



Annual Report 2016

Annual Report

Shortcut to reading the annual report

You can browse through this annual report quickly using the tabs in the right-hand corner to navigate to the tables of contents for the report and accounts, respectively.

Click on words in *italics* for an explanation in the *Terminology* section.

Design and layout

Bysted FFW and SkabelonDesign

Photos

Photos from TDC picture bank, Funky Business, and others

Disclaimer

This Report may include statements about TDC Group'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 Group's results include: the competitive environment and the industry in which TDC Group 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 licenses; 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 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.

The market shares included in this report are estimated by TDC Group 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 share for landline voice is based on number of lines. Market shares for broadband and TV are based on subscriptions. Market share for mobile voice is based on subscriptions excl. prepaid cards.

Contents

Management's review

Introduction

Dear stakeholders	4
2016 at a glance	5
Guidance follow-up 2016	7
2017 guidance	8
Five year overview	9

Who we are

Our profile	11
Our business lines	12
Our business model	13
Our markets	14
Our people	15

Our strategy

Our 2018 strategy	17
Our 2018 ambitions	18
Better connectivity	19
Better offerings	20
Better customer experience	22
Simplified digital operating model	24
Strategic focus in 2017	26

2016 performance

Group performance	28
Performance per business line	29

Risk management

Short- and long-term risk factors	45
Key short-term risk factors	46

Corporate matters

Shareholder information	49
Corporate governance	50
Management	52
Corporate social responsibility	53

Financial statements

Consolidated financial statements

Management statement and independent auditor's report	61
Consolidated financial statements	62

Parent Company financial statements

Terminology	125
-------------	-----



A young man with a beard and a young woman with red hair are lying on their stomachs on a lush green lawn. They are both smiling and looking at a black smartphone held by the woman. The man is wearing a light grey t-shirt, and the woman is wearing a dark top. The background is a dense field of green grass.

Introduction

“ The data usage on TDC Group’s
4G mobile network has increased by
130% in 2016

Dear stakeholders

Good progress on new strategy

TDC Group's 2016 results exceeded our initial guidance; many years of significant decline in Consumer mobile was transformed into growth

At the beginning of 2016, we launched our new 2018 strategy based on the guiding principle of "Always Simpler and Better". Our strategy includes two main goals up to 2018: to deliver the best customer satisfaction in the industry and generate the best cash flow (*EFCF*). As planned, 2016 was an eventful year with several changes implemented by TDC Group, as we launched a number of large-scale strategic initiatives. All managers and employees in the Group worked hard in 2016 and we successfully achieved most of the financial, commercial and strategic objectives planned at the beginning of the year.

Financial results exceeded expectations

We delivered better financial results in terms of both *EBITDA* and cash flow than we originally guided, despite continued intense competition in Denmark. We also succeeded in achieving a turnaround in Consumer mobile, where many years of significant decline were transformed into growth. Despite heavy roaming regulation, we increased both *ARPU* and our customer base while, in particular, improving our ability to retain existing customers. Whereas price pressures continued in the high-end business segment, the positive trends were also reflected in the small and medium-sized business segment, where we managed to improve the development in *ARPU* and stabilise our customer base. We view this as evidence that our investments in creating the best mobile network in Denmark are paying off. In spite of strong competition in Norway, Get once again delivered double-digit growth, driven by both strong growth in the broadband customer base and a focus on costs.

Good progress on strategy

In line with our guiding principle of "Always Simpler and Better", we migrated more than 1 million customers in our Consumer division to one IT system, and subsequently merged the two largest consumer brands in Denmark under the YouSee brand. Merging the brands was designed to simplify our business processes and lead to a better customer experience. Short term, we knew the IT migration would impact our customer experience, but we were confident that, in this case, the end would justify the means. Regrettably, our service levels fell in the transition phase, and while apologising for that, we are pleased to report that Q4 brought visible signs that the simplification is yielding a better customer experience on a sustainable basis.

The simpler model we have created will benefit both our customers and our own production. During 2016, our Telmore brand showed a strong increase in customer satisfaction, and is now the brand in the Danish telecoms market with the best customer service. 2016 ended with an unfortunate incident for TDC Group when, shortly before New Year's Eve, our TV signal was lost nationwide due to an intentional, malicious act committed against us. A wide-ranging team of our highly skilled technicians rapidly responded and re-established the service within 24 hours. The disruption on New Year's Eve attracted widespread attention and resulted in a setback for our ambition to increase customer satisfaction. Security has always been a top priority for TDC Group, and we are using this unfortunate experience to

carefully review and improve our internal security setup. We are also benefiting from increased collaboration between YouSee and Get. In 2016, we prepared a joint TV strategy that will be the foundation for continuing our work on content and platforms.

We embarked on an accelerated and comprehensive upgrade of our *cable* network, which will enable us to deliver 1 gigabit broadband speeds to half of the Danish households in 2018 while bringing capacity upgrades to the network. In 2016, we finished testing the technology and are now well under way with the roll-out. In the mobile market, we retained our leading position with our network, which is one of the fastest in Europe, and in the TV market, we launched a new set-top box in YouSee. In 2016, we also streamlined our organisation, via e.g. the divestment of TDC Sweden. The sale of TDC Sweden generated more value for us than we could have created ourselves through continued operation, as significant investments were otherwise required in TDC Sweden. In the Danish business market, we acquired a number of important and leading cloud-based communications providers during the year. The new acquisitions enable us to offer differentiated cloud-based telecommunications solutions to our business customers. In Norway, we continued to integrate Get and TDC Norway, streamlining the organisation further and adding B2C mobile and security solutions to our product range. Our main focus for the mobile offering is to provide high-quality products for our existing customers. Our security solution helps us

differentiate ourselves from our competitors and thus increases the value of our customer relations.

At TDC Group, we focus on digital developments that benefit as many people as possible, including access to excellent digital connections. For example, TDC Group's "Rural Area Initiative" supports better broadband connections throughout Denmark. Altogether, through this initiative and other similar activities, in 2016, we upgraded our network in 51 local areas, providing 8,355 households with access to faster broadband connections. Furthermore, we defined an ambitious new strategy for corporate social responsibility (CSR) with agendas featuring digital literacy and inclusion, while maintaining strong links with TDC Group's purpose, bringing people closer together.

Looking ahead to 2017

We believe the strategic direction we have set is the right one, and we find the results in 2016 encouraging. 2017 will be another eventful year with a comprehensive list of activities discussed in the "Our strategy" section. In 2017, we will benefit from a number of the initiatives executed in 2016 and this will help us realise our goals of increased efficiency, improved *EBITDA* development, stable or moderate growth in *EFCE*, better quality in everything we do leading to an important step up in customer satisfaction. This will once again require hard work and dedication from our employees, and the result, a simpler and better TDC Group, will benefit all our stakeholders.

"We succeeded with many of our objectives for 2016"

Pernille Erenbjerg
Group CEO and President

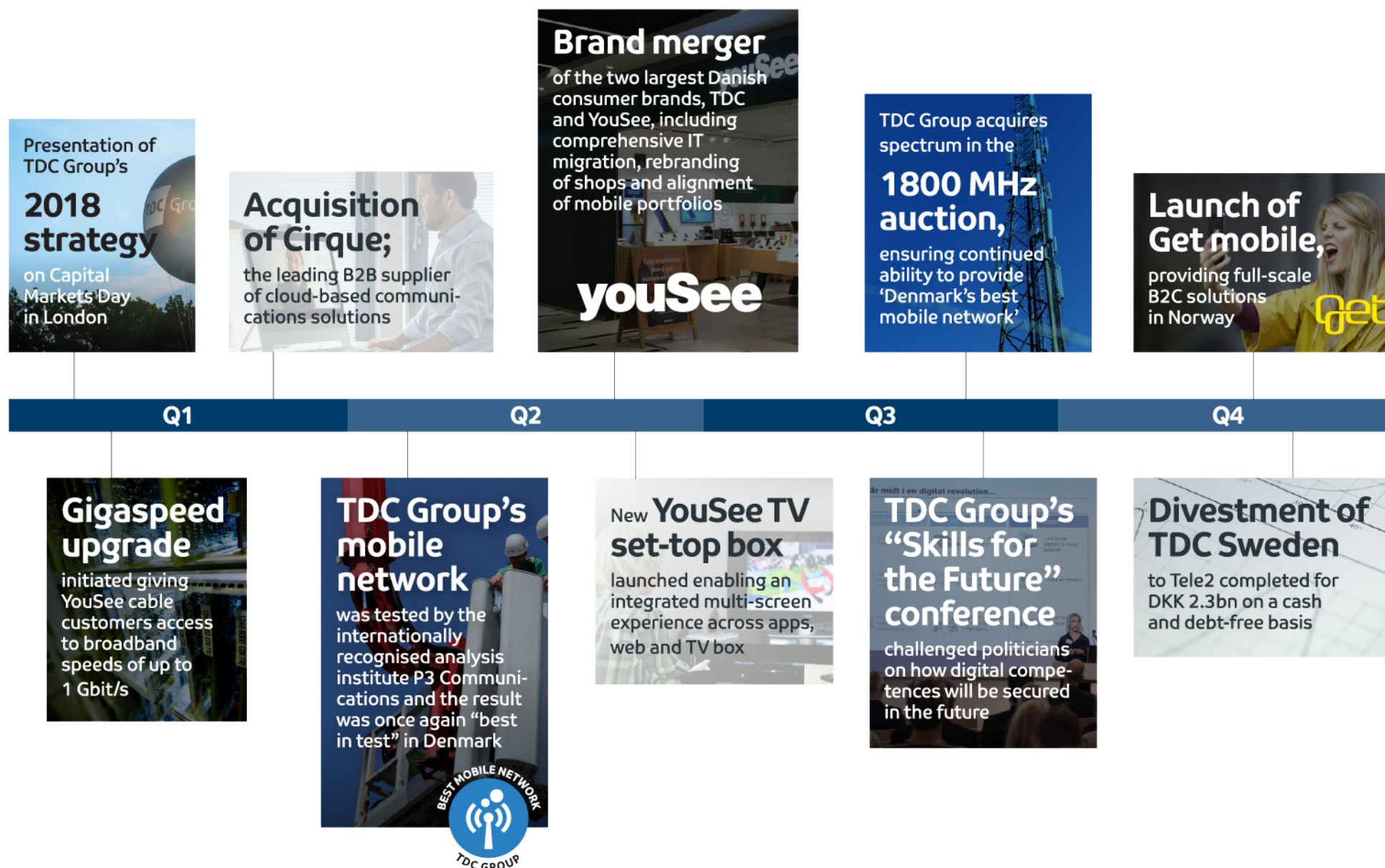


"We maintain our ambition and targets for 2018"

Vagn Sørensen
Chairman of the Board



2016 at a glance



Guidance follow-up 2016

TDC Group met its 2016 financial guidance on *EBITDA* and *EFCF*. As shown below, this included an expected materialisation of the majority of the underlying assumptions, while the outcome of a few assumptions differed to those expected

	2016 guidance post TDC Sweden sale ^{1,2}	2016 actuals
EBITDA	~8.4 DKKbn	8.5 DKKbn ✓
EFCF	~1.7 DKKbn	2.1 DKKbn ✓
DPS	Dividend of ~1.00 DKK per share	1.00 ✓ will be paid out in Q1 2017



Better than expected

- Growth in mobility service gross profit in Consumer driven by both *ARPU* increase and increasing customer base
- Double-digit *EBITDA* growth in Get
- Broadband gross profit better than expected in Consumer in spite of increased competition and also higher growth in Wholesale
- Mobile licence fee (1800 MHz) cheaper than expected
- Better *EFCF* from lower income tax payments, and better *net working capital* due to different timing of changes



As expected

- Substantial *EBITDA* decline in Business, however an improvement on the 2015 development
- Negative impact from loss of a large *MVNO* contract in Wholesale
- Deteriorated gross profit in Consumer TV due to lower price increases than in 2015
- Decreasing non-service revenue in Consumer



Worse than expected

- Higher net interest and coupon payments on hybrid capital following the financing of the Get acquisition
- Increases in cash *capex* due to different timing of payment
- Higher *opex* in Denmark among others due to investment in strategic initiatives and higher customer service costs
- Higher impact from roaming regulation
- Higher gross profit loss in Consumer landline voice due to *ARPU* decline

¹ Guidance numbers are post sale of TDC Sweden 21-06-2016. Guidance before sale: *EBITDA* DKK ~8.8bn, *EFCF* DKK ~1.9bn and *DPS* DKK 1.00

² Guidance have been updated twice during 2016. At the Q3 2016 announcement, TDC *EFCF* guidance was improved to *EFCF* > DKK 1,7bn. On 23 January *EFCF* guidance was updated to DKK ~2.1bn

2017 Guidance

EBITDA

> 8.3
DKKbn

EFCF

Stable or
moderate
growth

DPS

1.05
DKK per share
will be paid out in
Q1 2018

Assumptions

Group

- *Opex* savings across TDC Group driven by simplification initiatives as well as reduced calls to customer service
- Negative impact from final implementation of *roam like at home* regulation
- Reduction in net interest paid following the repurchase of bonds at the end of 2016
- Slight reduction in cash *capex* in both Denmark and Norway including impact from new mobile license in 2016
- Limited *net working capital* improvement

Consumer

- Contained TV gross profit development with continued *cord cutting* and *cord shaving*
- Small growth in mobility services from higher mobile voice *ARPU* and growth in mobile broadband
- Reduced loss in landline voice as a consequence of a continuation of lower landline voice churn from 2016
- Almost stable broadband gross profit as accelerated gigaspeed roll-out counters intense price competition

Business

- Continued intense price competition negatively impacting earnings, however, Business' gross profit development is expected to continue to improve as Business increases its focus on higher contract profitability
- New products and services and improvement of the overall end-to-end processes assumed to have a positive impact on gross profit

Wholesale

- Stable gross profit development where growth in primarily broadband offset reductions in other parts of the division

Norway

- Continued growth but at a lower level than previous years
- Negative impact on TV from increased content costs per user and broadband *unbundling* partly offset by higher TV *ARPU*
- Continued growth in broadband penetration
- Limited impact from mobile voice to B2C customers and smart home solutions

Five year overview TDC Group

	2016	2015	2014	2013	2012
Income statements DKKm					
Revenue	21,031	21,935	21,078	21,559	23,003
Gross profit	15,627	16,458	16,062	16,365	17,147
EBITDA	8,488	9,488	9,477	9,634	9,822
Operating profit/(loss) (EBIT)	3,267	(688)	3,727	3,960	4,357
Profit/(loss) before income taxes	2,491	(1,792)	2,710	3,283	4,249
Profit/(loss) for the year from continuing operations	1,962	(2,452)	2,379	2,930	3,619
Profit/(loss) for the year	3,037	(2,384)	3,228	3,119	3,784
Income statements, excluding special items					
Operating profit (EBIT)	3,548	4,414	5,002	4,950	5,104
Profit before income taxes	2,771	3,310	3,984	4,273	4,236
Profit for the year from continuing operations	2,182	2,423	3,461	3,674	3,279
Profit for the year	2,284	2,502	3,551	3,780	3,448
Balance sheets DKKbn					
Total assets	64.3	64.6	74.4	60.4	63.5
Net interest-bearing debt	22.1	26.0	32.9	21.7	21.9
Hybrid capital	5.6	5.6	-	-	-
Total equity	24.2	20.4	18.6	20.4	21.5
Average number of shares outstanding (million)	802.0	801.7	800.2	798.9	802.3
Capital expenditure	(4,352)	(4,316)	(3,686)	(3,394)	(3,202)
Statements of cash flow DKKm					
Operating activities	6,828	7,547	6,980	6,674	6,652
Investing activities	(4,571)	(4,382)	(16,263)	(3,722)	(2,682)
Financing activities	(3,181)	(7,591)	11,896	(3,058)	(4,400)
Total cash flow from continuing operations	(924)	(4,426)	2,613	(106)	(430)
Total cash flow in discontinued operations ¹	2,243	37	961	305	(86)
Total cash flow	1,319	(4,389)	3,574	199	(516)
Equity free cash flow	2,082	3,187	3,309	3,175	3,279

		2016	2015	2014	2013	2012
Key financial ratios						
Earnings Per Share (EPS)	DKK	3.58	(2.87)	4.05	3.90	4.72
EPS from continuing operations, excl. special items	DKK	2.72	3.02	4.33	4.60	4.09
Adjusted EPS	DKK	3.27	3.76	5.23	5.23	5.32
Dividend per share for the financial year	DKK	1.00	1.00	2.50	3.70	4.60
Dividend payout (% of EFCF)	%	38.5	24.8	62.9	89.3	118.3
Gross margin	%	74.3	75.0	76.2	75.9	74.5
EBITDA margin	%	40.4	43.3	45.0	44.7	42.7
NIBD/EBITDA ²	x	2.9	2.9	3.4	2.1	2.1
Retail RGU(Denmark)						
Mobile subscriptions	# ('000)	2,592	2,576	2,566	2,655	2,679
TV	# ('000)	1,388	1,386	1,420	1,393	1,392
Broadband	# ('000)	1,312	1,329	1,358	1,361	1,327
Landline voice	# ('000)	742	847	1,010	1,193	1,350
Employees						
FTE(end-of-year)	#	7,963	7,897	7,787	7,785	8,086
FTE and temps (end-of-year)	#	8,046	8,016	7,848	7,867	8,251
Customer satisfaction						
Recommend score	Index ³	64	64	64	64	-
Other KPIs						
ESAT	Index	76	77	74	80	80
100 Mbps population coverage	%	67	66	65	49	45

¹ TDC Finland (divested in 2014) and Sweden (divested in Q2 2016) are presented as discontinued operations. Other divestments are included in the respective accounting items during the ownership.

² EBITDA for Get is included from November 2014. On a pro forma basis, if EBITDA for Get is included for the full year 2014, the leverage ratio at year-end 2014 would have been 3.1.

³ YTD average index.

A photograph of a rooftop construction site. A large crane arm is visible in the upper left, lifting a white metal box. A worker in a high-visibility yellow jacket stands on the roof in the lower left. In the foreground right, a large metal cabinet with its door open is visible, with a person working inside. The background shows a cityscape under a clear blue sky with the sun shining brightly.

Who we are

“TDC Group’s network,
in peak evening hours, carries
4200 Gbps
of traffic – equivalent to 4bn
Instagram pictures every hour

Our profile



DKK **4.4** bn
invested in 2016



7,963
employees

Established in

1882



8 m
customer relations

People have always needed to communicate and for more than 130 years, TDC Group has ensured that people are connected. Our history began in Denmark and stretches back to the founding of Københavns Telefon Selskab in 1882. A number of regional companies followed, and in 1995, the four remaining regional companies merged to become the national state-owned company called Tele Danmark. In 1997, the Danish government completed the process of privatising Tele Danmark, and in 2000 the name TDC was adopted. Since then, the company has undergone a transformation process featuring divestments with a focus on rationalisation and concentration in Denmark and Norway, which is where we stand today.

TDC Group has a clear ambition to facilitate and improve customer access to digital services and

content. The company is Denmark's preferred provider of communication and entertainment services in the home and on the move and is the market leader within landline voice, TV, broadband and mobile voice. YouSee, Telmore, Fullrate and Blockbuster provide its Danish customers with quick and easy access to a wide range of music, film and TV on all platforms, anytime and anywhere.

TDC Business offers integrated solutions that enable Danish B2B customers to communicate more efficiently and optimise their internal communications while communicating with their customers and utilising new technology trends to increase productivity and effectiveness.

In Norway, TDC Group supplies TV, broadband, landline voice and mobile voice. This is offered to Norwegian households and small enterprises

via the B2C company Get, and the B2B company TDC Norway.

TDC Group wishes to secure Denmark's continued development as a digital country, for the benefit of citizens, businesses and society at large. We are therefore maintaining our ambitious investments in infrastructure, software etc. and in 2016 we invested DKK 4.4bn, equaling more than DKK 12m every single day all year round. Of this, investments in Denmark totalled DKK 3.6bn in 2016. Our high level of investment is necessary to allow us to further extend our infrastructure and provide access to cutting-edge technologies and services.

Did you know that...

TDC Group paid **DKK 608m** in corporate income taxes and **DKK 2.6bn** in VAT in Denmark in 2016. TDC Group is the **eighth-largest¹** corporate **taxpayer** in Denmark

¹ This statement is from the income year 2015.

Our business lines

Consumer in Denmark



youSee
TELMORE

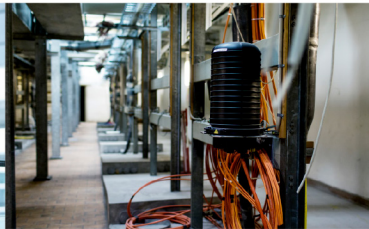


Brands

Business in Denmark



Wholesale in Denmark



Other operations in Denmark



Dansk Kabel TV
 Headquarters
 Operations

Norway



Description

Consumer is responsible for the complete end-to-end customer journey in the Danish B2C market, including pricing, marketing, product specification and customer interaction with both customer service and shops. Consumer also has a sales and service organisation devoted to MDUs.

Business is responsible for TDC Group's go-to-market strategy and product innovation in the Danish B2B market. Business provides a wide range of telecommunications solutions, cloud-based services and IT solutions. Business also includes NetDesign, which supplies Danish companies with customer-specific IT and communications end-to-end solutions accompanied by an advanced service concept.

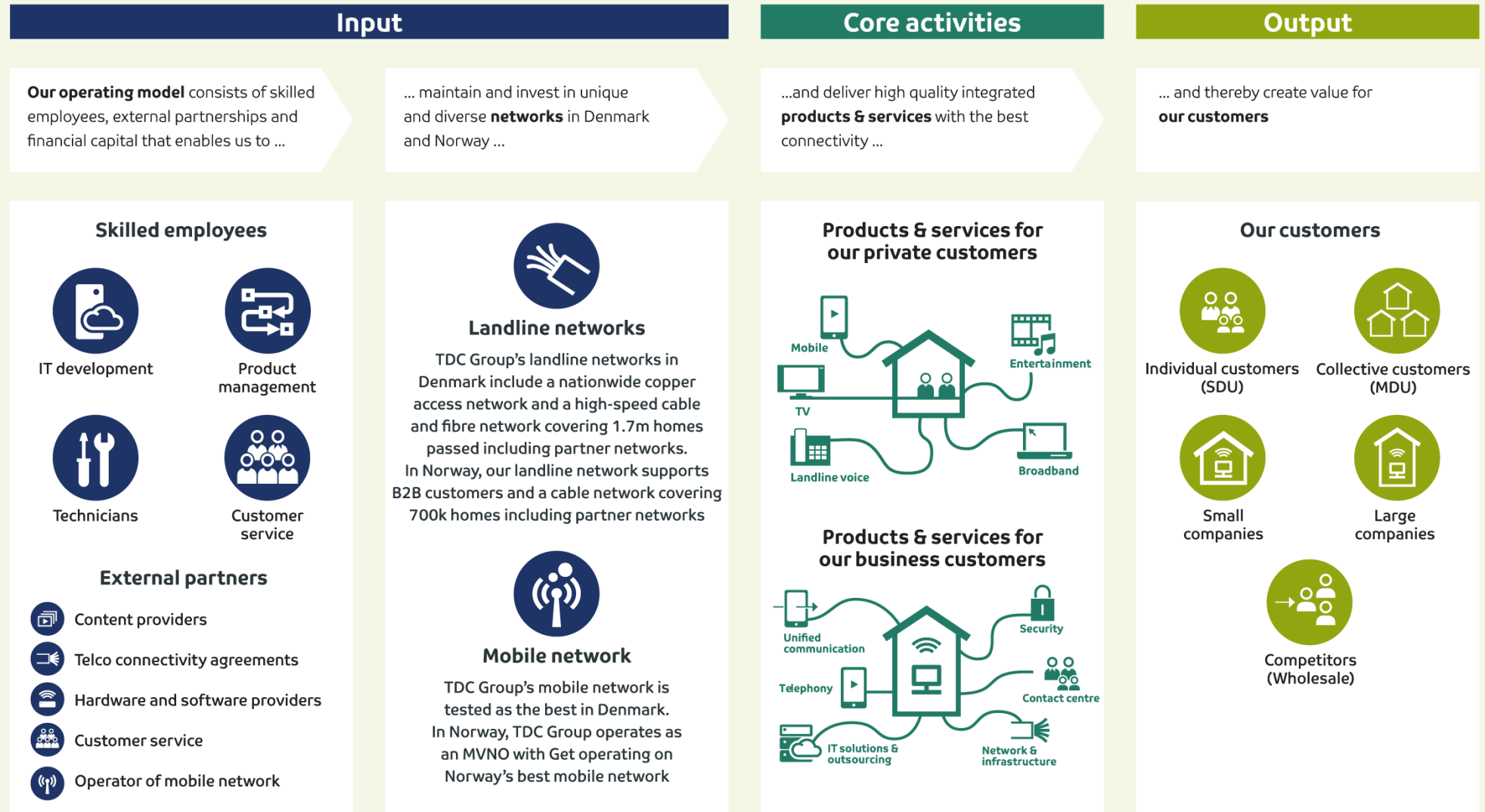
Wholesale offers and resells landline voice, mobile voice and internet & network solutions to external partners. This includes services for *service providers* and brand partners as well as national and international traffic and roaming for other network operators. Wholesale also handles inter-connect agreements across TDC Group.

