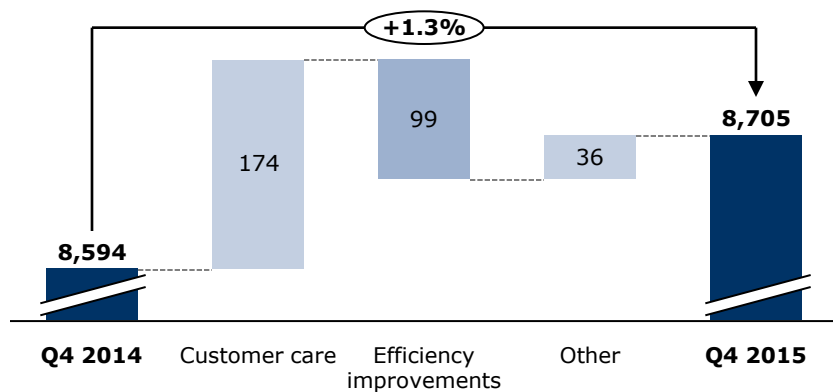
Organic¹ YoY opex development

DKKm



FTE development

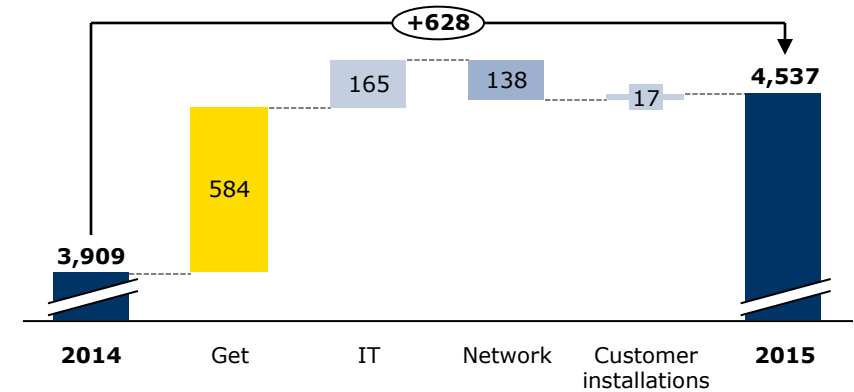
'000



- **Organic FY opex savings** (1.4%) at a lower level than in 2014, as continued high level of efficiency improvements in cost centre² and a positive effect from a one-off in TDC Norway was partly offset by increasing SAC/SRC spending
- **Number of FTE's** up by 1.3% YoY driven by increases in customer service across brands, partly outweighed by general efficiency improvements in Operations
- **2015 investment spending** increased relating mainly to the inclusion of Get and targeted IT investments in Denmark on digitalisation initiatives
- **Mobile investments** decreased YoY as the nationwide upgrade was completed in 2015