Other operations consist of Operations and Headquarters. Operations manages a number of vital support functions, such as IT, procurement, installation, facility management and networks. Headquarters handles important staff services such as legal and regulatory affairs, HR, communications, strategy including M&A, and finance.

The Norwegian business line is responsible for the go-to-market strategy in the Norwegian B2C and B2B markets including sales, marketing, customer service and product innovation. Norway has its own support functions such as IT, HR, finance and operation of landline networks. The Norwegian business line consists of the *cable-TV*, broadband, landline voice and mobile provider Get and the B2B operator TDC Norway.

Key figures 2016 (Financials in DKK millions)	Revenue	10,807	Revenue	5,241	Revenue	1,741	Revenue	493	Revenue	3,092
	EBITDA	6,221	EBITDA	2,962	EBITDA	969	EBITDA	(2,979)	EBITDA	1,323
	Share of revenue	51%	Share of revenue	24%	Share of revenue	8%	Share of revenue	2%	Share of revenue	15%
	Share of opex	27%	Share of opex	16%	Share of opex	2%	Share of opex	44%	Share of opex	11%
	Employees	2,025	Employees	1,379	Employees	130	Employees	3,633	Employees	795

Our business model



Our markets

Denmark

In Denmark, TDC Group is the leading provider of communication and entertainment solutions as well as seamlessly integrated business solutions.

Competition in the mobile market has been fierce for several years, resulting in relatively low prices from an international perspective. Nevertheless, a repricing trend throughout most of 2016 has driven prices upwards in the consumer market. However, the arrival of new *service provider* in 2016 focusing strongly on price is keeping market prices under pressure.

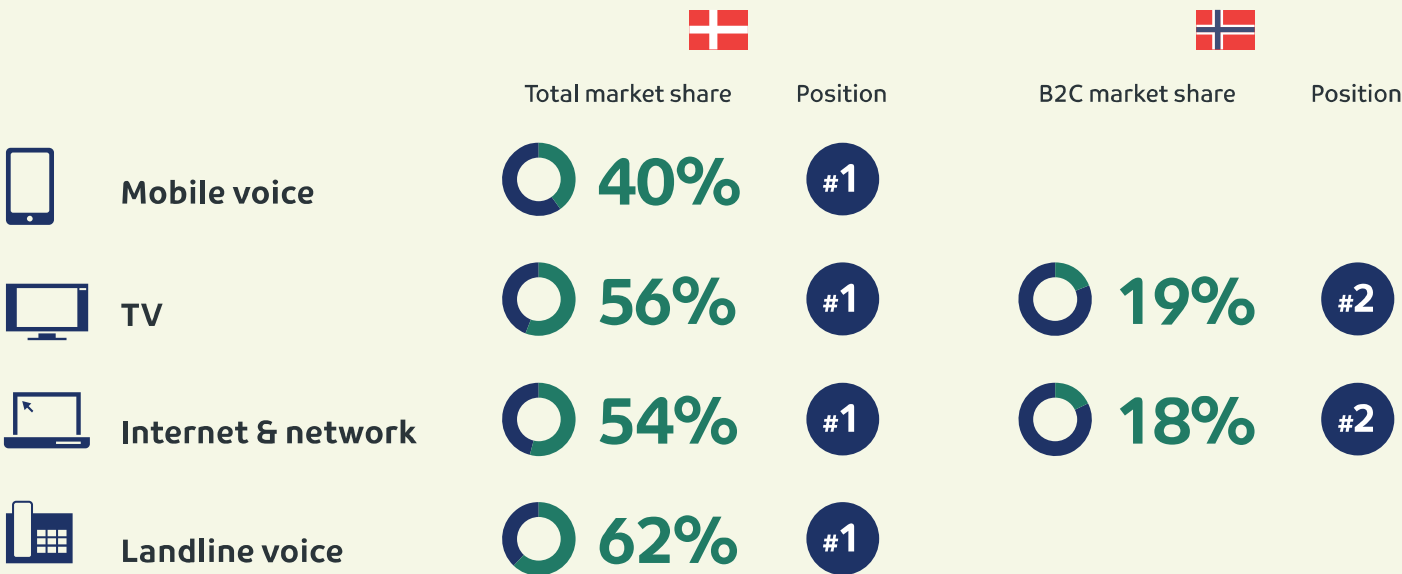
The modest growth in the mobile market stems from population and employment growth supplemented by increased penetration among children and the elderly. The migration from landline voice to mobile continued, although at a slower pace, which erodes the landline voice market to some extent.

The pay-TV market decline was partly driven by changing viewing habits, especially among young viewers – leading to a shift from traditional TV towards streaming services. Combined with higher prices due higher content prices, this has resulted in both *cord cutting* and *cord shaving*.

The broadband market continued to grow slightly as a result of increased penetration among the elderly as well as population growth. Increased regulation has resulted in higher competition as competitors have gained access to our *cable* network. Competitors have also utilised the lower wholesale prices (*LRAIC*) to reduce prices for end customers. Although competition from wholesale and *fibre* providers is intensifying, TDC Group is rapidly increasing its network capacity and speed to meet future demands via a cost-efficient build-out.

Norway

In Norway, TDC Group is present in both the B2C and B2B markets. Through Get, TDC Group provides TV and high-speed broadband to B2C customers, and now also mobile and an innovative fire alarm system, which were added to the product offerings in 2016. Get is Norway's second-largest operator in the pay-TV and broadband B2C markets and is the fastest growing broadband operator in Norway in terms of subscribers. In the B2B market, TDC Group challenges the *incumbent* operator in mainly the IP-VPN and mobile markets.



Did you know that...

...TDC Group is Denmark's **largest** and Norway's **second-largest** pay-TV operator with more than **1.8m TV customers** across the two markets

Our people



We are determined to be the team you want to be a part of ”

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

TDC Group is a key player in Danish society and is the tenth-largest private employer in Denmark. TDC Group is committed to being an attractive place to work with a wide selection of development opportunities and teamwork between colleagues and business lines. We have a diverse range of employees with everything from technicians in the field to customer service staff and academics including engineers. TDC Group focuses on increasing diversity through gender equality among managers.

By the end of 2016, 33% of TDC Group's corporate management team were women, which is an increase of 20 percentage points since the end of 2015. At the end of 2016, 27% of all our employees, and 23% of all our managers were women. By way of comparison, the most recent statistics (2013) show that although 49% of the Danish workforce are female only 27% are managers and TDC Group is therefore above the national average (read more about gender diversity in our *CSR Report*). TDC Group aims to

be a place where all employees and managers are motivated and proud of what we do. Our high employee satisfaction score reflects our continuing targeted efforts to ensure that our employees are thriving and feel both dedicated and motivated. Meanwhile, there is a high focus on the physical and psychological working environment. In 2016, our employee satisfaction score was 76, which though a small decrease from 2015 was 4 points above the benchmark (GELx Denmark, Benchmark for the Danish labour market).

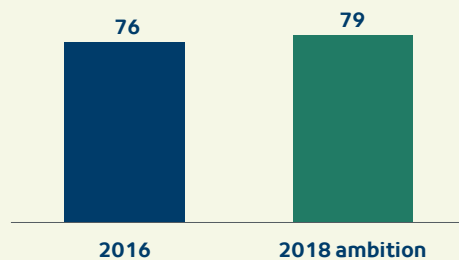
At TDC Group, we work hard to ensure that our employees are regularly offered supplementary training and that we keep attracting and retaining talents. In 2016, we continued our focus on developing strong leaders by launching the programme 'Leadership pipeline architecture'.

About 80 leaders completed the programme in 2016, and we expect to conduct training for most leaders in TDC Group in 2017. To ensure a strong pipeline for leadership positions, 67 talents attended our internal talent programme in 2015-16. The programme is a process whereby talents complete assessments and exercises to evaluate their leadership capabilities. After six months, more than a third of the talents held leadership positions in TDC Group.

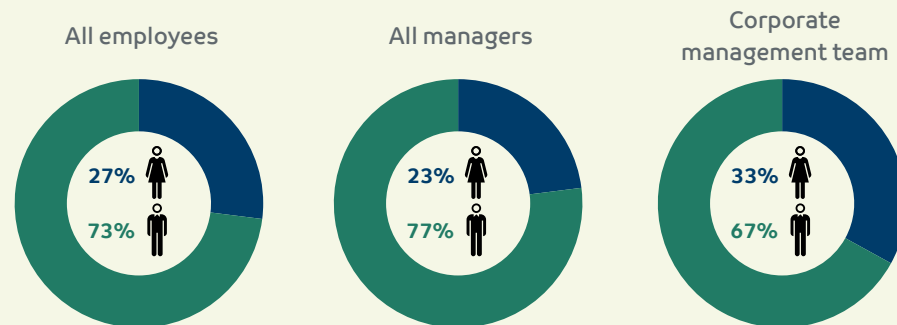
In 2016, we built the foundation for a new Graduate Programme to meet future recruitment needs within key critical positions. The programme supports strategic challenges and will develop graduates with a holistic understanding of our business and commercial skills. The programme was launched in January 2017 and we expect to recruit a team of 15-20 graduates.

Employee satisfaction (ESAT)

Benchmark for the Danish labour market
= 72 (GELx Denmark benchmark)



Gender diversity in 2016



Did you know that...

...TDC Group had **7,963** full-time employees and paid DKK **4.2bn** in wages and pensions in 2016. TDC Group was the **tenth-largest private employer** in Denmark in 2016

A man with a beard and glasses, wearing a white shirt, is leaning over a desk and looking at a laptop. A woman with short grey hair, wearing a brown sweater, is sitting at the desk and looking at the laptop. They are both focused on the screen. In the background, there is a shelf with several binders and folders. The text "Our strategy" is overlaid on the image in a large, white, sans-serif font, with a green horizontal line above it.

Our strategy

“Customers are streaming TV and movies from
YouSee on more than **1.2 million**
smartphones, tablets and computers every month

Our 2018 strategy

Always Simpler and Better

Our 2018 strategy is to be the leading provider of integrated communications and home entertainment solutions in our core markets. This strategy is the product of an intensive internal review of our operations, finances and work procedures, and seeks to address head-on both the external and internal challenges we face.

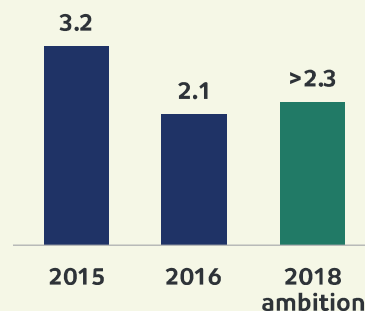
The strategy reflects the guiding principle of “Always Simpler and Better”, which describes how customers will be able to interact with TDC Group, including a commitment to differentiate itself in a highly competitive market place by delivering on a core set of customer promises: Better connectivity, better offerings and better customer experience. The principle is also reflected in TDC Group’s structure and its approach to operating as a streamlined business.

In 2016, TDC Group launched the first steps towards meeting our goals, encouraged by the initial results and the milestones achieved in 2016, which will be discussed in more detail on the pages that follow. We will keep our execution focus in 2017 to ensure that TDC Group delivers on the two goals that will ultimately define the success of our strategy: achieving best-in-class customer satisfaction and returning to cash flow growth.

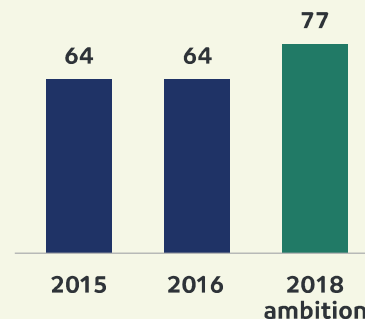


Our 2018 ambitions

EFCF in billions



Recommend score



Assumptions for improving our EFCF

- Declining regulatory impact compared with 2015 level
- Continued high growth in Get but at a lower level than in previous years
- Improved development in Business compared with 2015 level
- Positive gross profit contribution from Consumer mobile following *ARPU* stabilisation
- Reduced declines in gross profit from Consumer landline voice
- Substantial *opex* savings; 2018 *opex* DKK 600-700m lower than 2015 level
- Decrease in cash outflow related to *capex*
- TDC Group will offer at least half of all Danish households access to broadband speeds of 1 Gbps
- Full household penetration in YouSee (customers with both TV, broadband and mobile voice) will increase from 325k in 2015 to 450k by 2018

How we improve our recommend score

In 2016, we witnessed some initial headway in redesigning our customer journeys, and finished the year with a *recommend score* of 64, which is level with the 2015 starting point. This was largely expected due to the many changes during the year, including the YouSee and TDC brand merger and subsequent closure of numerous IT, billing and product platforms, which created temporary pressure on the service level and quality of our customer service.

In 2017, we will focus on improving quality by introducing a number of new initiatives and thereby reducing the number of customers with a negative experience. Across all business lines, 'Closed Feedback Loop' was relaunched in 2016 with a new ambition that all customers with a negative experience will be contacted by phone

within 4 hours. This is accompanied by a higher focus on preventing customer experience problems before they arise and thereby also reducing the number of incoming calls. Furthermore, the focus on improving the quality of our products is another ambition for 2018, e.g. upgrading more broadband households to gigaspeed connections.

The reputation of a company correlates strongly with its *recommend score*. It is therefore very important for us to improve our impression score. We achieve this by informing both our customers and Danish society about our investments, expanded Danish infrastructure, and our contribution to entertainment in Danish households, and by creating knowledge about TDC Group's role in the Danish society.

Better connectivity



We will maintain our unique No. 1 infrastructure position in Denmark across mobile voice and broadband ”

Peter Schleidt, Senior Executive Vice President of Operations & Chief Operating Officer

Delivering world-class infrastructure for customers in our core markets is fundamental to the future success of TDC Group, as our mobile and landline networks enable us to deliver high-quality products and services.

In 2016, TDC Group embarked on an ambitious project to upgrade 50% of all Danish households to 1 gigabit broadband speeds in 2018. This means enabling broadband access that is 10 times faster than the Danish government's

ambitions for 2020 for nearly 1.4m households. In 2016, over 50,000 households were upgraded on all technologies, and we expect to ramp up this figure significantly in 2017 while we in parallel start commercialising our new gigaspeed network. In 2017, we will also increasingly utilise our leading *cable* network for the benefit of B2B customers, ensuring full utilisation of our superior infrastructure. For customers where we cannot offer *cable* today, we will focus on building *fibre* in selected areas to

ensure long-term relationships with these customers.

TDC Group will continue to upgrade its copper access network, which covers almost all the Danish population. We will do so via *DSLAM* upgrades and by leveraging vectoring and pair-bonding technologies, such as the Vplus upgrade initiative, which enables faster broadband speeds from existing copper.

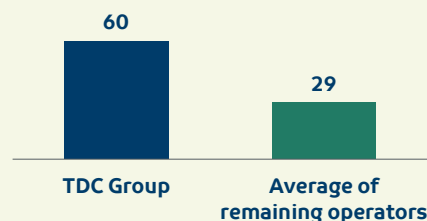
TDC Group's 4G network now covers over 99.5% of the Danish population, and independent tests have shown it is not only the best in Denmark but also one of the best in Europe. Looking ahead, we will continue to invest in order to maintain our 4G competitive advantage as we are planning to add more than 65 mobile sites in 2017 and implementing new

so-called '4G+' upgrade technologies, such as *carrier aggregation*. This will further increase download and upload capacities and enable even higher effective speeds of up to 600 Mbps for the benefit of our customers.

In 2016, Get launched mobile services on Norway's best 4G network. This enables us to now offer households a full triple-play bundle, including broadband and TV. Importantly, TDC Group's gigaspeed upgrade is not limited to Denmark and is also being pursued in Norway. Get's ambition is to ultimately be able to offer gigaspeed across its entire footprint. A 'Broadband programme' is being launched in Get and TDC Norway to enhance stability and the wireless user experience in 2017. We believe this will differentiate our solutions towards the customers.

Average mobile download

In Mbps



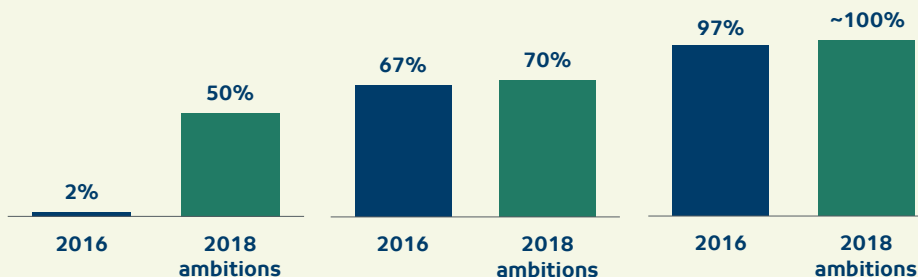
Coverage of households in Denmark with

1000 Mbps*, %

100 Mbps*, %

10 Mbps*, %

*Measured according to the EU definition ("up to" speed)



Did you know that...

...TDC Group's mobile network is able to transfer mobile data at **400 Mbps**, which is 10,000 times faster than the average household data modem in the late 90s



Deep dive – better connectivity

Better connections for rural areas

OUR STRATEGY

CONTENTS

FINANCIAL STATEMENTS

With YouSee's Rural Area Initiative, TDC Group will ensure better broadband for rural areas that otherwise have no prospects of fast connections

In 2015, the 108 inhabitants of the small island of Hjørnø in the estuary of Horsens Fjord were fed up with their slow internet. They contacted YouSee to hear about the possibility of establishing faster broadband connections. Together, we succeeded in creating a solution that has boosted internet speed on Hjørnø from 0.4 Mbps to 50 Mbps, of course at the same prices as those paid by the rest of Denmark for fast connections.

Demand for the 'Hjørnø model' has been overwhelming, and in response, YouSee launched a Rural Area Initiative in late 2015.

"We have a clear interest in ensuring good broadband connections for the entire country.

It's part of our strategy. We have therefore taken the initiative to service some of the areas that otherwise did not have immediate prospects of improved broadband coverage," says Eva Birgitte Bisgaard, Deputy Director and head of YouSee's Rural Area Initiative.

Good connections crucial

In 2017, good connection and high internet speeds are prerequisites for many everyday activities, and this applies irrespective of where in the country we live.

"Our daily lives are becoming increasingly digitalised, and we must all go online to read important messages from authorities, check our bank accounts or stream entertainment and news. Also, IT is an increasingly important tool

in teaching. We thus depend on a stable and well-functioning internet connection, and we want to make sure that as many people as possible have this," says Eva Birgitte Bisgaard. She continues: "3.2 million Danes use social media and not least for young Danes, social media are important communication channels. If we are to ensure that it is also attractive for the next generation to live in all parts of Denmark, it is important that we already now provide coverage outside the major cities. And at YouSee, we welcome this task."

In November 2016, the Lohals residents got a new broadband connection under the YouSee Rural Area Initiative (Photo from Lohals)

YouSee's Rural Area Initiative

TDC Group's offer is aimed at small communities in rural areas with at least 50 households that do not currently have access to a proper broadband connection. Here, YouSee is ready to upgrade the connections by building the so-called micro nodes that can provide broadband connections with speeds of 30-100 Mbps.

The precondition is that the residents in the area show an interest and that a certain proportion of them indicate in advance that they want to subscribe to faster broadband. This ensures a healthy business case.

Better offerings



We leverage our simple and agile platform to deliver innovative solutions that cater for existing and emerging consumer needs ”

Michael Moyell Juul, Senior Executive Vice President of Online Brands

Our various brands satisfy different needs and make everyday digital life simpler and better for our customers. Better offerings are delivered via e.g. having created one strong YouSee in 2016, where customers now can benefit from the best possible suite of communication and entertainment services. The brand merger has resulted in clear customer benefits and provided more than 1 million TDC households with access to better entertainment. As part of this,

YouSee Music app and YouSee Film & TV app were relaunched. In 2016, YouSee also launched the new premium TV set-top box, which provides a new way of managing the TV experience and obtaining the same interface across box and app. By giving B2C customers a more complete suite of TV, broadband and mobile offerings, TDC Group will drive a higher penetration of full households (customers with both TV, broadband and mobile voice). At the

end of 2016, YouSee had 332k full households and intends to increase this figure to 450k by the end of 2018. This will be achieved by launching a new full household 'loyalty programme' in 2017 to increase the penetration of products and to reduce churn. Furthermore, we will launch a new 'mix-it yourself' TV offering to blur the lines between linear and on-demand TV. A visual voicemail app was launched across all consumer brands, giving a visual overview of voicemail messages.

Telmore relaunched its Telmore Play offering through a more flexible and customisable offering, demonstrating how we can successfully add value to the mobile voice product to justify the increased price and to reduce churn.

TDC Business reduced the complexity of its product portfolio in 2016 and launched more

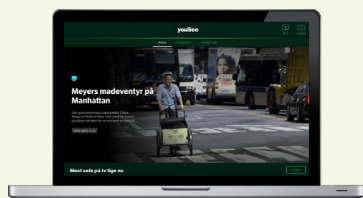
standardised products. This included the launch of a new mobile- and broadband portfolio with better and simpler products. The acquisition of Cirque created a strong foundation for offering a future-proof communication tool through the cloud-based TDC Skype for Business. This move towards selling full communications solutions reflects our ambition to increase the number of customers with full solutions to 9,800 in 2018.

Get will continue to grow by offering the best entertainment as well as new solutions such as Get Safe and Get Mobile, which were both launched in 2016. Get Safe, a smart fire alarm system for MDUs that creates a joint fire surveillance network monitored in the cloud, will create an important foundation for differentiating our MDU offerings. The target for 2017 is to move even deeper into the security value chain by also providing security offerings to MDUs.

YouSee Film & TV app

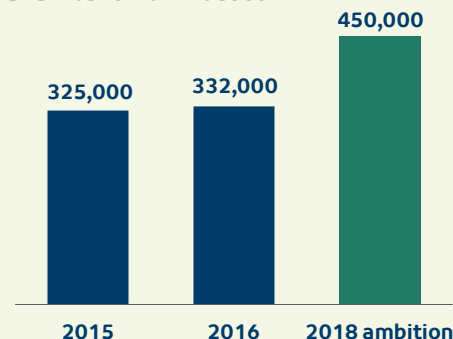
64%↑

more tablets and smartphones are used to stream movies and TV from the YouSee Film & TV app each month compared with 2015



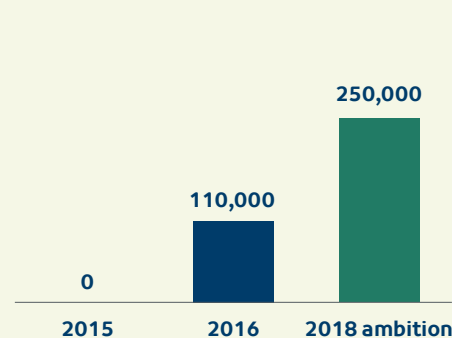
Full households in YouSee

Customers with both TV, broadband and mobile from YouSee



Visual voicemail app downloads

for Telmore, Fullrate & YouSee



Did you know that...

...almost **50%** of mobile phones in **TDC Group's network** are produced by Apple



Deep dive – better offering

OUR STRATEGY

≡ CONTENTS

|||| FINANCIAL STATEMENTS

Communicating in the cloud



TDC Business aims to be the preferred digital solution partner for the Danish business community, and the introduction of Skype for Business marks an important step in the right direction

TDC Business will focus even more on customer demand for integrated IT and communications solutions. Business customers want productivity solutions – and preferably in the cloud. In 2016, TDC Business therefore acquired the cloud companies Cirque and Adactit, both of which specialise in Microsoft's cloud products.

“With the acquisition of Cirque in the spring, we secured Skype for Business competencies, while the addition of Adactit in December gave us the Office 365 Cloud expertise we needed. Together with our existing communications solutions, we now have a unique platform for providing integrated digital solutions to the

Danish business community,” says Senior Executive President of TDC Business, Marina Lønning.

Simplifying the complex

TDC Business offers a complete integration of telephony in Skype for Business. This means easier, smarter and more transparent communication.

“We excel at simplifying the complex. The integration between telephony and Office 365 means that you can use Skype for Business for all types of communication: chat, video calls, sharing, calendar scheduling – and most

importantly: telephony. Whether you are at the office or on the go, you now have a single system for communication with colleagues, customers and anyone else with whom you need to communicate,” says Marina Lønning.

Throw out your desk phone

Skype for Business is a complete solution that meets the full range of business customer needs and is available as a public cloud, private cloud or hybrid solution.

“TDC Business's integration with Skype for Business means you can throw out your desk phone

– all you need is your laptop, tablet – or mobile phone, of course. With Skype for Business, you decide what works best as a work phone.” This means that all business customers can now conduct video conferences from their summer cottage, hotel room or anywhere that offers a WiFi connection. It is both easier and more economical. However, this does not mean that you always have to be online: You decide which phone numbers should be active in the OneNumber service, and everything is controlled using a simple app.

Better customer experience



We will deliver the best experience to our customers ”

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

We deliver a better customer experience by ensuring that customers receive the services they require on their preferred platform. They thereby enjoy a complete experience in return for a minimum of customer effort as problems are either fixed proactively or the first time they contact us. Digitalisation is a key area of TDC Group's contact with customers. Online self-service therefore has priority. This will improve our customer experience across sales and services while we build a strong base of digital

ambassadors. In 2016, the digital interaction share for YouSee was 92% i.e. 92% of customer interactions with TDC Group were from either online visits, social visits (e.g. Facebook) or app sessions. In 2016, Business launched a new self-service solution that has already cut service handling times for certain services from 14 days to just 2 hours. Furthermore, Business has implemented the CRM system 'Salesforce' to create a more holistic service experience for our customers.

In 2016, the YouSee and TDC brand merger increased pressure on support touch points, which impacted service levels. Although this has led to more customers with negative experiences, many new initiatives have been introduced to improve accessibility and enhance our customer experience. TDC Group also opened a new call centre in 2016 to manage the temporary trend of rising incoming call volumes and negative customer experiences. YouSee introduced a new customer care programme called 'Quality Time' in 2016 to reverse the trend in negative customer experiences by proactively preventing customer experience problems rather than simply fixing those that have arisen.

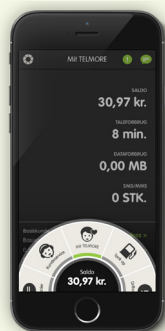
In 2017, all brands will increase the focus on serving existing customers and improving their experiences via proactive services and radically

simplified and digitalised customer journeys that will further help us move more customer interactions from the phone to online support. With a simpler TDC Group, we also expect to deliver higher availability and quality in our call centres while focusing on having the right people with the right skills at every touch point.

To gather all our digital competences, we have joined two departments in YouSee and Operations to form a new agile development team. The purpose is to shorten the time from idea to action and from design to development and thereby improve the customers' digital experiences by making it easier to work across the entire value chain. We expect this to give an even higher digital interaction share by giving customers more digitalised and simplified journeys.

TELMORE self-service app

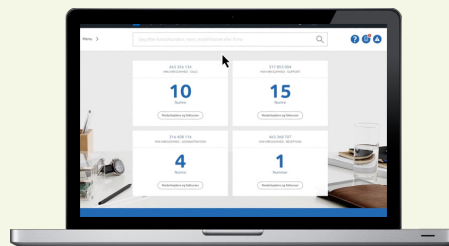
Makes it easy to check and top up balance, read news from Telmore, and find answers to questions



29% ↑
more users since 2015

TDC Business self-service platform

Here you can check consumption, manage subscriptions and adapt solutions quickly and simply – anytime and anywhere you like



130% ↑
more users since early 2016

Did you know that...

... in 2016, **Telmore** had the **highest customer satisfaction** in the Danish telecoms market. **60%** of customers are willing to **recommend** Telmore to friends, family etc.



Deep dive – better customer experience

OUR STRATEGY

CONTENTS

FINANCIAL STATEMENTS

We want to make a difference

Customer satisfaction has always been top priority at TDC Group and true to tradition, the goal of the customer ambassadors in Odense is to make a difference for customers

Back in 1930, when Kjøbenhavns Telefon-Aktieselskab (KTAS) was based in Telefonhuset in Nørregade in Copenhagen and was responsible for telephony on Zealand, the female telephone operators who transferred calls at the exchanges were the heart of the telephone network. When they received calls from customers with particularly challenging problems, they transferred them to a special switchboard where particularly patient and polite female telephone operators were there to help.

At the office in the centre of Odense where TDC Group's customer ambassadors are based today, the telephone ladies' identical outfits and meticulous hairdos have been replaced with a typical 2016 office space and a group of

employees of both genders. But they are still patient and polite to this day, according to Lone Møller Riber, who is their team leader.

"We are the customer's ambassadors, and it is crucial that we always look at things from the customer's perspective. We are really good at listening, and it's important for us to have a good dialogue with our customers. Personal contact and interaction are vital, and that is why we answer our customers verbally in 60 per cent of the cases – even though the vast majority of customers contact us in writing."

The Funen customer ambassadors solve the most complicated cases, and the subjects are wide-ranging – from invoice inquiries and terms

and conditions to technical problems and installations. Therefore, it is also important to Lone Møller Riber to have a team with competencies from all parts of the organisation.

"It is essential for us that we have an understanding of the entire range of products, and our employees must thus have extensive knowledge. But no one knows everything about everything. Therefore, our greatest strength is that we work together as a team and make each other better. As I like to say: Each employee can perform at 80 per cent, but together we can perform at 100 per cent."

The Funen team has a strong sense of togetherness, and they know each other and the business very well, which is not so strange. The 22 customer ambassadors have a total of 618 years of seniority in TDC Group – and several of the ambassadors started their career at Funen Telephone (Fyns Telefon) and KTAS. This also means that they draw on an extensive

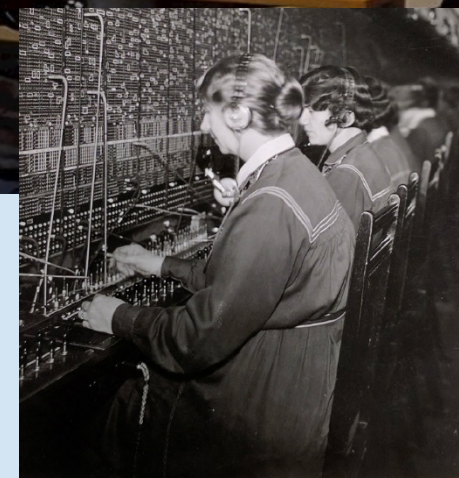


Photo: Female telephone operators by the special switchboard in 1930

Photo: The 22 customer ambassadors in Odense have a total of 618 years of seniority in the TDC Group

network when solving tasks, and as Lone says when concluding the conversation:

"We do not do everything exactly by the book, but we do everything in our power for the customer."

Simplified digital operating model



We expect meaningful operational efficiencies in the coming years from our simplification efforts

Stig Pastwa, Senior Executive Vice President, Chief Financial Officer

Providing our customers with better connectivity, better offerings and a better customer experience requires a streamlined business and a more simplified digital operating model. This is expected to give meaningful operational efficiency in the coming years.

B2B simplification programme

At TDC Business, 2016 saw a number of initiatives to reduce complexity, including streamlining product and billing platforms. By the end of 2016, 55% of customers in the small and

medium-sized business segment had been migrated to the future common IT platform that will reduce complexity in servicing customers, reduce billing errors and simplify the customers' journey. This figure will rise meaningfully during the course of 2017. The implementation of 'Salesforce', a new CRM platform, has also helped deliver a single customer overview, presenting all relevant customer data to our employees across sales, customer care etc. In 2017, we will continue on this journey by planning how to implement a new Configure Price

Quote (CPQ) system and how to automate more and more processes.

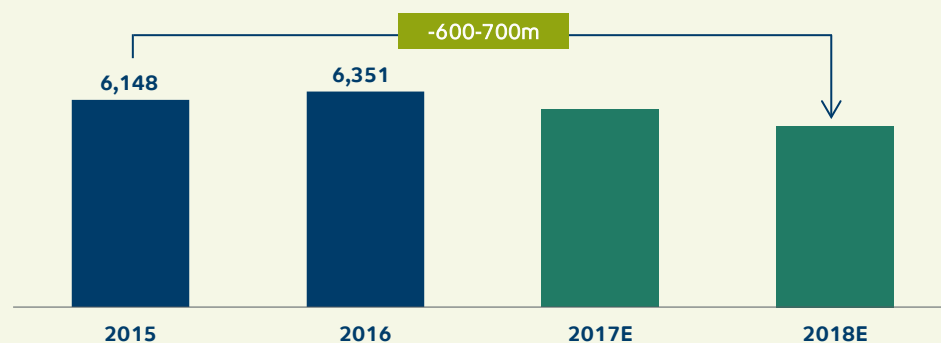
One household brand in Denmark

In 2016, TDC Group completed the merger of YouSee and TDC under the unified YouSee brand. This allows for a more simplified operating model by combining IT platforms and internal processes; integrating channels, branding and go-to-market strategy; rationalising future capex spending; and delivering enhanced customer service functionality. In 2017, YouSee will continue to focus on extracting the benefits from the merger, including unified product launches, and pursuing increased full household penetration and a digitalised customer experience. This also includes launching a new 2-tier IT development model to speed up development time and improve quality.

Operational efficiencies

In 2016, we invested in simplification projects in order to secure operational efficiencies in the coming years. Also, fewer brands and products will necessitate fewer IT systems and different processes and drive down costs. With the launch of a new quality focus customer programme in both YouSee and TDC Business, and a new YouSee household concept, we are focusing more on servicing our current customer base rather than pursuing new customers. We expect this to significantly reduce our call volumes, costs associated with churning customers and the costs related to our outbound activities. As a result of the different simplification initiatives, we expect to be able to realise significant operational efficiencies in the years ahead, so that by 2018, we will have reached the targets set one year ago.

TDC Denmark OPEX 2015-2018E
(DKK m)



Opex savings in 2017

- Impact from fewer brands and IT systems
- Higher quality in products lead to higher customer satisfaction and less support calls
- Change in sales mix with positive impact on sales and acquisition costs
- End-to-end process simplification

Did you know that...

...if you joined all TDC Group's cables in Denmark, end to end, the **300,000 km** of cables could reach **seven times** around the Earth

Strategic focus in 2017

TDC Group's ambition continues to be 'Always Simpler and Better'. 2016 created a number of building blocks that will form the basis for our 2017 strategic focus. In 2017, we will focus on giving our customers the best connectivity available for them, the best offerings on the market and all delivered in a seamless experience on their terms.

In 2017, we will be able to commercialise on two of our large 2016 investments, the gigaspeed infrastructure and the TDC and YouSee brand merger. The ability to deliver 1 gigabit internet to 50% of all Danish households in 2018 will enable both land grabbing of new customers, as well as migration of current customers to higher speed alternatives. The brand merger of YouSee and TDC will ensure that we always offer the best connectivity available, but it will also enable stronger bundling of our high quality products, and a more uniform experience for our customers.

To simplify the operating model, we will decommission a number of IT systems and platforms enabled by e.g., the migration of more than 1 million TDC households to a shared YouSee platform, and the migration of 55% B2B customers in the small and medium-sized business segment to a new IT platform that was completed in 2016. This simplification will enable a new and better *opex* level, but will also enable a more conceptualised product offering for our B2B customers that will be the backbone of the commercial strategy for our business unit in 2017.

Always Simpler and Better



Better connectivity

- Commercialisation of the new gigaspeed broadband infrastructure for B2C and B2B customers
- Simpler and better delivery of the optimal infrastructure at the address
- 'Broadband programme' in Get and TDC Norway to lift stability and wireless user experience



Better offerings

- Differentiated YouSee and Get TV experience redefining how we watch TV
- Full household loyalty programme to most valuable YouSee customers
- Standardised and integrated communication, analytics and security offerings in TDC Business



Better customer experience

- Online push of customer interactions through digitalised and simplified journeys
- Differentiated self service and app experiences
- Availability and quality in all customer service touchpoints



Simplified digital operating model

- IT and platform simplification following brand mergers and IT migrations
- United product offerings and delivery models across infrastructure
- New opex levels reflecting fewer brands, processes and platforms

A photograph of a man in a dark shirt and trousers working in a server room. He is standing in the aisle between rows of server racks, looking at a rack. The racks are filled with server units, many of which have purple cables connected to them. Above the racks, there are labels with numbers like 16.2, 16.3, 16.4, 16.5, 17.1, 17.2, 17.3, 17.4, 17.5, 18.1, 18.2, 18.3, 18.4, 18.5, 19.1, 19.2, 19.3, 19.4, 19.5, 20.1, 20.2, 20.3, and 20.4. The ceiling is visible with many black cables hanging from it. In the foreground, there are two large white bags on the floor.

Our performance

“TDC Group invested
DKK **4.4bn** in infrastructure,
software etc. in 2016

Group performance



We maintain a strong financial and commercial discipline with a focus on generating cash flow ”

Stig Pastwa, Senior Executive Vice President,
Chief Financial Officer

- Reported revenue declined due to Consumer and Business, however with improved development during the year across all four product areas in Denmark
- *Opex* increase driven by strategic initiatives
- Reported *EBITDA* decreased by DKK 1,000m

	DKKm	Growth
Revenue	21,031	-4.1%
EBITDA	8,488	-10.5%
Profit for the year ¹	2,182	-9.9%

Revenue

In 2016, TDC Group's reported revenue decreased by 4.1% or DKK 904m to DKK 21,031m, including negative effects from regulation of EU roaming prices and foreign exchange rates (DKK 275m). Adjusted for these effects as well as acquisitions, organic revenue decreased by 3.2% or DKK 697m, due mainly to Business and Consumer in Denmark. The decrease included an improved development during the year across all four product areas in Denmark.

Gross profit

In TDC Group, reported gross profit decreased by 5.0% or DKK 831m to DKK 15,627m in 2016. Organic gross profit decreased by 3.7% or DKK 598m, driven mainly by the revenue decreases in Business and Consumer as well as the higher cost of sales in TV. The gross margin

decreased from 75.0% in 2015 to 74.3% in 2016, caused by lower margin in TV driven by content cost as well as lower margin in mobility services due to EU roaming regulation and low margin interconnect revenue increase.

Operational expenditure²

In 2016, reported operational expenditure increased by 2.4% or DKK 169m to DKK 7,139m. Organic operational expenditure increased by 2.5% or DKK 177m, stemming from investments in strategic initiatives such as the TDC and YouSee brand merger, customer service and the end-to-end simplification project in Business as well as a higher bonus related to a management incentive programme in TDC Group's Norwegian business. This development was only partly offset by savings e.g. on facility management and process efficiency.

EBITDA

Reported *EBITDA* decreased by 10.5% or DKK 1,000m to DKK 8,488m. *Organic EBITDA* decreased by 8.4% or DKK 775m consisting of a DKK 876m decline in Denmark and an increase of DKK 101m in Norway.

Profit for the year

Excluding discontinued operations and special items, profit for the year decreased by 9.9% or DKK 241m, driven by the lower *EBITDA*, partly offset by lower net financial expenses as well as lower amortisation and depreciation.

As a result of the impairment losses in 2015 primarily related to goodwill (DKK 4,681m) and the gain in 2016 from the divestment of TDC Sweden (DKK 981m) profit for the year (including discontinued operations and special items), increased by DKK 5,421m.

Comprehensive income

Total comprehensive income increased by DKK 6,234m. In addition to the increase in profit for the period, other comprehensive income increased by DKK 813m. This covered a positive development in currency translation adjustments related to foreign enterprises (DKK 1,599m), which was partly offset by a negative development in defined benefit plans related to Danish employees (DKK 952m). The loss in 2016 and gain in 2015 on defined benefit plans resulted primarily from the respective decreases and increases in the discount rate. This trend followed the underlying development in interest rates, as the recognised pension obligation is calculated by discounting the expected future pension payments.

¹ Excluding discontinued operations and special items

² Including other income

Group performance

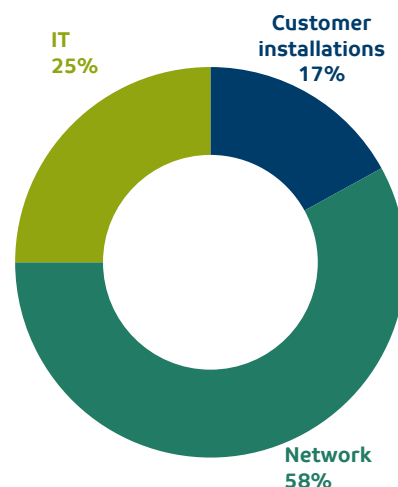
- Capex remained at the same level in order to support strategic initiatives
- Major *EFCF* decline driven by Danish *EBITDA*
- Net proceeds (after cash and debt adjustments) of DKK 1,997m from divesting TDC Sweden

	DKKm	Growth
Capex	4,352	0.8%
EFCF	2,082	-34.7%
Adjusted NIBD/EBITDA	2.9x	—

Capital expenditure

In 2016, capital expenditure totalled DKK 4,352m, an increase of 0.8% or DKK 36m that was driven by the launch of YouSee's set-top box and increased IT investments. The increase in IT spending supports our strategic focus on a simplified digital operating model through consolidation of IT systems and the YouSee brand merger. In 2016, TDC Group initiated the *cable* network upgrade that will enable 1 gigabit broadband speeds to half of all Danish households in 2018. The increase in investments was partly offset by fewer investments in the Danish mobile network as large investments were made in 2015. Nevertheless, TDC Group retains a best-in-class mobile network.

Capital expenditure



Equity free cash flow

The decrease of DKK 1,105m in *equity free cash flow* was driven by a decrease in the Danish *EBITDA* (DKK 1,046m). *EFCF* was also negatively affected by the first annual coupon payment on hybrid capital (DKK 196m) issued in Q1 2015. Furthermore, there was a negative contribution from higher cash flow related to *capex*¹ (DKK 173m). This was partly offset by lower income tax paid (DKK 178m) due to the *EBITDA* decline more than offsetting the negative impact from tax refunded regarding previous years. Finally, *EFCF* was helped by lower cash outflow regarding special items (DKK 78m), related primarily to a lower level of redundancies.

Net interest-bearing debt

Both *net interest-bearing debt* and adjusted *net interest-bearing debt* fell by DKK 3,898m during 2016 following the net cash flows from operating and investing activities including the proceeds from divesting TDC Sweden (DKK 1,997m).



Refinancing

In December 2016, EMTN loans were repurchased and cancelled corresponding to an equivalent of EUR 350m. Nominal EUR 200m of the 2018 EMTNs and nominal GBP 125m of the 2023 EMTNs were repaid with cash amounting to EUR 394m.

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

Group performance per business line in 2016

The illustration below reflects TDC Group's 2016 performance based on our traditional business line reporting. Costs in Denmark are not allocated, but are included in the business line responsible for the service, cf. segment note 2.1. The 2016 performance of each business line is described on the following pages.

DKKm/ Growth in local currency									
	TDC Group	Consumer	Business	Wholesale	Other operations	Denmark in total	Get	TDC Norway	Norway In total
Revenue ¹	21,031	10,807	5,241	1,741	493	18,055	2,337	758	3,092
	-4.1%	-3.9%	-10.0%	+2.4%	+12.6%	-5.0%	4.7%	-2.4%	+2.9%
Gross profit ¹	15,627	8,133	4,078	1,129	331	13,515	1,861	251	2,112
	-5.0%	-4.4%	-10.6%	+0.8%	+5.4%	-5.9%	6.6%	-6.8%	+4.8%
EBITDA ¹	8,488	6,221	2,962	969	-2,979	7,164	1,217	106	1,323
	-10.5%	-6.8%	-14.3%	+1.3%	-3.5%	-12.7%	10.1%	-13.7%	+7.7%

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

Consumer



We will bundle more high-quality products for our household customers to deliver the best experience ”

Jaap Postma, Senior Executive Vice President of YouSee

- *EBITDA* decreased by 6.8% in 2016
- Improved trend in quarterly YoY gross profit development during 2016
- New TV platform addressing on-demand and *OTT* video viewing
- Strategic initiatives led to temporarily higher *opex*
- Mobile voice turnaround with *RGU* increase and a small increase in *ARPU*

In 2016, Consumer's *EBITDA* decreased by 6.8%, or DKK 456m to DKK 6,221m. This *EBITDA* decline was primarily the result of continued customer losses and *ARPU* declines in landline voice, lower paper communication fees, higher *opex* as well as increased pressure in TV with customers switching to smaller subscription packages – partly driven by *OTT* competition. This *cord shaving* TV trend was partly offset by price increases implemented from 1 January 2016 as well as positive effects from the new set-top box, which is a key element in adapting our TV product to handle on-demand and *OTT* video viewing. Positively, Consumer has an increasing pay-TV market share in the declining market.

In mobility services, we succeeded in returning to gross profit growth with gross profit increasing by 2.0% in 2016 compared with a decline of 8.0% in 2015. In 2016, we stopped a long

period of mobile voice customer losses and *ARPU* declines and achieved both customer growth and a modest mobile voice *ARPU* increase. The customer growth was supported by churn reduction initiatives, which reduced churn by 3.6 percentage points to 16.3% in 2016. Equally encouragingly, price increases offset regulated roaming revenue declines.