Capex, YoY growth

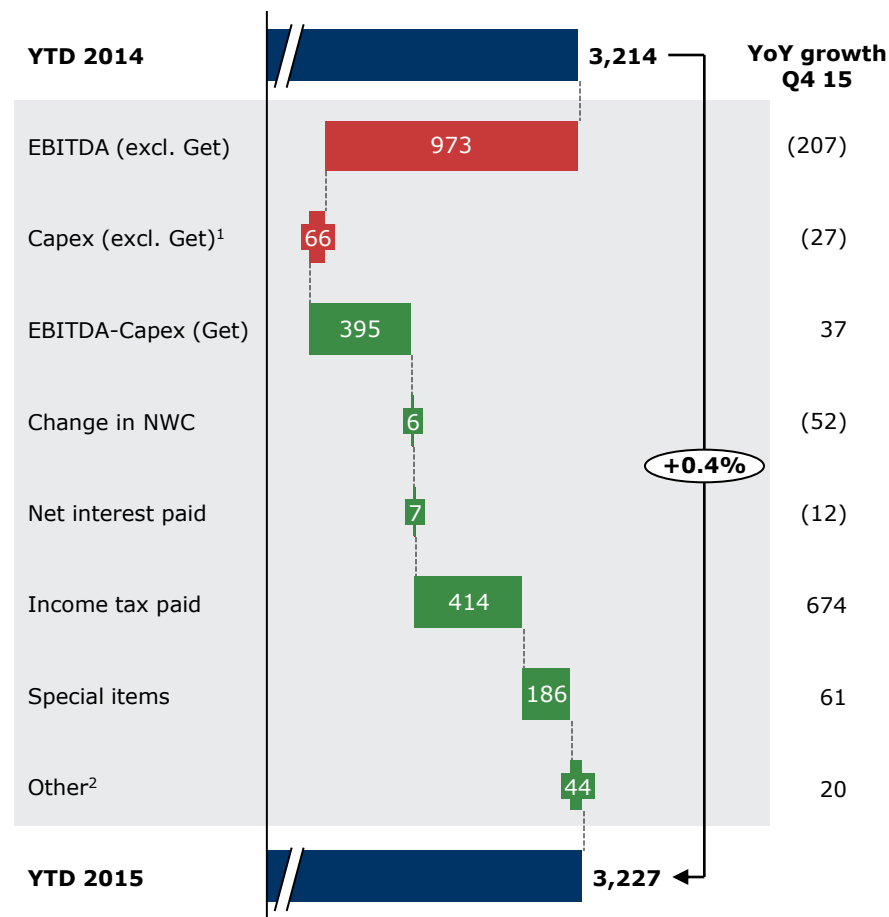
DKKm



1. Adjusted for acquisitions/divestments, sales of assets and foreign exchange
 2. Including Operations, Channels and Headquarters

Equity Free Cash Flow

DKKm



Flat 2015 EFCF development composed of:

- Substantial **EBITDA-capex** decline (excl. Get)
- Positive cash flow contribution (EBITDA-capex) from **Get**
- Reduced **income tax payments** impacted by the EBITDA decline and tax refunded in 2015 regarding previous years
- Lower cash outflow to **special items** related to fewer redundancies as well as acquisitions in 2014

Adjusted NIBD/EBITDA³ 2.9

1. Investment in PPE and intangible assets - incl. mobile licenses
 2. Including adjustment for non-cash items, pension contributions, payments related to provisions and finance lease repayments
 3. Hybrid bonds are accounted for as equity and are not included in NIBD. The hybrid bonds are assigned 50% equity credit from rating agencies. Adjusted NIBD is calculated by adding 50% of the hybrid capital



Guidance & Strategy

Guidance 2015 follow-up

Better than expected

- Lower income tax payments than expected, compensating on EFCF for the higher capex spend
- Other income in TDC Norway, positively affected by termination of a defined benefit plan

As expected

- Impact from regulation at 2014 level
- Mobile gross profit affected by the YoY mobile voice ARPU loss and spill-over effects from the loss of mobile customers throughout 2014
- Gross profit growth from YouSee broadband offset by challenged development in TDC brand due to LRAIC spill-over effects
- Organic opex savings of 1.4% at a lower rate than experienced in 2014 (3.4%)
- TV gross profit returned to growth supported by RGU growth in TDC TV and YouSee ARPU increase
- Strong growth rates in Get (10.0%)
- Flattish EBITDA development in Sweden

Worse than expected

- Gross profit in Business decreased by 13% vs. 7% in 2014, price pressure higher than expected
- NOK/DKK exchange rate of 0.835 vs. a guidance assumption of 0.85, negatively affecting EBITDA
- Cancellation of the remaining 2015 dividend payment due to expected weak 2016 financial performance in Denmark

2015 Guidance

	Guidance	2015	
Organic Revenue growth	At the same level as 2014 (-2.5%)	-1.9%	✓
EBITDA	≥ DKK 9.8bn	DKK 9.8bn	✓
Capex	~ DKK 4.3bn	DKK 4.5bn	(✓)
DPS	DKK 2.50	DKK 1.00	✗

Guidance 2016

2016 Guidance assumptions

- Regulatory impact expected at same level as 2015
- High single-digit EBITDA growth rates in Norway and Sweden
- Substantial EBITDA decline in Business, however with improvements compared with the 2015 development
- Lower YoY decline from Consumer mobile as ARPU pressure eases off after recent market price increases
- Deteriorated gross profit in Consumer TV due to lower price increases than in 2015
- Deteriorated gross profit in Consumer broadband due to increased competition
- Unchanged YoY loss from Consumer landline voice
- Decreasing non-service revenue in Consumer
- Negative impact from loss of a large Wholesale MVNO contract
- Higher net interest following the financing of the Get acquisition
- Flat development in tax paid
- Increases in cash capex due to different timing of payment and expected mobile licence fee (1800 MHz)