In 2016, the implementation of strategic initiatives and, in particular, the merger of the YouSee and TDC brands completed in Q2 led to a larger-than-anticipated volume of inbound customer service calls. This impacted *opex* negatively and resulted in an *opex* increase of 4.7% or DKK 86m in 2016. The brand merger also challenged customer experiences, though positive signs emerged during the year. The episode involving the loss of TV signal on New Year's Eve negatively impacted our customer experience.

DKKm/Growth

Share of TDC Group

Revenue

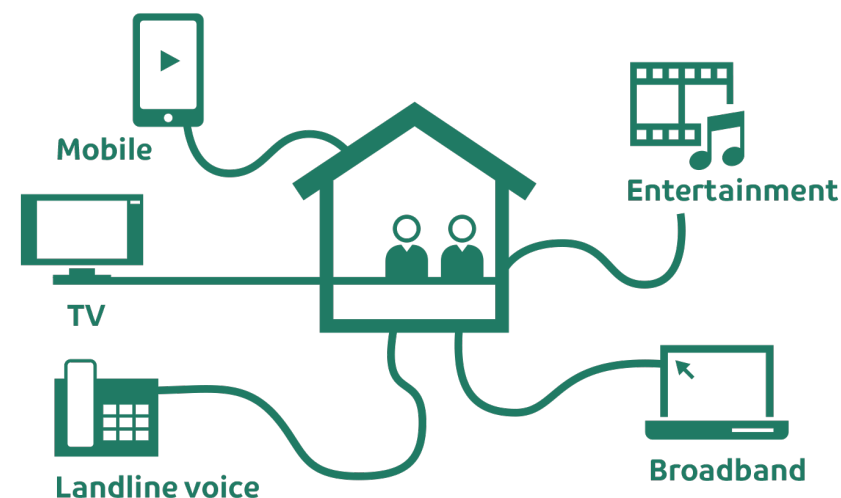
10,807
-3.9%

51%

EBITDA

6,221
-6.8%

Products & services



Consumer

Having migrated more than 1 million customers to one unified premium consumer platform in 2016, YouSee can concentrate on increasing the speed and penetration of broadband lines, TV packages and mobile voice subscriptions by utilising one new strong product portfolio. The new product portfolio includes a new and better TV product that can now be offered throughout Denmark, independent of infrastructure. The joint new offerings from YouSee will not only increase *ARPU* per household, but also improve customer stickiness and hence reduce churn. At the end of 2016, YouSee had 332k full households – those which take both a broadband and TV product plus at least one mobile voice subscription – and targets a very ambitious goal to increase this figure both in 2017 and 2018 to reach 450k by the end of 2018.

Customers' interaction with YouSee will increasingly be digitalised through apps and online self-service, beginning with broadband and TV

product onboarding, which we plan to test and roll-out in 2017. The digital customer interaction is expected to reduce the volume of inbound customer service calls and therefore reduce *opex*. In 2016, *flow-TV* consumption continued to decline – especially in the younger age group, where on-demand and streaming services substituted linear viewing. Hence another key priority in 2017 is to renew and revitalise the TV product offering by merging the linear (*flow-TV*), on-demand and *OTT* video viewing experiences in a new mix-it-yourself concept under a single, user-friendly YouSee interface that delivers the best and most relevant, curated video experiences for customers on any device. In broadband, we expect to be able to offer up to 1,000 Mbps to 50% of Danish households in 2018, creating a strong base for upgrading and upselling to customers with no previous access to high-speed connections. As a result, average used *cable* broadband download speeds are expected to increase from

88 Mbps in 2016 to 150 Mbps by 2018. The new broadband offering will be vital in ensuring that Fullrate and YouSee can take on the increased competition from high-speed broadband players. In 2016, as expected, the YouSee and TDC brand merger and thus the migration of households has challenged customer satisfaction scores. However, the benefits of the merger and better offerings should drive an improving trend in 2017 in both customer satisfaction and *opex*.

Lastly, Telmore will continue to confirm its strong mobile voice position by offering premium features at competitive prices with a digital-first strategy. At the end of 2016, 11% of Telmore's customer base had a Telmore Play subscription and in 2017, Telmore plan to launch enhanced versions of its Play multimedia offering for the mobile-focused target segment.

Product highlights in 2016



Visual voicemail

Bringing voicemail into the digital era with an intuitive and versatile visual app



YouSee set-top box

An integrated multi-screen experience across apps, web and box



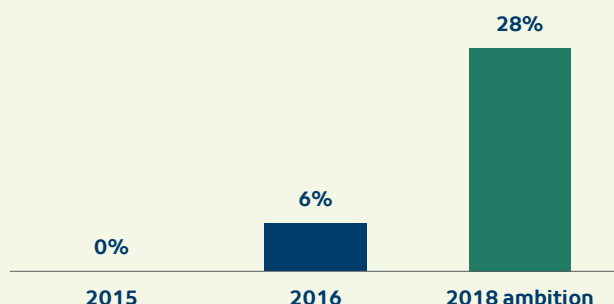
Fullrate cable broadband
High-speed internet via cable-TV network



TELMORE Play 2.0
New packaging to meet customer demands through increased flexibility and lower sticker prices

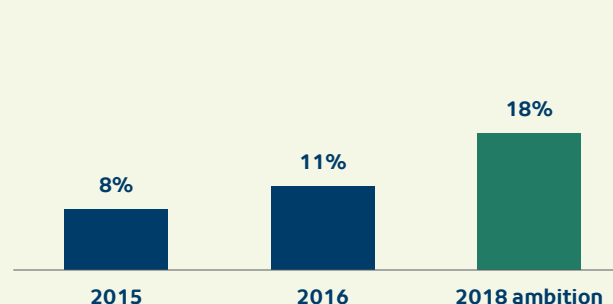
New YouSee set-top box penetration

% of YouSee cable TV customers with a new set-top box



TELMORE Play

% of Telmore customers with a TELMORE Play subscription



Consumer

Mobility services



- In 2016, reported revenue from mobility services in Consumer increased by 3.8% or DKK 99m to DKK 2,739m. The underlying development improved during the year, with a 6.3% increase in Q4
- The mobile voice customer base increased by 14k in 2016
- The slight mobile voice *ARPU* increase in 2016 was driven by price increases across Consumer's brands offset by less billed traffic due to both inclusions of more content in packages and EU roaming regulation
- The mobile broadband customer base increased by 30k and *ARPU* increased by DKK 19 driven by a new portfolio

**Mobile voice
ARPU**
in DKK per month

116

In 2015: 115

**Mobile voice
RGU**
in ('000)

1,851

In 2015: 1,837

Landline voice



- In 2016, reported revenue from landline voice decreased by 21.7% or DKK 234m to DKK 842m due to loss of customers and decreasing *ARPU*
- The customer base decreased by 14.5% or 84k in 2016 and reflected a smaller decline than in 2015 (-17.2%) due to retention initiatives leading to reduced churn
- Landline *ARPU* decreased by DKK 10 in 2016 stemming from less billed traffic and a less favourable customer mix due to migrations to cheaper price plans as well as churn of *PSTN* customers with high *ARPU*

**Landline voice
ARPU**
in DKK per month

131

In 2015: 141

**Landline voice
RGU**
in ('000)

497

In 2015: 581

Internet & network



- In 2016, reported revenue from internet & network decreased by 1.2% or DKK 30m to DKK 2,447m driven by price-aggressive competitors following lower regulated wholesale prices
- The broadband customer base decreased by 11k in 2016 as the loss of low-speed *xDSL* subscribers was only partly offset by growth in high-speed *cable* customers
- Broadband *ARPU* decreased by DKK 1 in 2016 due to a higher share of customers with bundled products in line with our household strategy. The decrease was partly offset by price increases on *cable* and a more favourable customer mix with more high-speed *cable* customers

**Broadband
ARPU**
in DKK per month

190

In 2015: 191

**Broadband
RGU**
in ('000)

1,049

In 2015: 1,060

TV



- In 2016, reported revenue from TV increased by 0.4% or DKK 16m to 4,257. However, gross profit decreased by 2.8% as price increases could not outweigh higher content and copyright costs as well as a negative margin impact from downward migrations
- The TV customer base increased by 2k in 2016 as a result of the inclusion of more than 30k customers from both a large antenna association and the strategic partnership with EWII, which was offset by cord cutting and negative effects from broadband *unbundling* from TV in 2016
- TV *ARPU* increased by DKK 1 driven by price increases, which was almost offset by customers migrating to cheaper price plans

**TV
ARPU**
in DKK per month

256

In 2015: 255

**TV
RGU**
in ('000)

1,379

In 2015: 1,377

Business



TDC Business is determined to be the preferred business partner for digital solutions in Denmark ”

Marina Lønning, Senior Executive Vice President of Business

- EBITDA decreased by 14.3% in 2016
- Acquisition of Cirque and Adactit to support Business' strategy
- Launch of new broadband and fibre portfolio
- Mobile *ARPU* decline of DKK 15 or 11.2% YoY

Business continued to experience a challenging environment in 2016 with an *EBITDA* decline of 14.3% or DKK 495m to DKK 2,962m, although this represents an improvement on the 17.8% *EBITDA* decline registered in 2015. *Opex* increased by 1.0% due to *FTE* growth as a result of the strategic acquisitions.


The business market remains characterised by intense competition, especially in larger enterprise and public segments, and by the impact of EU mobile roaming regulation. 2016 was negatively impacted by several one-offs (DKK ~30m in Q2 and DKK ~20m in Q4) primarily from a revised assessment of a large business contract.

Intense competition and roaming regulation resulted in a mobile *ARPU* decrease of DKK 15 or -11.2% YoY across segments that was partly offset by a 2k increase in the customer base.

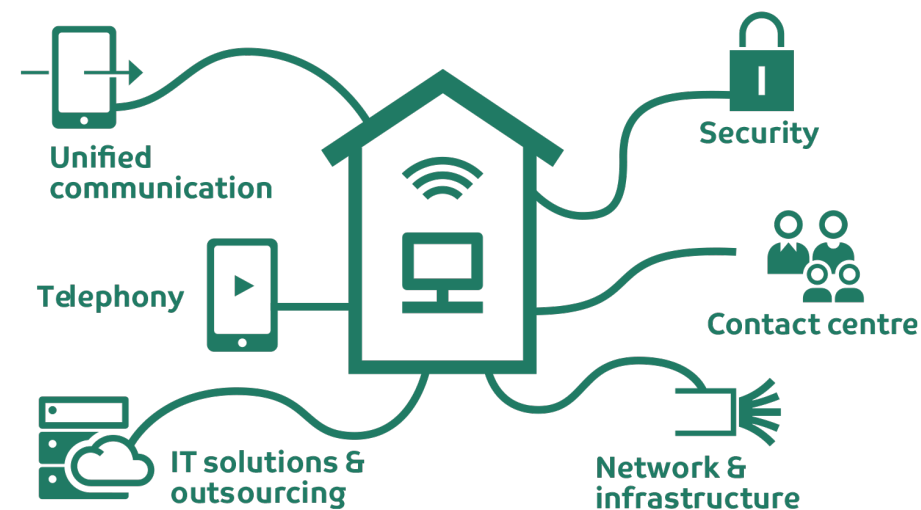
The net effect was a 9.8% decline in mobile services revenue in 2016, noticeably better than the 17.4% in 2015.

The loss of certain large contracts seen in 2016 is expected to continue, with churn and price levels remaining under pressure as contracts come up for renegotiations in the course of 2017.

Our customer satisfaction metrics have as expected been challenged in 2016 and delivered temporary negative results. We strive to turn this trend around with new initiatives in 2017.

	DKKm/Growth	Share of TDC Group
Revenue	5,241 -10.0%	 24%
EBITDA	2,962 -14.3%	

Products & services



Business

TDC Business launched a new strategy with focus on solutions, improved contract profitability and simplification. As part of this renewed strategy Business acquired the cloud companies Cirque and Adactit in 2016. This has enabled us to offer integrated solutions to our customers with TDC Skype for Business being the first, and we expect to launch more in 2017 with focus on analytics and security.

Business focuses on delivering competitive and differentiated offerings and solutions to the market – backed by a simplification programme aimed at driving improved efficiency, transparency and quality of execution within the unit. Solutions for the small and medium-sized segment will become increasingly modular and be delivered via self-service online platforms, with customised solutions reserved for the public and large segment. Business' renewed strategy

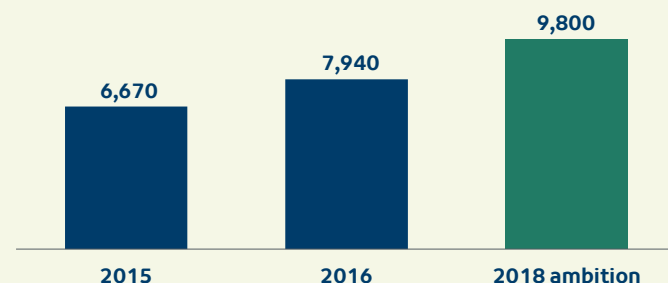
is particularly focused on simplification to promote reduced complexity in its product and solutions portfolio, and deliver greater transparency in customer care and invoicing. This means dramatically reducing the number of product platforms, discount schemes and billing systems – as well as automating a number of processes and manual work. In 2016, Business succeeded in transitioning 55% of its customers in the small and medium-sized business segment to the future common IT platform that will substantially reduce complexity in servicing customers, reduce billing errors and make it easier to do business with TDC Group. In 2017, Business' continued simplification drive is set to yield enhanced *opex* efficiencies and create new revenue opportunities by better understanding the best solution for each customer based on their requirements. Business will also continue to exploit its unique connectivity assets,

including further leveraging the newly upgraded TDC Group *cable* footprint and tactically deploying *fibre* build-to-order and tapping third-party strategic partnerships. With a clearer focus on standardised solutions, Business will bring the full expected profitability of the customer more clearly into view.

2016 has been a year of transformation and as a result customer satisfaction scores, particularly in the small and medium-sized segment, have been challenged. In 2017 we expect to harvest the benefits of the 2016 transformation and aim to improve the trend in customer satisfaction. The main drivers being an increased use of efficient online self-service, diagnostics and fulfilment platforms, combined with a renewed customer-centric strategy based on a 360-degree overview of customers. Including the implementation of 'Salesforce', a new CRM platform.

Full business solutions in the SMB segment

Number of customers in the small and medium-sized business segment with TDC Scale and/or TDC One and/or TDC Mobile Switchboard Solutions



Migration of customers in the SMB segment



55% ↑

of customers in the small and medium-sized business segment have been migrated to a new future IT platform

Product highlights in 2016



TDC Business network

New broadband and fibre portfolio



TDC Cloud-storage

Simple and secure data storage on Danish soil



TDC Cloud Access

Access to the Microsoft Azure platform – secure access from the TDC MPLS network



TDC managed SIEM

24/7 Monitoring and remediation by the TDC Security Operations Centre restoring customers to a trusted state



Skype for Business

TDC Skype for Business

Complete integration between telephony and Office 365

Business

Mobility services



- In 2016, reported revenue from mobility services in Business declined by 9.8% or DKK 137m to DKK 1,254m. However, this decrease in revenue is better than the 17.4% decrease in 2015
- The decline in revenue was driven primarily by a mobile voice *ARPU* decrease of DKK 15 or 11.2% YoY, caused by increased EU roaming regulation and intense competition
- The mobile voice customer base increased by 2k YoY, including the acquisition of Cirque (12k) in Q1. The development reflects the improved *churn rate* in the small and medium-sized businesses offset by the loss of large business contracts in Q4

**Mobile voice
ARPU**
in DKK per month

119

In 2015: 134

**Mobile voice
RGU**
in ('000)

741

In 2015: 739

Landline voice



- Reported revenue from landline voice in Business declined by 19.3% or DKK 204m to DKK 854m in 2016. This was promoted by a 8.9% decline in the customer base as well as a DKK 21 *ARPU* decline
- Including net adds from Cirque (8k), the 22k YoY decrease in the customer base resulted from the generally declining market for landline voice
- The *ARPU* decline was triggered by churn of high-*ARPU* legacy customers across segments and migration of customers to a new and improved product portfolio with value-added services, especially in the large business segment

**Landline voice
ARPU**
in DKK per month

310

In 2015: 331

**Landline voice
RGU**
in ('000)

225

In 2015: 247

Internet & network



- In 2016, Business' reported revenue from internet & network decreased by 7.5% or DKK 148m to DKK 1,819m. The decline in revenue was related to both broadband and revenue from *fibre* connections and other internet & network
- Revenue from broadband was affected mainly by a declining customer base with a net loss of 14k customers YoY across segments and an *ARPU* decrease of DKK 3 or -1.1% YoY
- Revenue from other internet & network was negatively affected by lower sales of legacy products, as well as several negative one-offs in Q2 (DKK ~30m) and Q4 (DKK ~20m) due to a revised assessment of a large business contract

**Broadband
ARPU**
in DKK per month

259

In 2015: 262

**Broadband
RGU**
in ('000)

184

In 2015: 198

Other Services



- Reported revenue from other services declined by 6.7% or DKK 95m to DKK 1,314m
- In 2016, NetDesign revenue declined by 10.3% or DKK 97m to DKK 840m. The decline was driven by lower service and product sales
- Decline in other services driven by NetDesign was offset by growth in Cirque and higher sales of mobile handsets with low gross profit effect in Business

Wholesale



We offer scalable and comprehensive telecommunications solutions to our wholesale customers

Louise Knauer, Senior Executive Vice President of Strategy & Chief Strategy Officer

- EBITDA increase of 1.3% in 2016 driven by broadband and capacity partly offset by mobility services
- Increased customer base and *ARPU* in broadband

DKKm/Growth

Share of TDC Group

Revenue

1,741
2.4%

8%

EBITDA

969
1.3%

In 2016, reported *EBITDA* in Wholesale increased by 1.3% or DKK 12m to DKK 969m. This stemmed from gross profit growth from internet & network, which was partly offset by a gross profit decline in mobility services.

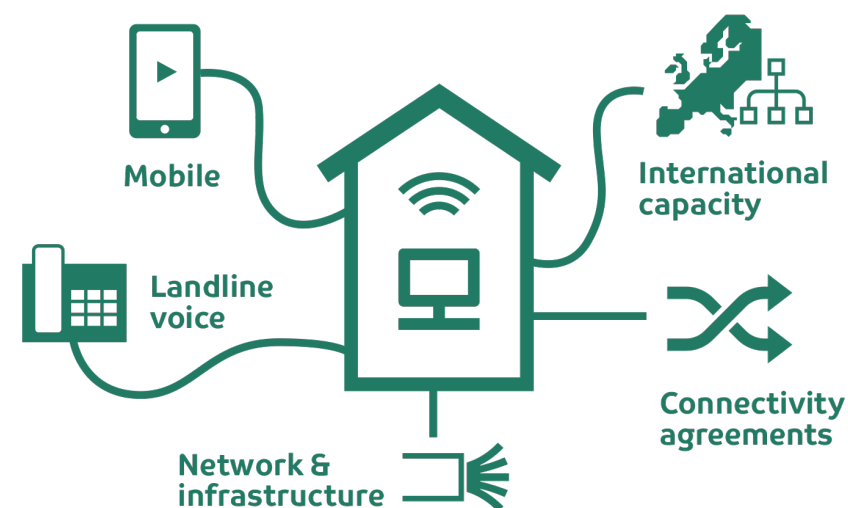
The growth in internet & network gross profit resulted from both broadband and capacity, with increases in both customer bases as well as *ARPU* due to a more favourable customer mix. The decline in mobility services gross profit was caused mainly by the loss of a *MVNO* contract involving an external partner, with financial effect as of 1 March 2016.

In 2016, 36% of revenue in Wholesale was regulated. The regulation affected various wholesale products. Mobility services as well as internet and landline voice in Denmark are

partly regulated through *LRA/IC*. In the international wholesale business, roaming is regulated by the EU.

As the products and services provided by Wholesale range from plain access to full service packages, the offerings can be scaled to suit customer needs, e.g. within broadband from rent of raw copper to rent of the full broadband product, including internet access, traffic and equipment. The strategic focus will be on moving the portfolio from simple access products to more value-based products with add-ons.

Products & services



Wholesale

Mobility services



- Reported revenue from mobility services increased by 2.8% or DKK 15m to DKK 549m in 2016. This was driven by increasing revenue from interconnect with limited gross profit impact
- Reported gross profit from mobility services decreased by 15.8% or DKK 61m to DKK 324m in 2016. This was due mainly to the loss of a MVNO contract involving an external partner with financial effect as of 1 March 2016
- Mobile voice *ARPU* decreased by DKK 2 as a result of EU roaming regulation
- The customer base decreased by 5k driven by the loss of a large customer at the end of Q1 2016

**Mobile voice
ARPU**
in DKK per month

68

In 2015: 70

**Mobile voice
RGU**
in ('000)

187

In 2015: 192

Landline voice



- Reported revenue from landline voice decreased by 6.8% or DKK 18m to DKK 248m in 2016, stemming primarily from a decrease in *service provider* customers
- The 11k decrease in *service provider* customers was in line with the loss in 2015 and was due to the continuous decline in the overall landline voice market
- *ARPU* increased by DKK 3 driven by higher revenue from subscriptions

**Landline voice
ARPU**
in DKK per month

73

In 2015: 70

**Landline voice
RGU**
in ('000)

138

In 2015: 149

Internet & network



- Reported revenue from internet & network increased by 6.8% or DKK 48m to DKK 750m in 2016. This stemmed from an increase in broadband and capacity revenue
- The broadband customer base increased by 18k driven by a number of new wholesale customers' rapid uptake
- *ARPU* increased by DKK 5 due to a more favourable customer mix and a higher level of fees compared with 2015
- The growth in capacity was triggered by a changed product mix towards products based on new technologies with higher *ARPU*

**Broadband
ARPU**
in DKK per month

104

In 2015: 99

**Broadband
RGU**
in ('000)

184

In 2015: 166



Other operations



We are building world-class infrastructure, while trimming the day-to-day business ”

Peter Schleidt, Senior Executive Vice President of Operations & Chief Operating Officer

- YouSee and TDC consumer platforms merged
- 8k high speed DSL homes passed established as part of “Rural Area Initiative”
- 7% reduction in fault handling hours
- Gigaspeed roll-out well under way and expected to reach 50% of Danish households in 2018

2016 saw the launch of a range of major strategic initiatives to support TDC Group’s 2018 strategy. This execution combined with higher bonuses related to the share-based incentive programme for the management of Get and TDC Norway resulted in decreasing reported *EBITDA* of -3.5% or DKK -100m YoY. Revenue in 2016 was up by DKK 55m stemming mainly from transferring a smaller Alarm network business area from TDC Business to Other operations. In terms of gross profit this resulted in a DKK 17m improvement YoY, though offset against *EBITDA* by an increase of DKK 117m in *opex*.

Contributing to this *opex* increase was a range of strategic projects. Most notably the merger of the YouSee and TDC consumer IT platforms. Our aim is to secure the best customer infrastructure while establishing the basis for cost reductions in the coming years. E.g. in our B2B

portfolio where we supported a simplification process by standardising IT systems and platforms during 2016. Further procurement optimisation, facility management and other process efficiency initiatives contributed positively to *opex* savings. We also renegotiated several large IT contracts in 2016 to secure future cost savings.