	2015 results	2016 guidance
EBITDA	DKK 9.8bn	~ DKK 8.8bn ¹
EFCF	DKK 3.2bn	~ DKK 1.9bn
DPS	DKK 1.00	DKK 1.00

1) Assumes DKK/NOK and DKK/SEK exchange rates of 0.80

TDC Group's new strategy – as presented on CMD 27 January



**Always
Simpler
and better**

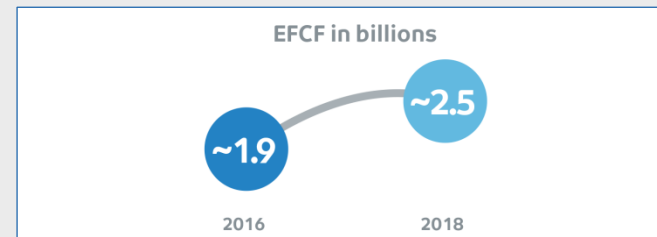
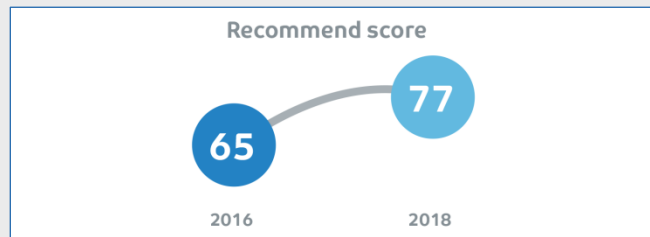
- For our customers
- For TDC

Better connectivity, by continuing to deliver the best speed, quality and coverage by uniting our unique asset

Better offerings and entertainment by delivering relevant products both today and tomorrow

Better customer experience driven by best customer insights and digitalisation

Simplified and Digital Operation model: The planned B2C and B2B simplifications will optimise investments and result in significant opex savings during the strategy period



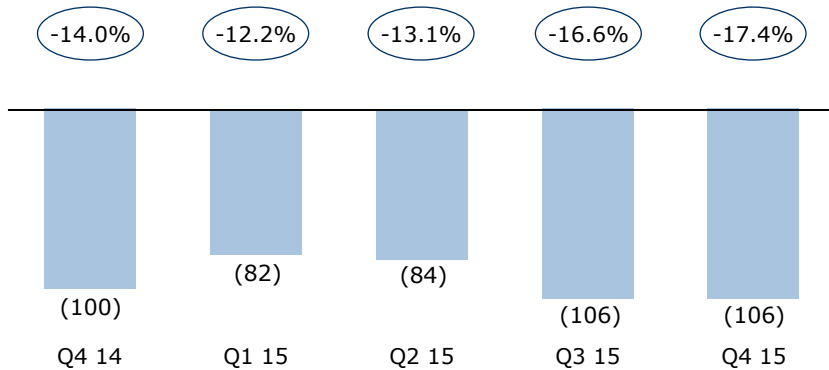
A woman with long blonde hair, wearing a black blazer over a blue patterned top and a headset, is seated at a desk in a call center. She is looking at a large black Lenovo monitor. The desk also has a keyboard, a mouse, and some papers. In the background, other employees are working at their desks, and there are several computer monitors. The office has a modern feel with recessed ceiling lights and a blue wall in the distance.

Q&A

A.1 Landline voice in Denmark

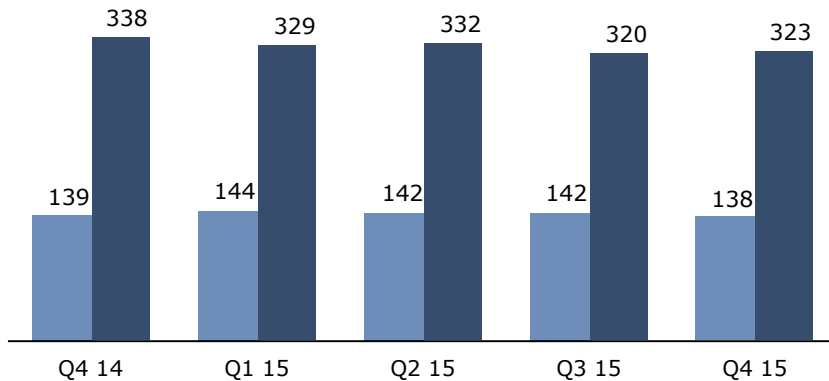
■ Consumer ■ Business ○ YoY growth

Organic¹ YoY gross profit development DKKm

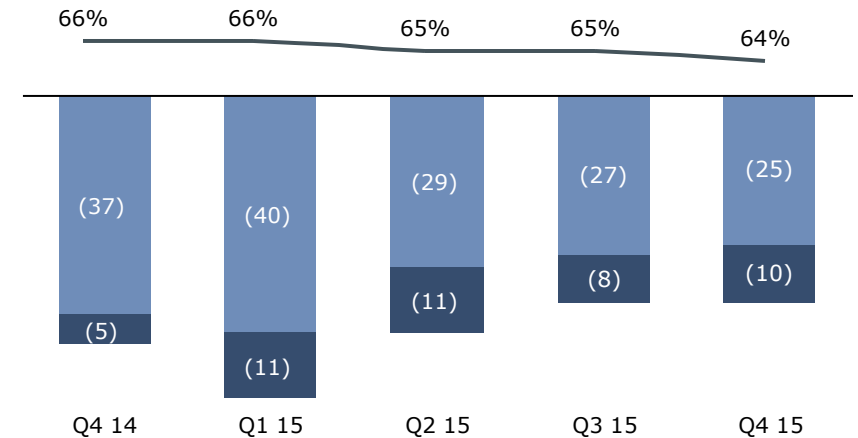


- Flat **Consumer YoY ARPU** development, however ARPU decline vs. Q3 2015 due to lower revenue from add-ons such as 'Fri Weekend'
- **Business ARPU** decrease of DKK 15 in Q4 YoY driven by both the Enterprise and SMB segments

ARPU DKK/month



RGU net adds & market share '000



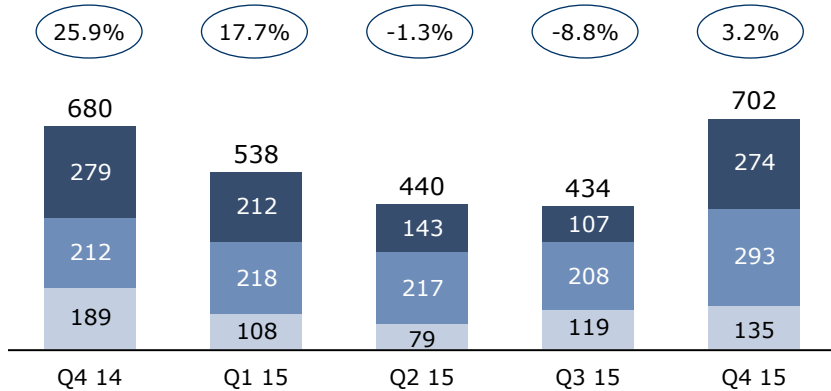
1. Adjusted for regulation and acquisitions/divestments

A.2 Other services

■ Sale of handsets ■ NetDesign ■ Other ○ YoY growth

Revenue

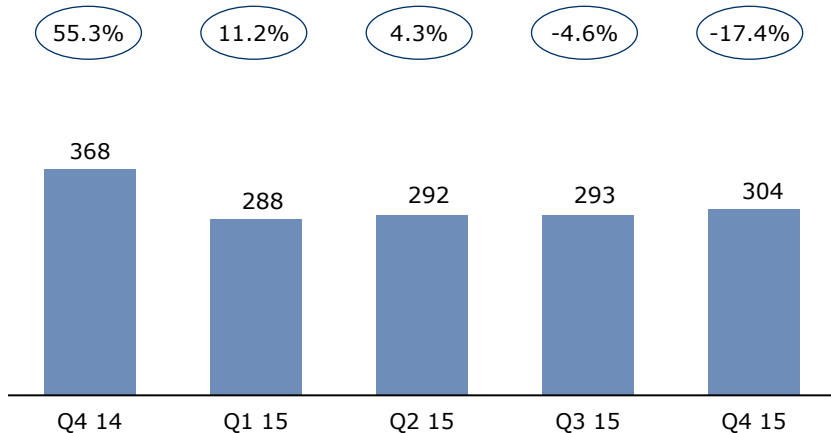
DKKm



- Revenue from **sales of mobile handsets** sold with a positive margin remained at the same level as Q4 2014, as an increase in sales in Business was offset by lower sales in Consumer
- Q4 revenue growth in **NetDesign** driven by increased sales of low-margin hardware and software
- Lower revenue from the **other category** due to a positive one-off in Q4 2014 of approximately DKK 50m regarding reassessment of provisions

Gross Profit

DKKm



Other services consist of...