In 2016, Other operations also continued to focus on optimising core processes and increasing efficiency. This led to a 7.0% reduction in fault-handling hours spent on customer premises mainly driven by a decrease of ~30k faults YoY. We also managed to improve our *fibre* delivery precision from 78% to 97% in 2016, supporting a 12 percentage point decrease in unacceptable experiences specific related to these activities.

DKKm/Growth

Share of TDC Group

Revenue

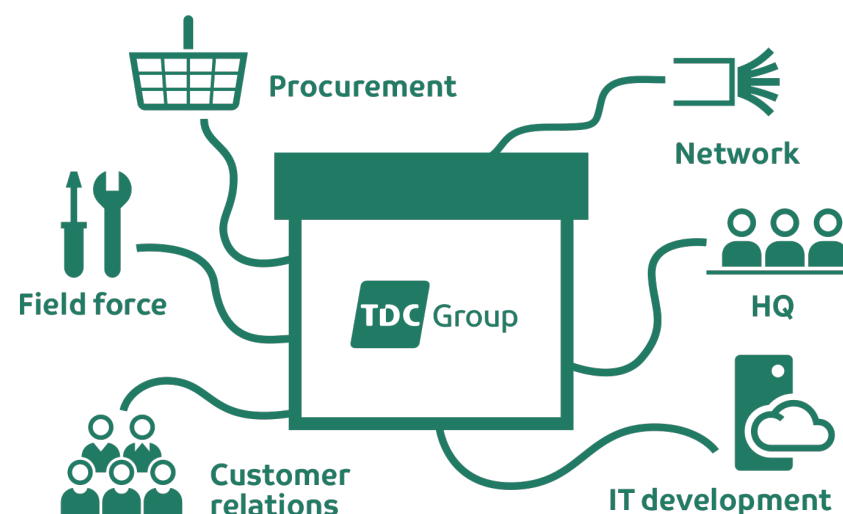
493
12.6%

2%

EBITDA

-2,979
-3.5%

Products & services



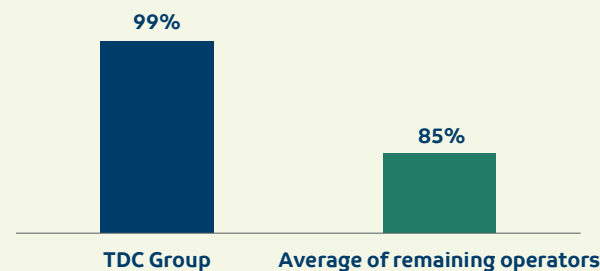
Other operations

Other operations has the strategic role of delivering services and solutions to the business lines of minimal operational complexity. Key areas include: securing sufficient network capacity; simplifying internal and customer-facing processes; and facilitating business alignment through our HQ support functions.

In support of this role, Other operations executed a range of initiatives in 2016. Firstly, we launched our gigaspeed roll-out offering *cable* customers speeds of up to 1 Gbit and, in this context, managed to increase the percentage of installations of broadband products on optimal infrastructure from 82% in 2015 to 85% in 2016. Secondly, we secured the quality advantage that TDC Group's 4G network holds over its competitors by establishing a total of 85 additional mobile sites and carrying out '4G+' network upgrades, including carrier aggregation. This focus will continue as we build a comparable number of new sites in 2017.

4G coverage

% of Denmark covered by 4G



A third major task in 2016 included the consolidation of brands, products and IT systems. For instance, Other operations supported the TDC and YouSee brand merger by simplifying the operating model and combining IT platforms. The product and billing platforms in our Business segment were also consolidated.

In 2017, Other operations will continue to play a central role in launching new products across all business lines, including WiFi calling and a hybrid 4G/DSL broadband product. Especially the latter will play a crucial part in securing good broadband coverage for rural areas and increasing the lifetime of our large DSL customer base.

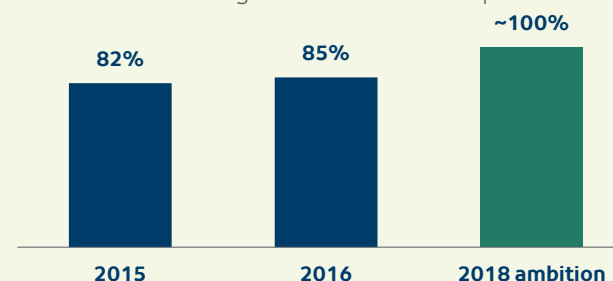
Another goal is to return to delivering significant *opex* savings in the coming years. We will focus on extracting the benefits from the product, platform and IT mergers already conducted as well as identifying new opportunities for further optimisation. To secure this ambition and

support our strategy execution, Other operations launched a substantial reorganisation initiative with effect from 1 January 2017. IT was separated into two units: one for core day-to-day other operations, and one for developing new offerings and platforms. This set-up will form the basis for simplifying our IT applications and achieving expected cost reductions. Another aim is to decrease time to market by ensuring agile product development.

In 2016, we also successfully restructured our onsite organisation by gathering all activities to enable a comprehensive transformation of our field force. Along similar lines, we are investigating the potential benefits of merging the subsidiary Dansk Kabel TV in our existing organisation. The network organisation was also reorganised in 2016 to enlarge our end-to-end focus on product platforms and help identify opportunities for decommissioning legacy platforms and consolidating datacentres.

Installation of optimal infrastructure

Broadband product sales which takes place on the access infrastructure offering the best broadband speed



Investments in 2016



Mobile network

Continued build-out to keep our no.1 position in coverage and speed in the Danish market



Giga-speed roll-out

We initiated the roll-out of new technology to enable 1000mbit/sek stable data speeds on cable

youSee

IT system integration

A significant effort in IT system integrations was put into supporting the merger of TDC & YouSee brands



Consolidation of IT systems

We initiated the IT-simplification journey leading to significant reduction in IT-systems by 2018

Norway



We will continue the growth by delivering innovative customer experiences to households and businesses in the Norwegian market

”

Gunnar Evensen, Chief Executive Officer of Norway

- Double-digit EBITDA growth of 10.1% recorded by Get in 2016
- 17k new Get broadband customers in 2016
- Consumer household *ARPU* rose by 3% in 2016
- Launch of mobile B2C offering and the Get Safe fire alarm system
- TDC Norway won several large contracts with healthy margins

Another strong year for Norway with reported *EBITDA* up by 7.7% or NOK 118m to NOK 1,651m in 2016. Adjusted for a pension one-off of NOK 42m in 2015, Norway's *EBITDA* increased by 10.7% driven mainly by strong broadband gross profit growth in Get and an *opex* reduction of 3.9%. For more than 10 years, Get has succeeded in delivering double-digit *EBITDA* growth, and in 2016 *EBITDA* increased by 10.1% as a result of high broadband subscriber growth and increased *ARPU*.

Adjusted for a pension one-off, TDC Norway's reported *EBITDA* increased by 18.9% in 2016, driven by restructuring and a new strategy as well as synergy realisation from the Get acquisition. Several organisational, network and finance synergies were completed during 2016.

For eight consecutive years, Get has delivered the strongest absolute broadband subscriber

growth of all broadband providers in Norway. Get increased its residential broadband market share by 0.6 percentage points to 17.5% in H1 2016¹.

In 2016, Get's TV revenue growth slowed as a result of a flat subscriber development. Get was impacted by the intensified competition in the TV market and for the first time, the total number of Norwegian pay-TV subscribers saw a small decline. Get's market share of total Norwegian pay-TV subscribers remained level in 2016¹.

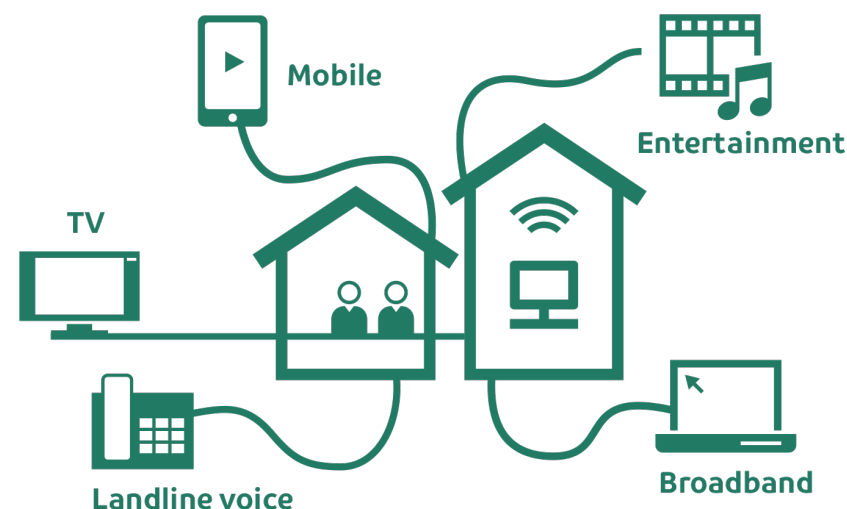
Get is progressing well with becoming a market player offering full-scale solutions, and in 2016 launched a mobile offering and an innovative fire alarm system targeting the *MDU* segment.

¹ The Norwegian Electronic Communication Service Market, 1H 2016



* growth rates are in local currency

Products & services



Norway

In Q1 2016, Get launched a new broadband portfolio including a 500 Mbps product and migrated customers to higher speeds. This combined with upselling, resulted in a 62% YoY increase in average download speed. Get is now testing 1 gigabit broadband speeds.

With the launch of a mobile B2C offering in 2016, Get is now offering full household solutions, which is expected to enhance stickiness, reduce churn, increase Get's household *ARPU* and therefore generally increase customer lifetime value. The *MVNO* mobile B2C offer was launched on Norway's best 4G network in 2016¹.

In 2016, Get also launched Get Safe, an innovative fire alarm system for *MDUs* that creates a joint fire surveillance network monitored in the cloud. Get Safe is the first product in line with

Get's strategy to secure a strong position in homes with broadband through Smart Home initiatives. New security solutions for *MDUs* are planned for launch in 2017. The new 3P offerings combined with an improved infrastructure, will support Get in meeting the increased residential competition.

Get has the ambition to offer customers the best entertainment experience by combining traditional *flow-TV* with streamed on-demand content and popular *OTT* services in a curated environment supported by its new user experience design, which was launched in 2016. In 2017, the focus will be on delivering the leading content and experience on all customer devices anywhere and anytime. To curate the best content for the customer, Get will invest in a new content curation platform in order to better personalise the content recommended. As part of

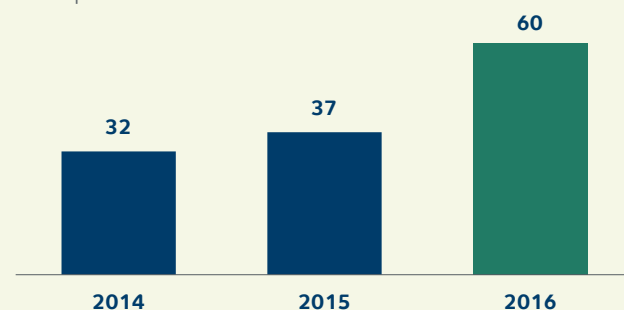
a "Broadband programme", Get plans to upgrade wireless routers in 2017 to lift stability and wireless user experience.

The core of Get's strategy has always been to digitalise entire customer lifecycles to deliver seamless customer experiences. The target for 2018 is to have 100% online interaction in all channels. This will create the best customer experience in the market and will drive significantly lower operational costs by transforming the operation and organisation.

In the Norwegian B2B division, the focus in 2016 has been on streamlining the business through product and delivery simplifications, focusing on more profitable offerings as well as synergy realisation. In 2017, we will continue with further product standardisation and simplification, while optimising the value chain.

Average download speed in Get


In Mbps



¹ Tek.no "Den store dekningstest 2016": www.tek.no/artikler/test-dekningstest-norges-storste-test-av-mobildekning/277366/6

New TV experience

A new interface in Get TV box

60k ↑ 
customers have upgraded to the new interface in Get TV box. 93% of all Get TV customers have a TV box

Product highlights in 2016



New TV experience

Enables a more innovative TV experience



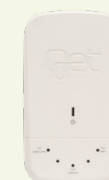
Get Mobile

A top standard mobile product with large data packages



Get Safe

An innovative fire alarm system for collective homes



Get WiFi extender

Developed together with Pace, the WiFi extender improves WiFi coverage in large houses and apartments with challenging architecture



Improved broadband experience

New top-speed product, XXL 500/50 (500) caters for all customer needs

Norway

TV in Get



- In 2016, Get's reported revenue from TV increased by 1.4% or NOK 20m to NOK 1,443m, driven by a NOK 3 *ARPU* increase related mainly to price changes effective as of January 2016
- TV revenue growth slowed in 2016 as a result of a flat subscriber development caused by competition, with competitors pushing aggressive price points and offering low-cost *fibre* connections
- TV box penetration increased by 2 percentage points to 93% of TV subscribers

TV *ARPU*

in DKK per month

282

In 2015: 279

TV *RGU*

in ('000)

431

In 2015: 431

Broadband in Get



- Get's reported revenue from broadband increased by a healthy 9.9% or NOK 98m to NOK 1.083m in 2016 as Get successfully expanded its customer base and increased *ARPU*
- High broadband subscriber growth of 17k with a 3 percentage point increase in broadband penetration. Get attracted more customers with high-speed offerings and value-added services
- Broadband *ARPU* increased by NOK 7 driven by upselling of higher speeds and a new broadband portfolio in Q1 2016 with migration of customers to both higher speeds and price levels

Broadband *ARPU*

in DKK per month

255

In 2015: 248

Broadband *RGU*

in ('000)

362

In 2015: 345

Business



- Business in Norway comprises Get's B2B division and TDC Norway. Get targets small companies with simple broadband and TV solutions, while TDC Norway provides more advanced data communications solutions as well as mobile, TV and landline voice
- In 2016, reported revenue from Business decreased by 0.9% or NOK 9m to NOK 1,030m. The revenue decline stemmed mainly from *ARPU* pressure within mobile and internet & network and a decline in mobile voice subscribers due to the loss of a large customer
- TDC Norway was once again chosen as the main supplier of telecommunications solutions to Bergen municipality over the next 6 years and signed a large 4-year data communications contract with the National Police Service with financial effect in 2017



A woman with blonde hair, wearing a black beanie with a pom-pom, a black jacket, and black boots, is sitting on a large, textured log in a forest. She is holding a smartphone in her hands and looking at it with a slight smile. The background is a blurred forest with trees and autumn-colored leaves.

Risk management

“TDC provides **66%**
of Danish households with access to
100 mbps broadband

Short- and long-term risk factors

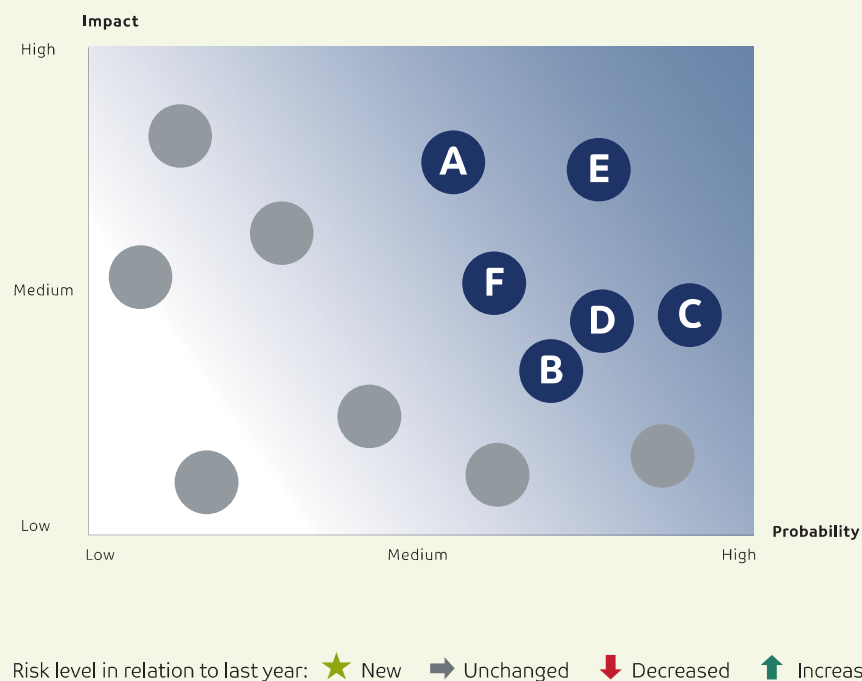
Risk assessment

TDC Group faces both internal risks such as operational risks and external risks such as market and regulatory risks. General risk management is an integrated aspect of TDC Group's business operations. On a yearly basis, an extensive risk assessment is conducted in which business lines and corporate functions identify all significant risks. The risks are then consolidated and assessed and displayed in a heat map based on their potential impact and probability, which is then reported to the Board of Directors.

Responsibilities are assigned for significant risks, and mitigating initiatives are established and tracked. In addition, a reassessment of risks is made as part of the forecast and guidance process during the year, involving both risk assessment in the business lines and corporate functions. In practice, it is an integrated part of the estimate updates. This includes an updated status of all risks identified earlier as well as new risks.

See also the notes to the consolidated financial statements including note 3.6 on provisions, note 3.8 on pension obligations, note 4.5 on financial risk disclosures and note 6.6 on contingencies. By their very nature, forward-looking statements involve certain risks and uncertainties. Risks not currently known to TDC Group, or that TDC Group currently deems to be immaterial, may also adversely affect TDC Group's business, financial condition and results of operations.

Six key risks that may impact TDC Group's cash flow



Short-term key risks

– detailed description on next page

- ↑ **A** Mobile in Denmark
- ↓ **B** Broadband in Denmark
- **C** TV in Denmark
- **D** B2B customers in Denmark
- ↑ **E** Operational expenditure savings in Denmark
- **F** Broadband and TV in Norway
- Criminal acts and/or sabotage e.g. hacking and abuse of software
- Other risks, include additional market, regulatory and operational risks, IT & network risks as well as other financial & tax risk

Long term risks

TDC Group also focuses on long-term risks and has identified one risk with limited financial impact and probability of realisation in the short term that involves a risk of long-term growth. Across the Group, strategic initiatives focus on mitigating this risk.

- Currently, TDC Group obtains a major part of earnings from aggregating and selling content and value-added services on our infrastructure. In the long term, there is a risk that content owners (both broadcaster and OTT players) to a higher degree will start selling directly to end-customers reducing our profit from content aggregation

Key short-term risk factors



Mobile in Denmark

Description: The fierce competition in the Danish B2C mobile market may continue to exert pressure on *ARPU* levels

Impact in 2016: This risk did not materialise in 2016. Actually, a repricing trend throughout most of 2016 has driven prices upwards in the consumer market

Potential impact in 2017: The repricing trend in 2016 may not continue and the fierce competition in the Danish B2C mobile market may continue to exert pressure on *ARPU* levels. Also, there is substantial uncertainty concerning wholesale EU roaming prices as well as volumes that could increase roaming costs

Mitigation initiatives

- Continuing focus on household solutions and exploitation of Denmark's best mobile network
- Continued build-out of the superior mobile network
- Ongoing focus on reducing churn by offering attractive mobile packages with premium content
- Initiatives introduced to improve the low-end B2B segment by expanding the value proposition, providing easy access to dedicated account manager teams and new value-added services in the mobile portfolio
- Higher EU data roaming volumes and net prices will probably increase inbound roaming and thereby reduce risk



Broadband in Denmark

Description: Intense price competition from aggressive resellers

Impact in 2016: Stable broadband gross profit in Consumer in spite of fierce competition. TDC succeeded in defending *ARPU* but at the expense of fewer customers. *ARPU* was defended by offering customers higher speeds

Potential impact in 2017: The fierce competition in the Danish B2C broadband market may continue to exert pressure on *ARPU* levels and net adds

Mitigation initiatives

- Offering customers high-speed broadband and broadband *unbundling on cable* to improve customer experience are expected to reduce churn
- Continued focus on household and bundled solutions
- Initiatives introduced to improve small and medium-sized enterprises by expanding the value proposition to provide easy access to dedicated account manager teams
- Less successful B2C and B2B customer development will be partly offset by improved development in Wholesale



TV in Denmark

Description: *OTT* and broadband *unbundling* putting pressure on *ARPU* levels and net adds as well as price increases from broadcasters increasing content costs

Impact in 2016: TDC Group succeeded in defending *ARPU* but at the expense of fewer customers due to *cord cutting*

Potential impact in 2017: *OTT* and broadband *unbundling* may exert pressure on *ARPU* levels and net adds

Mitigation initiatives

- *Cord cutting* and *cord shaving* as well as *OTT* mitigated on TV by reputable YouSee set-top box, which improves customer experience
- Revitalised content package with premium entertainment is also improving the customer experience
- Continued focus on households with growth in household penetration leading to lower *churn rates* in TV

Key short-term risk factors



B2B customers in Denmark

Description: Renegotiations in the enterprise segment may reduce pricing to lower levels on broadband and mobile products

Impact in 2016: We saw continued price pressure in the enterprise segment in 2016, resulting in a more hesitant pricing of the larger contracts to ensure that we can deliver the right quality and the right profitability levels

Potential impact in 2017: Continued price pressure from fierce competition in the enterprise segment may result in lower net adds for TDC to ensure that we can deliver the right quality to our large customers

Mitigation initiatives

- Improve renegotiation process to address broader product penetration
- Focus on retention through early involvement in renegotiation process and efficient account handling
- Make TDC Business' competence available to the customers to a much larger extent to create improved customer experience for our customers



Operating expenditure in Denmark

Description: Simplification and standardisation efforts are not successfully implemented, thereby challenging efficiency ambitions. Furthermore, high levels of calls to customer services will continue

Impact in 2016: Higher call levels than expected due to TDC and YouSee brand merger and higher costs related to simplification and digitalisation transformation across TDC Group

Potential impact in 2017: Simplification and standardisation efforts are not successfully implemented, thereby challenging efficiency ambitions. Furthermore, high number of customer calls will continue due to complex products and slower digitalisation progress

Mitigation initiatives

- Less call forwarding and fewer recalls stemming from improved end-to-end processes
- Fixing root causes as to why customers call for support, by addressing broadband, TV and invoice customer explanations
- Deflect calls to TDC Group's online services through personalised user experience and self-service site optimisation
- Focused execution with ensured funding and manning of end-to-end lean projects as well as strategic initiatives



Broadband and TV in Norway

Description: Continued competitive market from OTT and broadband *unbundling* in both the SDU and MDU markets

Impact in 2016: Fierce competition in both the SDU and MDU markets offset by reducing costs accordingly

Potential impact in 2017: Continued competitive market from OTT and broadband *unbundling* in both the SDU and MDU markets may reduce ARPU and net adds

Mitigation initiatives

- Strong focus on churn reduction by offering attractive packages with premium content
- Continued focus on household and bundled solutions through mobile offering
- Boost perceived broadband stability and performance by investing in network, CPE and WiFi related issues while proactively informing and training customers on how to optimise their Get broadband home solution
- Migration of broadband customers to higher speeds to improve customers' perceived value

A photograph of three young women with long hair, smiling and looking at a laptop screen. One woman is holding a pen over a notebook. The image is slightly blurred, giving it a candid, natural feel.

Corporate matters

“TDC Group has partnered with the Association of Danish Pupils to promote digital citizenship and prevent **online bullying** among children and young people

Shareholder information

Policy

TDC strives to create and maintain an open dialogue with its investors and provide them with relevant information for making reasoned investment decisions concerning the Company's debt and equity securities. TDC's disclosure practices are designed to give all investors fair and equal access to this information.