Mobile handsets



TDC NetDesign

Eliminations



Paper communication fees

bet25.dk

rød25.dk

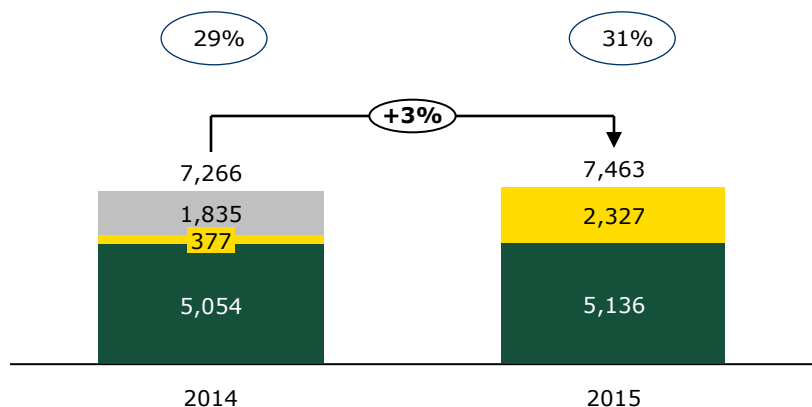
Dansk Kabel TV

A.3 Continued growth in our cable activities

■ Get (Pre) ■ Get ■ "YouSee" ○ Share of TDC

TDC Group cable revenue^{1,2}

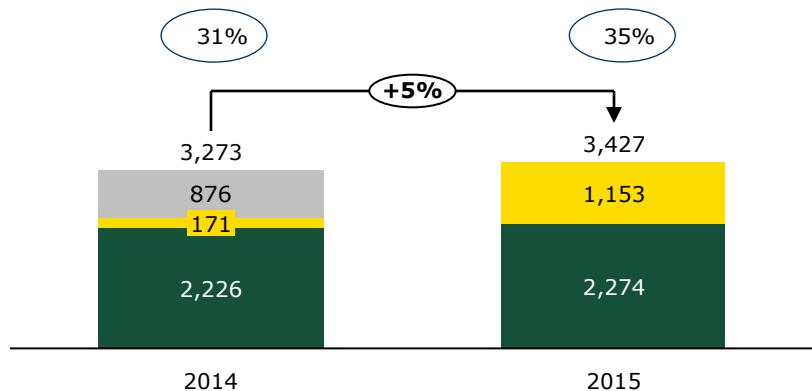
DKKkM



- Revenue and EBITDA **growth** in both Get and YouSee
- Our cable activities represent **35% of TDC Group EBITDA**, up by 4 pp YoY on a pro forma basis
- Our cable based customer base consist of **1.5m TV subscribers** of which **52% are broadband penetrated**. 57% of all TDC Groups broadband subscribers are on a cable network, the remainder is on copper/fibre