Shareholders

TDC is listed on NASDAQ Copenhagen. TDC's ownership base, which includes Danish and international institutional investors as well as Danish retail investors and TDC employees, exceeded 40,000 shareholders at year-end 2016.

TDC has been informed by The Capital Group Companies, Inc. that they hold 9.7%¹ of TDC A/S' ordinary shares and voting rights.

Dividend for 2016-2017

TDC's 2016 guidance reflects a dividend payment for the financial year 2016 of DKK 1.00 per share, which is expected to be distributed in March 2017 following approval at the Annual General Meeting.

For the financial year 2017, the Board of Directors expects to recommend a dividend of DKK 1.05 per outstanding share, which will be distributed in the first quarter of 2018.

Dividend policy

It is TDC's ambition to pay an attractive return to shareholders subject to financial performance, investment needs and investment grade rating commitment and to be paid as either dividends or through share buy backs.

Capital structure

The Board of Directors has assessed TDC Group's capital and share structure, and found that it ensures that the strategy and long-term value creation of the Company are in the best interests of the shareholders and the Company.

Shares and voting rights

TDC's share capital is divided into 812,000,000 shares with a denomination of DKK 1 each. Each share amount of DKK 1 entitles a shareholder to one vote. At year-end 2016, TDC held 9,956,073 treasury shares. The holding of treasury shares may be used in connection with incentive and other remuneration programmes for the Executive Committee and employees; as consideration in acquisitions of other businesses; and, subject to the necessary approval of the Annual General Meeting, to complete a share capital reduction.

Appointment and replacement of members of the Board of Directors

According to the Articles of Association, the Board of Directors shall consist of three to eleven members elected by the Annual General Meeting who serve a one-year term and may be re-elected. Additional members may be

elected in accordance with the rules of the Danish Companies Act concerning employee representation.

Amendments to the Articles of Association

A resolution to amend the Articles of Association is subject to adoption by a qualified majority (depending on the specific amendment) or by unanimity, as stated in Sections 106 and 107 of the Danish Companies Act. The Articles of Association contain no further requirements than those stated in the Danish Companies Act regarding amendments to articles of association.

Authorisations to the Board of Directors

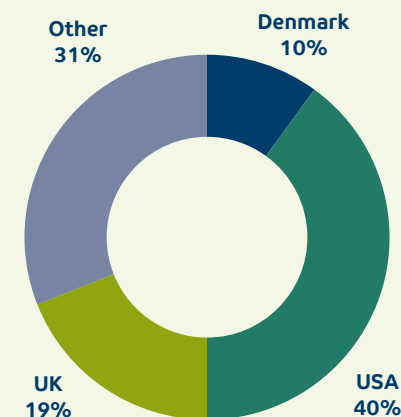
Until the Annual General Meeting 2017, the Board of Directors is authorised to allow the Company to acquire its own shares up to 10% of the nominal share capital at any time. The purchase price for the shares in question must not deviate by more than 10% from the price quoted at the time of acquisition.

Furthermore, the Articles of Association contain the following authorisations to the Board of Directors:

- Until 18 March 2019, the Board of Directors is authorised to increase the share capital by up to DKK 81,200,000. Subscription of shares may disregard the pre-emption right of shareholders

- The Board of Directors is authorised to resolve to distribute an interim dividend provided the Company's and the Group's financial positions warrant such distribution. The authorisation has no time limit

Shareholder geography at year-end 2016



¹ I.e. more than 5%. See also announcement of 29 February 2016.

Shareholder information

TDC share information

Stock exchange	NASDAQ Copenhagen
Share capital	DKK 812,000,000
Denomination	DKK 1
Number of shares	812,000,000
Classes of shares	One
ISIN code	DK0060228559

Investor Relations website

The Company's Investor Relations site *investor.tdc.com.com* provides access to information on the TDC share, financial information, financial reports, announcements, financial calendar, the Annual General Meeting, corporate governance and contact details for Investor Relations. The site also provides investors with advanced sign-up, webcasts, presentations and analyst conference calls.

Contacts

Investor enquiries regarding the Company's shares and debt instruments should be made to Investor Relations:

Flemming Jacobsen
Head of Treasury and Investor Relations

TDC Investor Relations
Teglholmsgade 1
DK-0900 Copenhagen C
Denmark
Tel: +45 66 63 76 80
Fax +45 33 15 75 79
investorrelations@tdc.dk
investor.tdc.com.

Enquiries regarding holdings of the Company's shares should be made to the Company's register of shareholders:

Computershare
Kongevejen 418
DK-2840 Holte
Denmark
Tel: +45 45 46 09 99
computershare.dk

Financial calendar 2017 (extract)

9 March	Annual General Meeting
5 May	Interim financial statements Q1 2017
10 August	Interim financial statements Q2 2017
31 October	Interim financial statements Q3 2017
31 December	End of financial year 2017

Corporate governance

Recommendations from the Committee on Corporate Governance

As a listed company, TDC is covered by the recommendations issued by the Committee on Corporate Governance (CCG) and must – either in its Annual Report or on its website – publish a Corporate Governance Statement based on the recommendations in line with the “comply-or-explain” principle. TDC’s Corporate Governance Statement 2016 is available at tdcgroup.com/en/who-we-are/corporate-governance. The recommendations are available on the CCG website at www.corporategovernance.dk.

TDC’s focus on corporate governance compliance is clearly reflected in the Company’s compliance with 45 of the 47 numbered recommendations and partial compliance with the remaining two recommendations.

Internal control and risk management systems for financial reporting

TDC’s internal control and risk management systems for financial reporting are designed to provide assurance that internal and external financial statements are prepared in accordance with the International Financial Reporting

Standards (IFRS) as adopted by the European Union. The financial statements also comply with the additional Danish disclosure requirements for annual reports of listed companies, and the assurance that true and fair financial statements without material misstatements and irregularities are presented. TDC’s detailed statutory reporting for 2016 on internal control and risk management systems for financial reporting is included as part of TDC’s Corporate Governance Statement 2016 at tdcgroup.com/en/who-we-are/corporate-governance.

The Board of Directors

TDC’s Board of Directors has 11 members, seven elected by the General Meeting and four elected by the employees.

The Board of Directors has an international profile and some diversification in relation to age, nationality and professional background.

In 2016, the Board of Directors reached its objective that by the end of 2016, no gender (among the board members elected by the General Meeting) shall be represented on the Board of Directors by less than 25%.

The percentages of female and male board members were 28% and 72%, respectively, in 2016.

The Board of Directors’ distribution by gender complies with the Danish Business Authority’s Guidance from March 2016 on “Objectives and policies for the gender composition of management and reporting hereof” and in particular the clarification as to what is meant by equal distribution by gender across a variety of boards of different sizes. Therefore, the Board of the Directors is under no obligation, according to the Danish Companies Act, to set up a new objective for its distribution by gender.

TDC still has a “Policy for the under-represented gender” applicable at management levels below the Executive Committee, cf. our CSR Report 2016 which is available at tdcgroup.com/csrreport2016.

The range of competences and experience represented on the Board of Directors includes: financial competency; legal competency; customer relationship experience; international telecommunications experience; online business experience; branding experience and senior executive experience from other Danish listed companies. The competences and experience of the individual Board members are presented in the Management section.

In 2016, as in recent years and with external assistance, the Board of Directors formally evaluated its performance. The purpose – besides securing compliance with the corporate governance recommendations – was to identify any possible improvement areas for

the Board of Directors concerning the quality of its work and thereby its value creation for the Company. The Chairman was in charge of the Board of Directors’ evaluation and the three-stage procedure was approved by the Board of Directors. First, the Board and Executive Committee members completed a questionnaire. The questions centred on topics such as interaction in the Board of Directors and with the Executive Committee (including the use of Board Committees), the work structure of the Board of Directors, the Board of Directors’ involvement in the strategy process as well as other work areas, including the talent agenda and competence development for the Board of Directors. Based on the responses to the questionnaire, the Chairman held review sessions with Board members wishing to participate in such review sessions. Finally, the main conclusions of the questionnaire and the review sessions were discussed at a Board meeting. The Vice Chairman was in charge of evaluating the Chairman at this meeting. The Board of Directors’ evaluation revealed that the Board of Directors is functioning efficiently and did not give rise to any substantial changes in the way the Board of Directors conducts its work.

Management

Corporate Management Team



Pernille Erenbjerg

Group Chief Executive Officer and President. Born 1967. Appointed to the Executive Committee in 2011. Appointed as Group CEO in 2015.

Education: MSc in Business Economics and Auditing (1992), Copenhagen Business School and State Authorised Public Accountant (1994) with deposited licence.

Management duties: Member of the Board of Directors and Chairman of the Audit Committee of DFDS A/S. Member of the Board of Directors, Chairman of the Audit Committee and member of the Nominating and Corporate Governance Committee of Genmab A/S.



Stig Pastwa

Senior Executive Vice President, Chief Financial Officer. Born 1967. Appointed to the Executive Committee in 2016.

Education: Graduate Diploma in Business Administration (1995), Copenhagen Business School.

Management duties: Chairman of the Board of Directors of Chr. Olesen & Co. A/S and Allianceplus A/S. Member of the Boards of Directors of Global Knowledge Inc. and Hedeselskabet. Member of the Committee for Fiscal Policy of the Confederation of Danish Industry.



Jaap Postma

Senior Executive Vice President of YouSee. Born 1974. Appointed to the Executive Committee in 2016.

Education: MSc in Economics (1998), University of Groningen, the Netherlands.

Management

**Gunnar Evensen**

Chief Executive Officer of Norway. Born 1962. Appointed to the Executive Committee in 2015

Education: MBA (1988), BI Norwegian Business School, Oslo.

**Marina Lønning**

Senior Executive Vice President of Business. Born in 1967. Appointed to the Executive Committee in 2016.

Education: MSc in Economics and Business (1991), Aarhus School of Business, Aarhus University.

**Peter Trier Schleidt**

Senior Executive Vice President of Operations & Chief Operating Officer. Born 1964. Appointed to the Executive Committee in 2013.

Education: MSc in Engineering (1989), Technical University of Denmark. Graduate Diploma in Business Administration (Organisation and Management, 1992), Copenhagen Business School. Advanced Management Program (2007), Wharton School.

Management duties: Member of the Board of Directors of Jyske Bank A/S.

Management

**Michael Moyell Juul**

Senior Executive Vice President of Online Brands. Born 1974. Appointed to the Corporate Management Team in 2016.

Education: MSc in Economics (2002), University of Copenhagen.

**Jens Aaløse**

Senior Executive Vice President of Stakeholder Relations & Group Chief Customer Officer. Born 1966. Appointed to the Executive Committee in 2013.

Education: Graduate Diploma in Business Administration (Market Management, 2001), Copenhagen Business School.

Management duties: Member of the Boards of Directors of Topdanmark A/S and FDM Travel A/S.

**Louise Knauer**

Senior Executive Vice President of Strategy & Chief Strategy Officer. Born 1983. Appointed to the Corporate Management Team in 2016.

Education: BSc in Business Administration and Commercial Law (2006), Copenhagen Business School, and MSc in Finance and Strategic Management (2008), Copenhagen Business School.

Management duties: Member of the Board of Directors of Doogood.dk ApS.

Management

Board of Directors



Vagn Sørensen

Chairman. Chairman of the Compensation Committee and the Nomination Committee

Education: MSc in Economics and Business Administration (1984), Aarhus School of Business, Aarhus University

Management duties: Chairman of the Boards of Directors of FLSmidth & Co. A/S, FLSmidth A/S, Zebra A/S, Select Service Partner Ltd. and one subsidiary thereof, Scandic Hotels AB and TIA Technology A/S. Vice Chairman of the Boards of Directors of Nordic Aviation Capital A/S. Member of the Boards of Directors of JP/Politikens Hus, Air Canada, Braganza AS, Royal Caribbean Cruises Ltd., VFS Global AG, CHEO Aerospace Solutions AG and C.P. Dyvig & Co. A/S

Executive Manager of GFKJUS 611 ApS and E-force A/S. Senior Advisor to Morgan Stanley and EQT Partners



Pierre Danon

Vice Chairman. Member of the Compensation Committee and the Nomination Committee

Education: Degree in Civil Engineering (1978), École Nationale des Ponts et Chaussées and law degree (1978), Faculté de Droit Paris II Assas. MBA (1980), HEC School of Management, Paris

Management duties: Executive Chairman of the Board of Directors of Voila. Vice Chairman of the Board of Directors of AgroGeneration. Non-executive Director of Ciel Investment Limited and Standard Life plc



Stine Bosse

Member of the Audit Committee

Education: Master of Law (1987), the University of Copenhagen. Strategic Agility Programme (2008), Harvard Business School

Management duties: Chairman of the Boards of Directors of TELE Greenland, BankNordik Group, Nunaoil A/S, the Danish European Movement and BØRNEfonden (the Children's Fund). Member of the Board of Directors of Allianz Group

Adjunct Professor at Copenhagen Business School



Angus Porter

Member of the Compensation Committee and the Nomination Committee

Education: MA (Natural Sciences) and PhD (1978 and 1981), University of Cambridge

Management duties: Senior Independent Director of Punch Taverns plc. Co-Chairman of Direct Wines Limited. Non-executive Director of McColl's Retail Group Plc



Marianne Rørslev Bock

Chairman of the Audit Committee

Education: MSc in Business Administration and Auditing (1991), Copenhagen Business School. State Authorised Public Accountant (1997)

Management duties: Chief Financial Officer in Brødrene Hartmann A/S and member of the Boards of Directors of six subsidiaries thereof. Member of the Board of Directors and Chairman of the Accounting Committee of the Danish Financial Supervisory Authority. Member of the Board of Directors and the Compensation & Nomination Committee of Kemp & Lauritzen A/S



Pieter Knook

Member of the Compensation Committee and the Nomination Committee

Education: MA in Electrical Sciences (1980) at Trinity Hall, University of Cambridge

Management duties: Chairman of the Board of Directors of Matillion Limited. Vice Chairman of the Board of Directors of Pulsant Limited. Member of the Board of Directors of Bio-Key International Inc. Trustee of Lunar Missions Ltd. Angel investor through Cambridge Angels



Benoit Scheen

Member of the Audit Committee

Education: BA in Economics and Social Sciences (1987) and MA in Computer Sciences (1990), University of Namur, Belgium

Management duties: Venture Partner at Volta Ventures. President EMEA of Brightstar Corporation

Management


Mogens Jensen

Specialist technician at
TDC Group

Management duties:
Member of the Board of

Directors of TDC Pensionskasse
(TDC Pension Fund).


John Schwartzbach

Service Technician at
TDC Group


Zanne Stensballe

Senior project manager at
TDC Group

Education: Graduate
Diploma in Business Admin-
istration (Marketing Management, 2000),
Storstrøms Handelshøjskolecenter. MBA
(2014), AVT Business School.


Gert Winkelmann

Consultant at Group

Management duties:
Chairman of the Associa-
tion of Managers and
Employees in Special Positions of Trust
(Lederforeningen).

Members of the Board of Directors

Name (male/female)	First elected	Re-elected	Term to expire	Nationality	Born	Independence
Vagn Sørensen (m)	26 April 2006	10 March 2016	9 March 2017	Danish	1959	Independent
Pierre Danon (m)	16 May 2008	10 March 2016	9 March 2017	French	1956	Dependent ¹
Marianne Rørslev Bock (f)	10 March 2016	-	9 March 2017	Danish	1963	Independent ²
Stine Bosse (f)	9 March 2011	10 March 2016	9 March 2017	Danish	1960	Independent ²
Pieter Knook (m)	7 March 2013	10 March 2016	9 March 2017	Dutch	1958	Independent ²
Angus Porter (m)	9 March 2011	10 March 2016	9 March 2017	British	1957	Independent ²
Benoit Scheen (m)	5 March 2015	10 March 2016	9 March 2017	Belgian	1966	Independent ²
Mogens Jensen (m)	10 March 2016	-	2020	Danish	1963	Employee member ³
John Schwartzbach (m)	8 March 2012	10 March 2016	2020	Danish	1959	Employee member ³
Zanne Stensballe (f)	10 March 2016	-	2020	Danish	1969	Employee member ³
Gert Winkelmann (m)	8 March 2012	10 March 2016	2020	Danish	1954	Employee member ³

¹ Due to provision of consultancy services against payment (within the last five years) in addition to the membership of the Board of Directors.

² Elected by the shareholders at an Annual or Extraordinary General Meeting.

³ Elected by the employees.

CSR at TDC Group

Highlights from 2016

- New partnership with the Association of Danish Pupils to promote **digital citizenship**; we aim to train over **30,000 pupils** during the coming years.
- TDC Group provided network connectivity and hosted debates on **digital dilemmas** and a workshop on **digital skills** at the very first **Youth Festival** held in Copenhagen with about **10,000 participants**.
- New CSR ambassador programme launched with **over 100 employees** signed up so far.
- Broadband networks upgraded in 51 local areas, providing **8,355 households** with access to faster connections through our **Rural Area Initiative** and similar activities.
- Our incidence of job-related accidents in Denmark decreased from 78 to **60**, mainly due to milder weather conditions.
- The proportion of Denmark's population that views TDC Group as socially responsible decreased slightly to **35%**, mainly driven by negative customer experiences.

Our CSR Strategy



Digital Denmark

We support digital citizenship, develop digital solutions and ensure digital connections for all of Denmark



Togetherness

We bring people closer together and support an inclusive society



Customer trust & safety

We take responsibility for our customers and value chain



Well-being & diversity

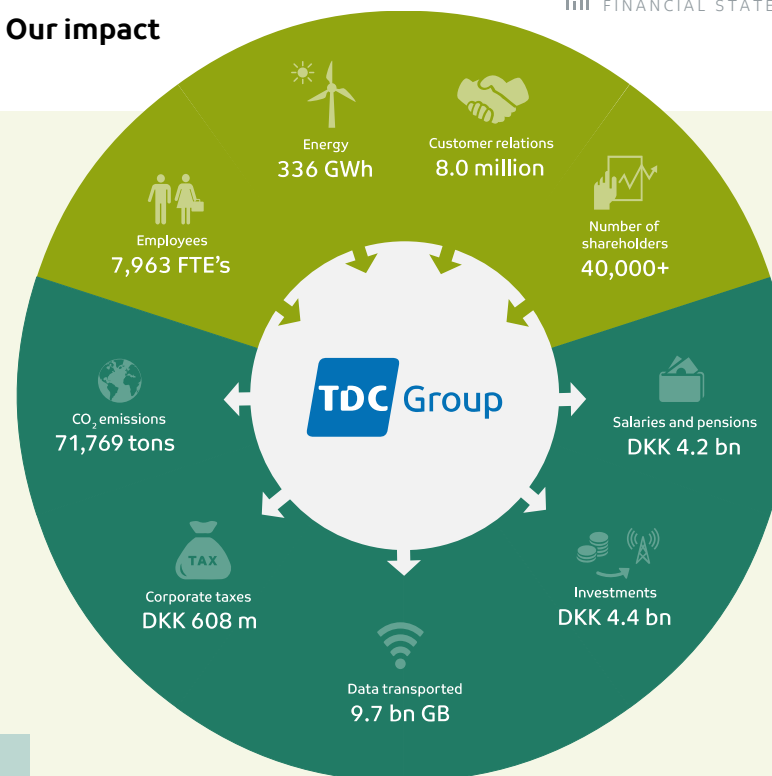
We ensure employee well-being and support diversity



Climate & environment

We minimise our environmental impact

Our impact



Online CSR Report

Our complete CSR Report is available online at tdcgroup.com/csrreport2016

Here you can read more about our approach, our various initiatives as well as find more information on our CSR objectives and results.¹

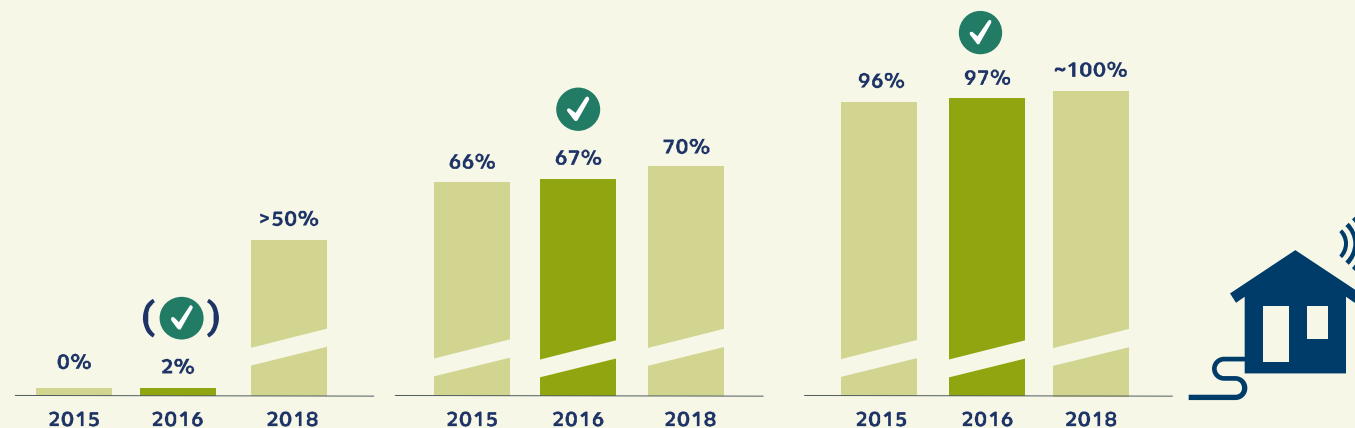


¹ Our online CSR Report constitutes TDC Group's statutory reporting on CSR in accordance with Sections 99a and 99b of the Danish Financial Statements Act.

CSR Results and objectives

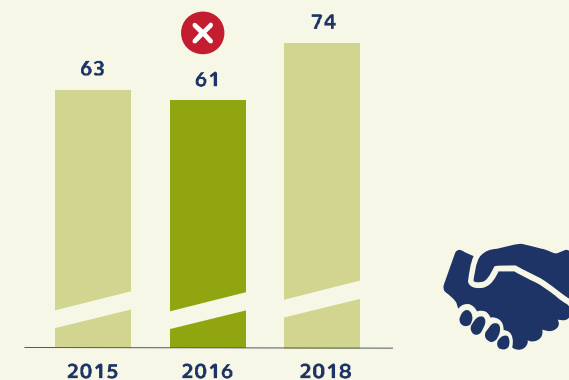
Coverage of households in Denmark with 1000Mbps 100 Mbps* 10 Mbps*

* Measured according to the
EU definition ("up to" speeds)



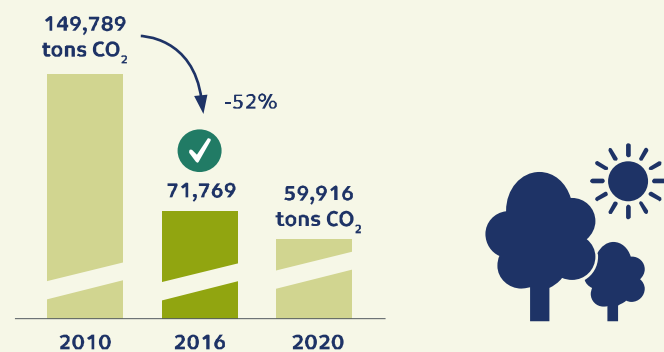
Customer trust

index for consumer brands in Denmark

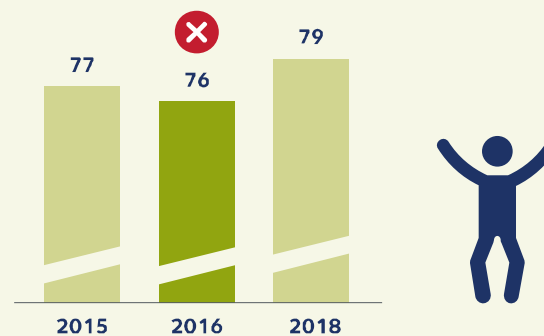


Reduction of CO₂ emissions

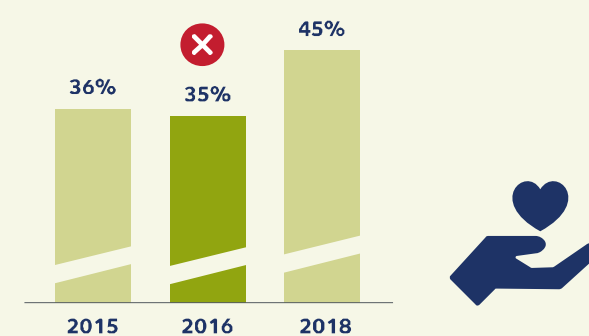
60% reduction 2010-2020



Employee satisfaction (ESAT)



Public opinion of TDC Group as a socially responsible company





Financial statements

“

TDC Group handles

125,000
terabytes of mobile data, **88%**
of which was being carried on
the 4G network by year end 2016

Financial statements

Management statement and independent auditor's report	62
Management statement	62
Independent auditor's report	63
Consolidated financial statements	67
Consolidated income statement	67
Consolidated statement of comprehensive income	67
Consolidated balance sheet	68
Consolidated statement of cash flow	69
Consolidated statement of changes in equity	70
Notes to consolidated financial statements	71
Parent Company financial statements	125

Section 1 Basis of preparation

1.1 Accounting policies	71
1.2 Critical accounting estimates and judgements	72

Section 2 Profit for the year

2.1 Segment reporting	73
2.2 Revenue	75
2.3 Cost of sales	77
2.4 External expenses	77
2.5 Personnel expenses	78
2.6 Depreciation, amortisation and impairment losses	79
2.7 Special items	80
2.8 Income taxes	81
2.9 Discontinued operations	83
2.10 Earnings per share (EPS)	83

Section 3 Operating assets and liabilities

3.1 Intangible assets	84
3.2 Property, plant and equipment	89
3.3 Receivables	91
3.4 Prepaid expenses	91
3.5 Deferred income	92
3.6 Provisions	92
3.7 Trade and other payables	94
3.8 Pension assets and pension obligations	94

Section 4 Capital structure and financing costs

4.1 Equity	100
4.2 Loans and derivatives	102
4.3 Financial risks	104
4.4 Credit ratings and net interest-bearing debt	107
4.5 Financial income and expenses	109
4.6 Maturity profiles of financial instruments	111

Section 5 Cash flow

5.1 Adjustment for non-cash items	112
5.2 Change in working capital	112
5.3 Investment in enterprises	113
5.4 Cash flow from investing activities in discontinued operations	114

Section 6 Other disclosures

6.1 Incentive programmes	115
6.2 Remuneration for Management	119
6.3 Related parties	121
6.4 Fees to auditors	121
6.5 Other financial commitments	122
6.6 Contingencies	123
6.7 Events after the balance sheet date	123
6.8 New accounting standards	124
6.9 Overview of Group companies at 31 December 2016	124

Management statement

Today, the Board of Directors and the Executive Committee considered and approved the Annual Report of TDC A/S for 2016.

The Annual Report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and Danish disclosure requirements for listed companies.

In our opinion, the consolidated financial statements and Parent Company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2016 as well as their results of operations and cash flows for the financial year 2016. Furthermore, in our opinion, the management's review provides a fair review of the developments in the Group's and the Parent Company's activities and financial position, and describes the significant risks and uncertainties that may affect the Group and the Parent Company.

The Annual Report is recommended for approval by the Annual General Meeting.

Copenhagen, 3 February 2017

Executive Committee

Pernille Erenbjerg

Group Chief Executive Officer and President

Stig Pastwa

Senior Executive Vice President, Group Chief Financial officer

Jaap Postma

Senior Executive Vice President of YouSee

Gunnar Evensen

Chief Executive Officer of Norway

Marina Lønning

Senior Executive Vice President of Business

Peter Trier Schleidt

Senior Executive Vice President of Operations and Group Chief Operating Officer

Jens Aaløse

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

Board of Directors

Vagn Sørensen

Chairman

Pierre Danon

Vice Chairman

Marianne Rørslev Bock

Stine Bosse

Pieter Knook

Angus Porter

Benoit Scheen

Mogens Jensen

John Schwartzbach

Zanne Stensballe

Gert Winkelmann

Independent auditor's report

To the shareholders of TDC A/S

Our opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2016 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

What we have audited

TDC's Consolidated Financial Statements and Parent Company Financial Statements for the financial year 1 January to 31 December 2016 comprise income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes to the financial statements, including summary of significant accounting policies for the Group as well as for the Parent Company. Collectively referred to as the "financial statements".

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters

Revenue recognition

TDC's billing environment is complex comprising a high number of applications and complex contracts, some of which include multiple elements. We focused on this area due to the risk of errors when recognising revenue, especially due to incorrect transfer of data between applications and due to the fact that complex contracts in some instances are handled in separate tools outside the normal IT billing applications.

In 2016, TDC has migrated a significant number of subscribers between different billing platforms. This increases the risk of billing errors in the migration period and was therefore of special focus to us.

Refer to notes 2.2 and 3.5 to the consolidated financial statements.

How our audit addressed the Key Audit Matters

In our audit we focused on the design of controls and tested the operating effectiveness of relevant controls such as controls over:

- changes in standing data
- capturing and recording of revenue transactions
- interfaces between systems
- transactions from separate tools outside the normal IT billing applications
- monthly Management review

On a sample test basis we also collected confirmations from Business and Wholesale customers to confirm the Group's accounts receivables, tested transactions against underlying documentation and performed analytical procedures.

Management has closely monitored the migration process. We tested controls performed in the migration process focusing on data being transferred correctly to the new billing platforms. Furthermore, controls focusing on revenue per customer before and after the migration have been tested.

Key Audit Matters

Goodwill impairment

Goodwill comprises a significant portion of TDC's total assets and amounts to DKK 17,775m in 2016 (DKK 17,494m in 2015), and where the impairment risk is highest in Business.

We focused on goodwill impairment test because the process is complex and requires significant management estimates in determining various assumptions, such as cash-flow projections, discount rates and terminal growth rates. In addition, estimates are required in determining cost drivers etc in the activity-based costing model, which is used for allocation of the carrying amount and value in use of the cost centres.

Refer to note 3.1 to the consolidated financial statements.

How our audit addressed the Key Audit Matters

We tested main assumptions in Management's goodwill impairment test such as expected cash flows from each business line and the applied discount rates and growth rates.

Expected cash flows were tested by analysing the bridge between historical and future cash flow to understand the business dynamics and to be able to assess whether cash flows expectations were reasonable. As part of that test we also tested whether business plans historically have been realised as planned to be able to assess the accuracy in the Company's forecasting processes.

In respect of discount rates, we used PwC valuation specialists to assess discount rates used by Management. Growth rates were compared to market data and adjustments analysed to assess whether the adjustments were reasonable.

Furthermore, we tested that allocation of carrying amount and value in use of the cost centres was performed based on data from TDC's activity-based costing model and that the underlying cost drivers were reasonable.

Key Audit Matters

Vacant tenancies

TDC has vacated a large number of tenancies and made them ready for sublease.

We focused on the provision for vacant tenancies because it requires significant management estimates on certain assumptions, of which the most significant ones relate to the probability of sublease and expected sublease rent income. Management estimates are based on analysis of actual subleases and sublet rent income etc and adjusted for new initiatives such as development activities and market insights.

Refer to note 3.6 to the consolidated financial statements.

How our audit addressed the Key Audit Matters

We tested the analysis performed by Management and assessed whether the adjustments made to reflect future expected sublease probability and sublease rent income are reasonable

This includes comparing the rent level to other tenancies available for sublease in the same areas, assessing the impact from development activities and comparison against market insights.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as

fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 3 February 2017

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Lars Baungaard

State Authorised Public Accountant

Tue Stensgård Sørensen

State Authorised Public Accountant

Consolidated income statement

DKK^m

	Note	2016	2015
Revenue	2.1,2.2	21,031	21,935
Cost of sales	2.3	(5,404)	(5,477)
Gross profit		15,627	16,458
External expenses	2.4	(3,434)	(3,473)
Personnel expenses	2.5	(3,805)	(3,642)
Other income	2.2	100	145
Operating profit before depreciation, amortisation and special items (EBITDA)		8,488	9,488
Depreciation, amortisation and impairment losses	2.6	(4,940)	(5,074)
Operating profit excluding special items (EBIT excluding special items)		3,548	4,414
Special items	2.7	(281)	(5,102)
Operating profit/(loss) (EBIT)		3,267	(688)
Financial income and expenses	4.5	(776)	(1,104)
Profit/(loss) before income taxes		2,491	(1,792)
Income taxes	2.8	(529)	(660)
Profit/(loss) for the year from continuing operations		1,962	(2,452)
Profit from discontinued operations	2.9	1,075	68
Profit/(loss) for the year		3,037	(2,384)
Profit/(loss) attributable to:			
Owners of the parent		2,868	(2,301)
Coupon payments on hybrid capital, net of tax		175	0
Non-controlling interests		(6)	(83)
Profit/(loss) for the year		3,037	(2,384)
Earnings per share (EPS) (DKK)	2.10		
EPS, basic		3.58	(2.87)
EPS, diluted		3.56	(2.87)
EPS from continuing operations, basic		2.24	(2.95)
EPS from continuing operations, diluted		2.22	(2.95)

Consolidated statement of comprehensive income

DKK^m

	Note	2016	2015
Profit/(loss) for the year		3,037	(2,384)
Items that may subsequently be reclassified to the income statement:			
Exchange rate adjustments of foreign enterprises	4.5	1,184	(415)
Value adjustments of hedging instruments	4.5	42	(124)
Items that cannot subsequently be reclassified to the income statement:			
Remeasurement of defined benefit pension plans	3.8	(430)	785
Income tax relating to remeasurement of defined benefit pension plans	2.8	95	(168)
Other comprehensive income/(loss)		891	78
Total comprehensive income/(loss)		3,928	(2,306)
Total comprehensive income attributable to:			
Owners of the parent		3,759	(2,223)
Coupon payments on hybrid capital, net of tax		175	0
Non-controlling interests		(6)	(83)
Total comprehensive income/(loss)		3,928	(2,306)
Total comprehensive income attributable to owners of the parent arises from:			
Continuing operations		2,006	(2,313)
Discontinuing operations		1,753	90
Total		3,759	(2,223)

Consolidated balance sheet

Assets		DKKm	
	Note	2016	2015
Non-current assets			
Intangible assets	3.1	34,208	34,455
Property, plant and equipment	3.2	18,041	17,963
Joint ventures, associates and other investments		87	82
Pension assets	3.8	5,595	5,947
Receivables	3.3	256	275
Derivative financial instruments	4.6	88	484
Prepaid expenses	3.4	314	355
Total non-current assets		58,589	59,561
Current assets			
Inventories		243	311
Receivables	3.3	2,495	3,131
Income tax receivable	2.8	25	5
Derivative financial instruments	4.6	612	484
Prepaid expenses	3.4	681	741
Cash		1,687	363
Total current assets		5,743	5,035
Total assets		64,332	64,596

Equity and liabilities		DKKm	
	Note	2016	2015
Equity			
Share capital	4.1	812	812
Reserve for exchange rate adjustments		(835)	(2,019)
Reserve for cash flow hedges		(205)	(247)
Retained earnings		18,080	16,229
Proposed dividends		802	0
Equity attributable to owners of the parent		18,654	14,775
Hybrid capital	4.1	5,552	5,552
Non-controlling interests		1	27
Total equity		24,207	20,354
Non-current liabilities			
Deferred tax liabilities	2.8	4,133	4,218
Provisions	3.6	935	985
Pension liabilities	3.8	39	36
Loans	4.2,4.6	23,966	27,398
Derivative financial instruments	4.6	290	0
Deferred income	3.5	372	426
Total non-current liabilities		29,735	33,063
Current liabilities			
Loans	4.2,4.6	220	200
Trade and other payables	3.7	6,186	7,035
Derivative financial instruments	4.6	659	537
Deferred income	3.5	3,132	3,177
Provisions	3.6	193	230
Total current liabilities		10,390	11,179
Total liabilities		40,125	44,242
Total equity and liabilities		64,332	64,596

Consolidated statement of cash flow

	Note	2016	2015
EBITDA		8,488	9,488
Adjustment for non-cash items	5.1	267	191
Pension contributions	3.8	(106)	(121)
Payments related to provisions	3.6	(5)	(4)
Special items	2.7	(446)	(524)
Change in working capital	5.2	151	180
Interest received	4.5	557	637
Interest paid	4.5	(1,470)	(1,514)
Income tax paid	2.8	(608)	(786)
Operating activities in continuing operations		6,828	7,547
Operating activities in discontinued operations		430	272
Total cash flow from operating activities		7,258	7,819
Investment in enterprises	5.3	(145)	(153)
Investment in property, plant and equipment	3.2	(3,303)	(3,278)
Investment in intangible assets	3.1	(1,151)	(1,003)
Investment in other non-current assets		(25)	(9)
Sale of other non-current assets		43	60
Dividends received from joint ventures and associates		10	1
Investing activities in continuing operations		(4,571)	(4,382)
Investing activities in discontinued operations	5.4	1,814	(224)
Total cash flow from investing activities		(2,757)	(4,606)

	Note	2016	2015
Proceeds from long-term loans		0	8,484
Repayment of long-term loans		(2,897)	(8,008)
Finance lease repayments		(96)	(79)
Repayment of bridge bank loan		0	(11,946)
Change in other short-term loans		1	3
Proceeds from issuance of hybrid capital		0	5,552
Coupon payments on hybrid capital		(196)	0
Dividend paid		0	(1,603)
Capital contributions from non-controlling interests		7	6
Financing activities in continuing operations		(3,181)	(7,591)
Financing activities in discontinuing operations		(1)	(11)
Total cash flow from financing activities		(3,182)	(7,602)
Total cash flow		1,319	(4,389)
Cash and cash equivalents at 1 January		363	4,746
Effect of exchange-rate changes on cash and cash equivalents		5	6
Cash and cash equivalents at 31 December		1,687	363

	Note	2016	2015
Cash flow from operating activities in continuing operations		6,828	7,547
Cash flow from capital expenditure:			
Investment in property, plant and equipment		(3,303)	(3,278)
Investment in intangible assets		(1,151)	(1,003)
Finance lease repayments		(96)	(79)
Coupon payments on hybrid capital		(196)	0
Equity free cash flow		2,082	3,187

Consolidated statement of changes in equity

DKKm

	Attributable to owners of the parent ¹								
	Share capital	Reserve for currency translation adjustments	Reserve for cash flow hedges	Retained earnings	Proposed dividends	Total	Hybrid capital	Non-controlling interests	Total
Equity at 1 January 2015	812	(1,604)	(123)	18,656	802	18,543	0	104	18,647
Loss for the year	-	-	-	(2,301)	0	(2,301)	-	(83)	(2,384)
Exchange rate adjustments of foreign enterprises, cf. note 4.5	-	(415)	-	-	-	(415)	-	0	(415)
Value adjustments of hedging instruments, cf. note 4.5	-	-	(124)	-	-	(124)	-	0	(124)
Remeasurement of defined benefit pension plans	-	-	-	785	-	785	-	0	785
Income tax relating to remeasurement of defined benefit pension plans	-	-	-	(168)	-	(168)	-	0	(168)
Total comprehensive income	-	(415)	(124)	(1,684)	-	(2,223)	0	(83)	(2,306)
Additions, hybrid capital	-	-	-	-	-	-	5,552	-	5,552
Share-based remuneration	-	-	-	58	-	58	-	-	58
Additions to non-controlling interest	-	-	-	-	-	-	-	6	6
Distributed dividend	-	-	-	(801)	(802)	(1,603)	-	-	(1,603)
Total transactions with shareholders	-	-	-	(743)	(802)	(1,545)	5,552	6	4,013
Equity at 31 December 2015	812	(2,019)	(247)	16,229	0	14,775	5,552	27	20,354
Profit for the year	-	-	-	2,066	802	2,868	175	(6)	3,037
Exchange rate adjustments of foreign enterprises, cf. note 4.5	-	1,184	-	-	-	1,184	-	0	1,184
Value adjustments of hedging instruments, cf. note 4.5	-	-	42	-	-	42	-	0	42
Remeasurement of defined benefit pension plans	-	-	-	(430)	-	(430)	-	0	(430)
Income tax relating to remeasurement of defined benefit pension plans	-	-	-	95	-	95	-	0	95
Total comprehensive income	-	1,184	42	1,731	802	3,759	175	(6)	3,928
Share-based remuneration	-	-	-	120	-	120	-	-	120
Coupon payments on hybrid capital	-	-	-	-	-	-	(196)	-	(196)
Income tax relating to coupon payments on hybrid capital	-	-	-	-	-	-	21	-	21
Additions to non-controlling interests	-	-	-	-	-	-	-	10	10
Decrease in non-controlling interests	-	-	-	-	-	-	-	(30)	(30)
Total transactions with shareholders	-	-	-	120	-	120	(175)	(20)	(75)
Equity at 31 December 2016	812	(835)	(205)	18,080	802	18,654	5,552	1	24,207

¹ See also note 4.1 for an explanation of distributable reserves and dividend.

Basis of preparation

This section sets out the Group's basis of preparation that relates to the financial statements as a whole. Where an accounting policy is specific to one note, the policy is described in the note to which it relates. Similarly, sources of estimation uncertainty are described in the notes to which they relate.

Note 1.1 Accounting policies

TDC's consolidated financial statements for 2016 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and further disclosure requirements in the Danish Financial Statements Act.

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

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 judgments considered material to the preparation of the consolidated financial statements are shown in note 1.2 below.

TDC Group has adopted the new standards, amendments to standards and interpretations that are effective for the financial year 2016. None of the changes have affected recognition or measurement in the financial statements, nor are they expected to have any future impact.

The accounting policies are unchanged from last year.

Following the divestment of TDC Sweden, these activities are classified as discontinued operations in TDC's consolidated financial statements. Comparative figures in the income statements and cash flow statements are restated accordingly.

Consolidation policies

The consolidated financial statements include the financial statements of the Parent Company and subsidiaries in which TDC A/S has direct or indirect control. Joint ventures in which the Group has joint control and associates in which the Group has significant influence are recognised using the equity method.

The consolidated financial statements have been prepared on the basis of the financial statements of TDC A/S and its consolidated enterprises, which have been restated to group accounting policies, combining items of a uniform nature.

On consolidation, intra-group income and expenses; shareholdings, dividends, internal balances; and realised and unrealised profits and losses on transactions between the consolidated enterprises have been eliminated.

Note 1.1 Accounting policies (continued)

Foreign currency translation

A functional currency is determined for each of the Group's enterprises. The functional currency is the currency applied in the primary economic environment where each enterprise operates. Transactions in currencies other than the functional currency are transactions in foreign currencies. The consolidated financial statements are presented in Danish kroner (DKK), which is the Parent Company's functional and presentation currency.

Transactions in foreign currencies are translated at the transaction-date exchange rates. Foreign exchange gains and losses arising from differences between the transaction-date rates and the rates at the date of settlement are recognised as financial income and expenses in the income statement.

Cash, loans and other amounts receivable or payable in foreign currencies are translated into the functional currency at the official exchange rates quoted at year-end. Currency translation adjustments are recognised as financial income and expenses in the income statement.

The balance sheets and goodwill of consolidated foreign enterprises are translated into Danish kroner at the official exchange rates quoted at the balance sheet date, whereas the income statements of the enterprises are translated into Danish kroner at monthly average exchange rates. Currency translation adjustments arising from the translation of equity at the beginning of the year into Danish kroner at the official exchange rates quoted at year-end are recognised in other comprehensive income and in equity under a separate reserve for currency translation adjustments. The same applies to adjustments arising from the translation of the income statement from the monthly average exchange rates to the exchange rates quoted at year-end.

Note 1.2 Critical accounting estimates and judgements

The preparation of TDC's Annual Report requires Management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amount of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised during the period in which the estimates are revised and during any future periods affected.

The following areas involve a higher degree of estimates or complexity and are outlined in more detail in the related notes on:

- revenue recognition (note 2.2)
- useful lives regarding intangible assets (note 3.1)
- impairment testing of intangible assets (note 3.1)
- provisions (note 3.6)
- defined benefit plans (note 3.8)

Profit for the year

This section focuses on disclosures of details of the TDC Group's results for the year including segmental information, special items, taxation and earnings per share. A detailed review of revenue, *EBITDA* and profit for the year is provided in the section 'Our performance' in the Management's review.

Note 2.1 Segment reporting

Worth noting

TDC Group consists of the following segments: Consumer, dedicated to residential households in Denmark; Business, dedicated to the business market in Denmark; Wholesale, delivering services to *service providers* in Denmark, and Norway, delivering services to households (through Get) and businesses (through TDC Norway). Other operations consists of the two operating segments Operations and Headquarters and includes shared Danish functions such as, IT, procurement, installation, etc. For further information, see 'Who we are'.

Costs are not fully allocated among segments. For further information, see 'Cost allocation' below.

Accounting policies

Operating segments are reported in a manner consistent with the internal reporting to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board of Directors. The operating segments have been determined based on the financial and operational reports reviewed by the Board of Directors.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in the notes. Profit before depreciation, amortisation and special items (*EBITDA*) represents the profit earned by each segment without allocation of depreciation, amortisation and impairment losses, special items, financial income and expenses and income taxes. *EBITDA* is the measurement reported to the Board of Directors for the purposes of resource allocation and assessment of segment performance.

Assets and liabilities are not allocated to operating segments in the financial and operational reports reviewed by the Board of Directors.

In presenting information on the basis of geographical markets, segment revenue is based on the geographical location of the enterprise where the sale originates.

Changes in segment reporting

In 2016, TDC made certain changes that impacted on TDC's segment reporting:

- The Danish customer service functions were split from Channels into the other business lines. In addition, a number of other activities were transferred between the business lines.
- As a result of a more customer-centric organisation with more end-to-end process responsibility, more costs are allocated to the reporting segments: Consumer, Business and Wholesale, whereas correspondingly fewer costs are allocated to Other operations in Denmark.

Comparative figures have been restated accordingly.

Cost allocation

Cost allocation in Denmark is used only in relation to postage, freight, electricity for data-centre hosting and rent for TDC shops to ensure incentives to optimise the use of such services.

All other costs are not allocated, but are included in the operating expenses of the segment responsible for the service. Accordingly, e.g. costs related to IT services from Operations as well as staff services from Headquarters to Consumer, Business and Wholesale are not allocated.

In addition, as the Danish mobile and landline networks (including the *cable* network) are based in Operations, operating expenses and capital expenditure related to these networks are not allocated to Consumer, Business and Wholesale. However, interconnect payments and revenues concerning TDC customers are included in the revenue and expenses of Wholesale.

Headquarters has assumed all pension obligations for the members of the Danish corporate pension fund. Accordingly, pension costs/incomes for the Danish corporate pension fund are reported in Headquarters.

All costs related to the share-based incentive programme for the management of TDC Group's Norwegian business as well as the Danish part of the short-term bonus, deferred bonus and performance share programmes are included in the segment Other operations.