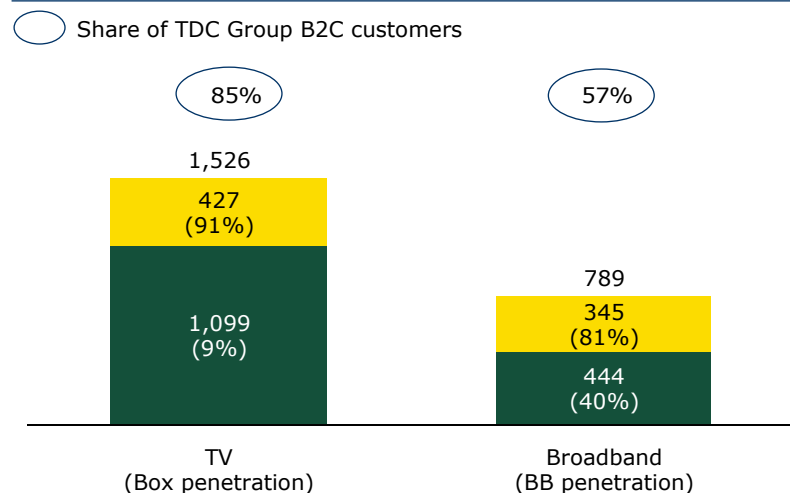
TDC Group cable EBITDA^{1,2}

DKKkM



Cable customers in Q4 2015

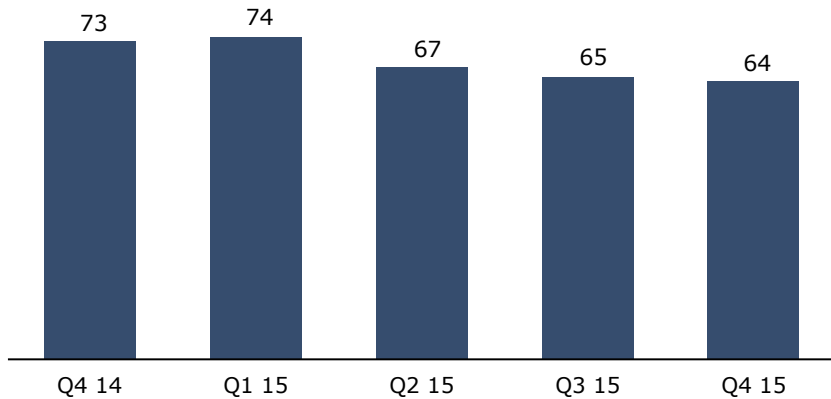
'000



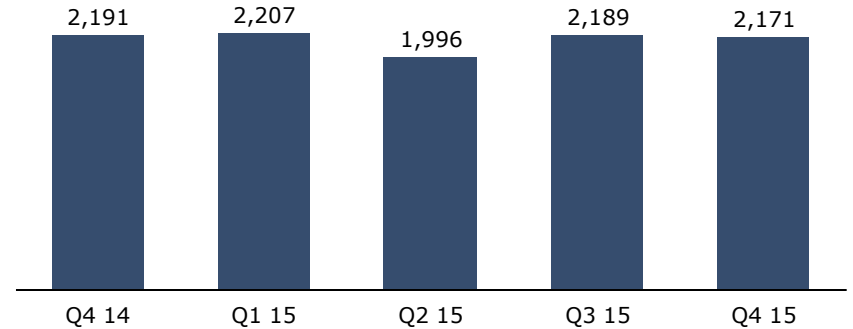
1. Pro forma reporting including Get before acquisition and with fixed exchange rates for comparative reasons (Q1-Q4 exchange rate of 0.835 DKK/NOK applied)
2. YouSee activities include TV, BB, mobile and digital services, as well as cable installation work in Operations. Costs from Danish cost centres related to YouSee activities are obtained by using activity based modelling

A.4 Operational KPI's

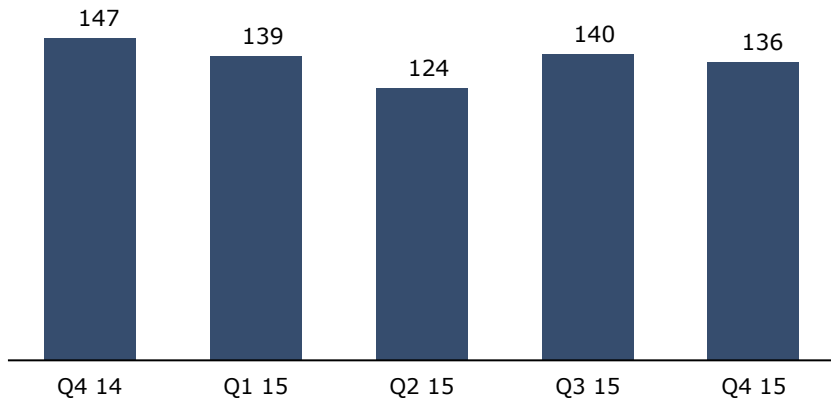
Non-acceptable customer experiences¹ Index YTD



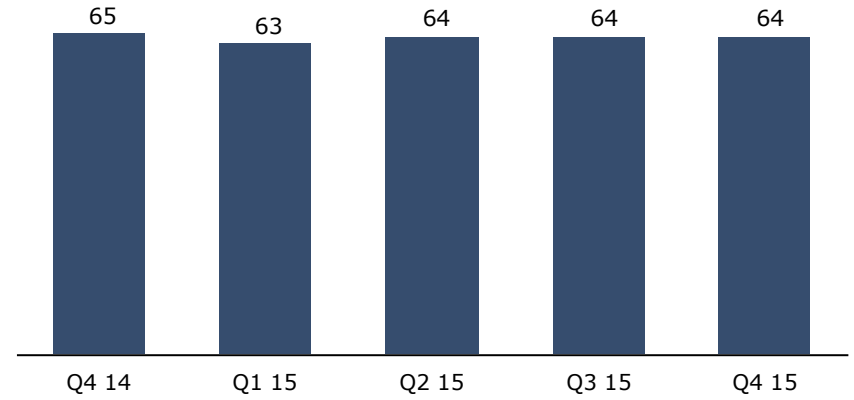
Answered calls ('000)



Faults correction time Hours ('000)



TDC Recommend score² Index YTD



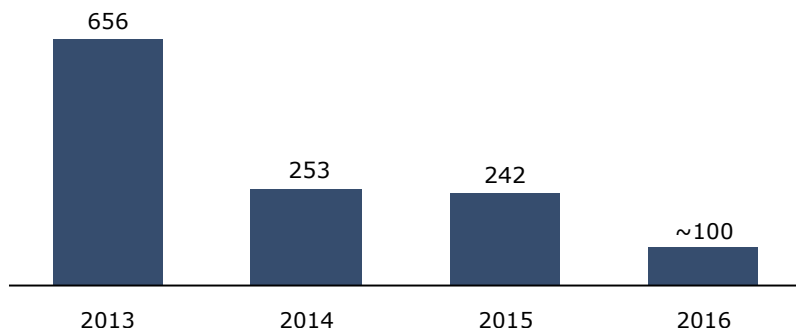
1. Q1 2009 = Index 100. A lower index equals a more positive customer experience (e.g. an index of 60 equals a reduction in share of non-acceptable customer experiences of 40% since Q1 2009)

2. Recommend score is TDC's variant of the Net Promoter Score (Would you recommend TDC to family and friends/colleagues and business associates). 100 is maximum score (0-100 scale)

A.5 Regulatory update

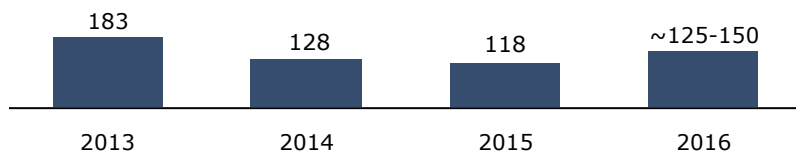
Revenue loss from regulation¹

DKKm



Gross profit loss from regulation²

DKKm



- **Roaming:** 'Roam-like-at-home' regulation will be a two step process. Firstly, retail roaming prices will be reduced to current wholesale prices from May 2016³. Secondly, retail prices will be equivalent to 'Roam-like-at-home' prices from June 2017. Still, there is uncertainty concerning impact on future wholesale prices. TDC expects the commercial pressure on roaming prices to continue in the transition period
- **LRAIC:** Revision of fixed network wholesale prices with effect as of 1 January 2016 will result in only minor price adjustments
- **Coax:** Previously expected requirement to resell a TV package on coax has been withdrawn. Instead, a voluntary data-only solution will be introduced in Q2 2016
- **Fibre:** TDC's obligation to connect wholesale fibre customers, who are located within 30 meters of TDC's fibre network, may result in increased investments
- **Mobile licences:** New spectrum (1800 MHz) allocation in 2016. Auction delayed but expected in H2 2016

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

2. There is no gross profit loss caused by mobile termination rates regulation (voice and SMS)

3. Applies to customer with a package product. Customers with a 'Pay-as-you-go' product can be charged the domestic retail price plus a wholesale charge, however the combined price must not exceed the current regulated retail roaming price