Note 2.1 Segment reporting (continued)

Activities

DKK m

	Consumer ¹		Business		Wholesale	
	2016	2015	2016	2015	2016	2015
Mobility services	2,739	2,640	1,254	1,391	549	534
Landline voice	842	1,076	854	1,058	248	266
Internet & network	2,447	2,477	1,819	1,967	750	702
TV	4,257	4,241	37	39	55	36
Other services	522	812	1,277	1,370	139	162
Revenue	10,807	11,246	5,241	5,825	1,741	1,700
Total operating expenses	(4,590)	(4,567)	(2,280)	(2,367)	(773)	(743)
Other income and expenses	4	(2)	1	(1)	1	0
EBITDA	6,221	6,677	2,962	3,457	969	957
Specification of revenue:						
External revenue	10,804	11,246	5,067	5,640	1,658	1,578
Revenue across segments	3	0	174	185	83	122

	Other operations ²		Norway ³		Eliminations		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Mobility services	2	2	-	-	(9)	(4)	4,535	4,563
Landline voice	14	16	-	-	(1)	(2)	1,957	2,414
Internet & network	135	87	-	-	(114)	(101)	5,037	5,132
TV	4	1	-	-	(1)	(1)	4,352	4,316
Other services	338	332	-	-	(102)	(96)	2,174	2,580
Norway	-	-	3,092	3,131	(116)	(201)	2,976	2,930
Revenue	493	438	3,092	3,131	(343)	(405)	21,031	21,935
Total operating expenses	(3,602)	(3,478)	(1,773)	(1,892)	375	455	(12,643)	(12,592)
Other income and expenses	130	161	4	40	(40)	(53)	100	145
EBITDA	(2,979)	(2,879)	1,323	1,279	(8)	(3)	8,488	9,488
Specification of revenue:								
External revenue	463	413	3,039	3,058	-	-	21,031	21,935
Revenue across segments	30	25	53	73	(343)	(405)	0	0

¹ The two operating segments YouSee and Online Brands are aggregated to the reportable segment Consumer because both render telecoms services B2C on the same telecoms network and under the same regulatory environment.

² Consists of the two operating segments Operations and Headquarters. At Operations, external revenue amounted to DKK 457m (2015: DKK 409m), revenue across segments amounted to DKK 30m (2015: DKK 25m) and EBITDA amounted to DKK (2,283)m (2015: DKK (2,265)m). At Headquarters, external revenue amounted to DKK 6m (2015: DKK 4m) with no revenue across segments and EBITDA amounted to DKK (696)m (2015: DKK (614)m).

³ Consists of the two operating segments Get and TDC Norway. At Get, external revenue amounted to DKK 2,337m (2015: DKK 2,325m), revenue across segments amounted to DKK 0m (2015: DKK 2m) and EBITDA amounted to DKK 1,217m (2015: DKK 1,153m). At TDC Norway AS, external revenue amounted to DKK 702m (2015: DKK 733m), revenue across segments amounted to DKK 53m (2015: DKK 71m) and EBITDA amounted to DKK 106m (2015: DKK 126m).

Note 2.1 Segment reporting (continued)

Reconciliation of EBITDA to profit before income taxes

DKKm

	2016	2015
Total EBITDA from reportable segments	8,488	9,488
Unallocated:		
Depreciation, amortisation and impairment losses	(4,940)	(5,074)
Special items	(281)	(5,102)
Financial income and expenses	(776)	(1,104)
Consolidated profit/(loss) before income taxes	2,491	(1,792)

Geographical markets

DKKm

	External revenue		Non-current assets allocated	
	2016	2015	2016	2015
Denmark	17,992	18,877	39,414	39,566
International operations:				
Sweden	0	0	0	727
Norway	3,039	3,058	13,402	12,753
Germany	0	0	3	2
Total international operations	3,039	3,058	13,405	13,482
Total	21,031	21,935	52,819	53,048

¹ Non-current assets other than investments in joint ventures and associates, financial instruments, deferred tax assets and pension assets.

Note 2.2 Revenue

§ Accounting policies

Revenue is measured at the fair value of the consideration receivable, exclusive of sales tax and discounts relating directly to sales. Revenue comprises goods and services provided during the year. Goods and services may be sold separately or in bundled packages. Services include traffic and subscription fees, interconnect and roaming fees, fees for leased lines, network services, TV distribution as well as connection and installation fees. Goods include customer premises equipment, telephony handsets, PCs, set-top boxes, etc.

The significant sources of revenue are recognised in the income statements as follows:

- revenues from telephony are recognised at the time the call is made
- sales related to prepaid products are deferred, and revenues are recognised at the time of use
- revenues from leased lines are recognised over the rental period
- revenues from subscription fees and flat-rate services are recognised over the subscription period
- revenues from non-refundable up-front connection fees are deferred and recognised as income over the expected term of the related customer relationship
- revenues from the sale of equipment are recognised upon delivery. Revenues from the maintenance of equipment are recognised over the contract period

Revenue arrangements with multiple deliverables are recognised as separate units of accounting, independent of any contingent element related to the delivery of additional items or other performance conditions. Such revenues include the sale of equipment located at customer premises, e.g. switchboards and handsets.

Discounts on bundled sales of handsets and subscriptions are fully allocated to the handsets.

Sales of handsets below cost in an arrangement that cannot be separated from the provision of services are not recognised as revenue.

Revenues are recognised gross when TDC acts as the principal in a transaction. For content-

based services and the resale of services from content providers where TDC acts as the agent, revenues are recognised net of direct costs.

The percentage of completion method is used to recognise revenue from contract work in progress based on an assessment of the stage of completion. Contract work in progress includes installation of telephone and IT systems, systems integration and other business solutions.

Other income

Other income comprises mainly compensation for cable breakages, investment advisory fees from the related pension funds as well as profit relating to divestment of property, plant and equipment.

Note 2.2 Revenue (continued)

Critical accounting estimates and judgements

Revenue recognition for a telecoms operator is a complex area of accounting that requires management estimates and judgements.

Recognition of revenue depends on whether the Group acts as a principal or an agent. Whether the Group is considered to be the principal or agent in a transaction depends on analysis of both the form and substance of the agreement with customers. Such judgements impact the amount of reported revenue and operating expenses but do not impact net profit for the year or cash flows.

Determining fair values of the individual elements determining if or when revenue should be recognised requires management judgement in bundling products and services. E.g. business customer contracts can comprise several elements related to goods, subscriptions, leases, etc. Revenue is recognised when realised or realisable and earned.

Revenues from non-refundable up-front connection fees are deferred and recognised as income over the expected term of the related customer relationship. The term is estimated using historical customer *churn rates*. Change of Management estimates may have a significant impact on the amount and timing of the revenues and the related expenses for any period. See also notes 3.4 and 3.5.

Revenue	DKKm	
	2016	2015
Sales of goods	1,042	1,230
Sales of services	19,989	20,705
Total	21,031	21,935

External revenue from products and services	DKKm	
	2016	2015
Mobile services	4,635	4,626
Landline voice	2,166	2,615
Internet & network	6,290	6,378
TV	5,659	5,651
Other services	2,281	2,665
Total	21,031	21,935

Note 2.3 Cost of sales

§ Accounting policies

Cost of sales includes transmission costs and cost of goods sold. Transmission costs include expenses related to operation of mobile and landline networks and leased transmission capacity as well as *interconnection* and roaming costs related directly to the Group's primary income.

Cost of goods sold includes terminal equipment and transmission material as well as TV-programme rights and other content costs.

The cost of a handset is expensed as cost of sales when the handset is sold unless the handset is sold below cost (see note 2.4 for a description of the accounting for sale of handsets below cost). The sale could be an individual sale or a multiple-element sale with a subscription.

Cost of sales

	DKKk	
	2016	2015
Mobile services	(603)	(473)
Landline voice	(349)	(355)
Internet & network	(693)	(738)
TV	(2,544)	(2,471)
Other services	(1,215)	(1,440)
Total	(5,404)	(5,477)

Note 2.4 External expenses

§ Accounting policies

External expenses include expenses related to marketing and advertising, IT, property, cost related to staff, capacity maintenance, service contracts, etc.

Subscriber acquisition and retention costs

Subscriber acquisition and retention costs are expensed as incurred. The most common subscriber acquisition costs are handsets and dealer commissions. If a handset is sold below cost, the difference between the sales price and the cost of the handset is considered a marketing expense and is expensed under external expenses.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the term of the lease.

External expenses

	DKKk	
	2016	2015
Marketing and advertising costs	(284)	(259)
Subscriber acquisition and retention costs	(460)	(494)
Property	(721)	(765)
IT	(410)	(284)
Temps and personnel-related costs	(228)	(251)
Other	(1,331)	(1,420)
Total	(3,434)	(3,473)

Rental expenses for the year for all operating leases

	DKKk	
	2016	2015
Lease payments	(837)	(666)
Sublease payments	119	121
Total	(718)	(545)

Note 2.5 Personnel expenses

§ Accounting policies

Wages, salaries, social security contributions, paid leave and sick leave, bonuses and other employee benefits are recognised in the year in which the employee renders the related services.

Pension costs

See note 3.8.

Share-based remuneration

See note 6.1.

Full-time employee equivalents

The number of full-time employee equivalents includes permanent employees and trainees. Employees who are entitled to pensions on conditions similar to those provided for Danish civil servants and who are seconded to external parties in connection with outsourcing of tasks or divestment of operations are not included in the reported numbers.

Employees in acquired enterprises are included as the average number of full-time employee equivalents from the time of acquisition until 31 December. Employees in divested enterprises are included as the average number of full-time employee equivalents from 1 January until the time of divestment.

Personnel expenses

DKK m

	2016	2015
Wages and salaries (including short-term bonus)	(3,824)	(3,694)
Pensions:		
• defined benefit plans	(132)	(167)
• defined contribution plans	(314)	(313)
Share-based remuneration	(140)	(64)
Social security	(160)	(152)
Total	(4,570)	(4,390)
Of which capitalised as non-current assets	765	748
Total personnel expenses recognised in the income statement¹	(3,805)	(3,642)

¹ The figures cover only continuing operations. Calculated including discontinued operations, personnel expenses totalled DKK 4,283m in 2016 and DKK 4,195m in 2015.

Number of full-time employee equivalents

	2016	2015
1 January	7,897	8,594
Transferred to discontinued operations	-	(807)
Redundancy programmes	(225)	(286)
Acquisitions and divestments	82	15
Hirings and resignations	209	381
31 December	7,963	7,897
Former Danish civil servants	98	110
Employees entitled to pension from TDC's pension fund	1,056	1,059
Other employees	6,809	6,728
31 December	7,963	7,897
Of which in Denmark	7,025	6,825
Average number of full-time employee equivalents, TDC Group^{1,2}	7,983	7,877

¹ The average number of full-time employee equivalents seconded to external parties in connection with outsourcing of tasks or divestment of operations and entitled to pensions on conditions similar to those provided for Danish civil servants is not included in the reported figures (2016: 106 and 2015: 136).

² The figures cover only continuing operations. Calculated including discontinued operations, the average number of full-time employee equivalents amounted to 8,675 in 2016 and 8,681 in 2015.

Note 2.6 Depreciation, amortisation and impairment losses

§ Accounting policies

See notes 3.1 and 3.2.



Comments

The decline in amortisation from 2015 to 2016 reflects primarily lower amortisation of the value of customer relations according to the diminishing balance method.

For impairment losses recognised as special items, see note 2.7.

Depreciation, amortisation and impairment losses

DKKm

	2016	2015
Depreciation on property, plant and equipment, cf. note 3.2	(2,976)	(2,977)
Amortisation of intangible assets, cf. note 3.1	(1,906)	(2,045)
Impairment losses, cf. notes 3.1 and 3.2	(58)	(52)
Total	(4,940)	(5,074)

Note 2.7 Special items

Worth noting

Special items includes 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 includes gains and losses related to divestment of enterprises, as well as transaction costs and adjustments of purchase prices relating to the acquisition of enterprises.

Accounting policies

Special items as described above is 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.

Critical accounting estimates and judgements

The Group's income statement separately identifies operating results before special items. Special items are those that in Management's judgement need to be disclosed separately by virtue of their size, nature or incidence. In determining whether an event or transaction is special, Management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence. This is consistent with the way that financial performance is measured by Management and reported to the Board of Directors and assists in providing a meaningful analysis of the operating results of the Group.

Comments

The positive development in special items was due to impairment losses in 2015 (DKK 4,658m) related primarily to goodwill as well as the gain in 2016 from divesting TDC Sweden (DKK 981m). In 2015, costs related to redundancy programmes and vacant tenancies included a reassessment of the provision for expected expenses in relation to vacant tenancies (DKK 174m).

Special items

	DKKkm	
	2016	2015
Costs related to redundancy programmes and vacant tenancies	(221)	(375)
Other restructuring costs, etc.	(53)	(89)
Impairment losses	0	(4,658)
Loss on sale of enterprises	(2)	0
Loss from rulings	(5)	(5)
Adjustment of purchase price of enterprises	0	24
Costs related to acquisition of enterprises	0	1
Special items before income taxes	(281)	(5,102)
Income taxes related to special items	60	227
Special items related to joint ventures and associates	1	0
Special items related to discontinued operations	973	(11)
Total special items	753	(4,886)

Cash flow from special items (excl. discontinued operations)

	DKKkm	
	2016	2015
Redundancy programmes and vacant tenancies	(243)	(287)
Rulings	0	(1)
Other	(203)	(236)
Total	(446)	(524)

If recognised in operating profit above special items, special items would be included in the following items

	DKKkm	
	2016	2015
Cost of sales	(27)	0
External expenses	(106)	(265)
Personnel expenses	(146)	(203)
Other income	0	24
Other expenses	(2)	0
Depreciation, amortisation and impairment losses	0	(4,658)
Total	(281)	(5,102)

Note 2.8 Income taxes

Worth noting

A large part of TDC's deferred tax liabilities relate to assets that are not expected to be taxed in the foreseeable future (pension assets, customer relations and brands). The deferred tax liabilities relating to customer relationships and brands stem primarily from the merger between TDC and the former parent company NTC ApS in 2009 and the resulting adoption of NTC's purchase price allocation.

Accounting policies

Tax for the year comprises current income tax, changes in deferred tax and adjustments from prior years and is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income.

Current income tax liabilities and current income tax receivables are recognised in the balance sheet as income tax payable or income tax receivable.

Deferred tax is measured under the balance-sheet liability method on the basis of all temporary differences between the carrying amounts and the tax bases of assets and liabilities at the balance sheet date. However, deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or if it arises from initial recognition of an asset or liability in a transaction other than a business combination that affects neither accounting nor taxable profit/loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by TDC and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets including the tax value of tax-loss carryforwards are recognised at the value at which they are expected to be realised. Realisation is expected to be effected either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Adjustment of deferred tax is made concerning elimination of unrealised intra-group profit and losses.

Deferred tax is measured on the basis of the tax rules and tax rates effective under the legislation in the respective countries at the balance sheet date when the deferred tax is expected to

be realised as current income tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement except for the effect of items recognised directly in other comprehensive income.

Deferred tax assets and liabilities are offset in the consolidated balance sheet if the Group has a legally enforceable right to offset them, and the deferred tax assets and liabilities relate to the same legal tax entity.

Reconciliation of income taxes

DKKkm

	2016			2015		
	Income taxes cf. the income statement	Income tax payable/ (receivable)	Deferred tax liabilities/ (assets)	Income taxes cf. the income statement	Income tax payable/ (receivable)	Deferred tax liabilities/ (assets)
At 1 January	-	(5)	4,218	-	(64)	4,271
Transferred to discontinued operations	-	22	7	-	-	-
Additions relating to acquisition of enterprises	-	1	19	-	0	17
Disposals relating to loss of control	-	9	0	-	0	0
Income taxes for the year	(602)	634	(32)	(728)	929	(201)
Adjustment of tax for previous years	47	(78)	31	24	(70)	46
Change in tax rate	26	0	(26)	45	0	(45)
Tax relating to remeasurement effects from defined benefit pension plans	-	-	(95)	-	-	168
Tax relating to coupon payments on hybrid capital	-	0	(21)	-	0	0
Income tax paid	-	(608)	-	-	(800)	-
Currency translation adjustment	-	0	32	-	0	(38)
Transferred to discontinued operations	-	-	-	(1)	-	-
Total	(529)	(25)	4,133	(660)	(5)	4,218
Shown in the balance sheet as:						
Tax payable/deferred tax liabilities	-	0	4,133	-	0	4,218
Tax receivable/deferred tax assets	-	(25)	0	-	(5)	0
Total	-	(25)	4,133	-	(5)	4,218
Income taxes are specified as follows:						
Income excluding special items	(589)	-	-	(887)	-	-
Special items	60	-	-	227	-	-
Total	(529)	-	-	(660)	-	-

Note 2.8 Income taxes (continued)



Comments

Reconciliation of income taxes

In 2016, the change in tax rate related to a reduction of the Norwegian corporate income tax rate from 25% to 24% with effect from 2017.

DKK 607m of the income tax paid was paid in Denmark (2015: DKK 778m). DKK 1m was paid in Norway (2015: DKK 8m). In Sweden, TDC received a refund of income tax of DKK 3m related to ordinary business (2015: payment of DKK 14m). No tax payments related to the divestment of TDC Sweden.

The value of tax-loss carryforwards relates primarily to the Norwegian business and is expected to be utilised within a few years.

In Sweden, the Group has a tax-loss not recognised of DKK 11m (2015: DKK 0m).

In 2015, the change in tax rate related to a reduction of the Norwegian corporate income tax rate from 27% to 25% with effect from 2016.

All Danish group companies participate in joint taxation with TDC A/S as the management company.

Reconciliation of effective tax rate

The decreasing effective tax rate (excluding special items) was due primarily to the reduced impact from the Danish limitation on the deductibility of interest due to lower net financial expenses as well as the reduction of the Danish corporate income tax rate.

Specification of deferred tax

DKK m

	2016			2015
	Deferred tax assets	Deferred tax liabilities	Total	
Receivables, inventories, etc.	(7)	0	(7)	4
Other	(35)	0	(35)	(83)
Current	(42)	0	(42)	(79)
Intangible assets	0	3,457	3,457	3,565
Property, plant and equipment	0	46	46	65
Pension assets and pension liabilities	(2)	1,231	1,229	1,306
Tax value of tax-loss carryforwards	(401)	0	(401)	(492)
Other	(156)	0	(156)	(147)
Non-current	(559)	4,734	4,175	4,297
Deferred tax at 31 December	(601)	4,734	4,133	4,218
Recognised as follows in the balance sheet:				
Deferred tax assets			0	0
Deferred tax liabilities			4,133	4,218

Reconciliation of effective tax rate

	2016		2015	
	DKK m	%	DKK m	%
Danish corporate income tax rate	610	22.0	778	23.5
Limitation on the tax deductibility of interest expenses	49	1.7	159	4.8
Other non-taxable income and non-tax deductible expenses	1	0.0	3	0.1
Tax value of non-capitalised tax losses and utilised tax losses, net	1	0.0	16	0.5
Deviation in foreign subsidiaries' tax rates compared with the Danish tax rate	7	0.3	11	0.3
Change in the Norwegian corporate income tax rate	(26)	(0.9)	(45)	(1.4)
Adjustment of tax for previous years	(47)	(1.6)	(24)	(0.7)
Other	(6)	(0.2)	(11)	(0.3)
Effective tax excluding special items	589	21.3	887	26.8
Special items from non-tax deductible write-downs on goodwill	0	0.0	(221)	(62.0)
Other special items	(60)	0.0	(6)	(1.6)
Effective tax including special items	529	21.3	660	(36.8)

Note 2.9 Discontinued operations

§ Accounting policies

Disclosure of discontinued operations

Discontinued operations are recognised separately as they constitute entities comprising separate major lines of business or geographical areas, whose activities and cash flows for operating and accounting purposes can be clearly distinguished from the rest of the entity, and where the entity has been disposed of or classified as held for sale, and it seems highly probable that the disposal will be effected within twelve months in accordance with a single coordinated plan.

Profit/loss after tax of discontinued operations is presented in a separate line in the income statement with restated comparative figures. Revenue, cost and taxes relating to the discontinued operation are disclosed in the table below.

Cash flows from operating, investing and financing activities of discontinued operations are presented in separate lines in the statement of cash flow with restated comparative figures.

Discontinued operations

	DKKk	
	2016	2015
Revenue	2,256	2,431
Total operating costs	(1,999)	(2,110)
Income taxes	(25)	1
Results from discontinued operations excluding gain from divestment	102	79
Gain from divestment of discontinued operations (special items) cf. note 2.7	981	0
Other special items relating to discontinued operations cf. note 2.7	(8)	(11)
Profit for the year from discontinued operations	1,075	68

Discontinued operations comprise the former 100% owned subsidiary TDC Sweden AB, divested in October 2016.

Note 2.10 Earnings per share (EPS)

§ Accounting policies

Earnings per share constitutes the amount of post-tax profit attributable to each share. Diluted EPS reflects any commitments the Group has to issue shares in the future and so includes the impact of share units from incentive programmes, cf. note 6.1.

Basic EPS is adjusted in order to show the business performance of the Group in a consistent manner and reflect how the business is managed. Adjustments are made for special items, discontinued operations, amortisation stemming from the merger of TDC and NTC ApS in 2009, and the related tax amounts.

	DKKk	
	2016	2015
Profit/(loss) for the year (DKKk)	3,037	(2,384)
Average number of shares	812,000,000	812,000,000
Average number of treasury shares	(9,997,028)	(10,341,242)
Average number of outstanding shares	802,002,972	801,658,758
Average dilutive effect of outstanding share-based instruments (number)	2,763,128	0
Average number of diluted outstanding shares	804,766,100	801,658,758
EPS (DKK)		
EPS, basic	3.58	(2.87)
EPS, diluted	3.56	(2.87)
EPS from continuing operations, basic	2.24	(2.95)
EPS from continuing operations, diluted	2.22	(2.95)
EPS from discontinued operations, basic	1.34	0.08
EPS from discontinued operations, diluted	1.34	0.08
Profit/(loss) for the year from continuing operations	1,962	(2,452)
Reversal of special items before income taxes (cf. note 2.7)	281	5,102
Reversal of income taxes related to special items (cf. note 2.7)	(60)	(227)
Reversal of special items related to joint ventures and associates (cf. note 2.7)	(1)	0
Reversal of amortisation of brands and customer relationships stemming from the merger of TDC and NTC ApS (net of tax)	441	592
Adjusted profit for the year (DKKk)	2,623	3,015
Adjusted EPS (from continuing operations)	3.27	3.76

Operating assets and liabilities

This section shows the assets used to generate the Group's performance and the resulting liabilities incurred. Assets and liabilities relating to the Group's financing activities are addressed in Section 4. Deferred tax assets and liabilities are shown in note 2.8.

Note 3.1 Intangible assets

Worth noting

TDC's intangible assets relate largely to goodwill, customer relations and brands stemming from the merger between TDC and the former parent company NTC ApS in 2009 and the resulting adoption of NTC's purchase price allocation. These items amounted to DKK 19,756m (2015: DKK 20,335m).

Accounting policies

Goodwill and brands with indefinite useful lives are recognised at cost less accumulated write-downs for impairment. The carrying amounts of goodwill and brands with indefinite useful lives are tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable, and are subsequently written down to the recoverable amounts in the income statement if exceeded by the carrying amounts. Write-downs of goodwill are not reversed. For the purpose of impairment testing in the consolidated financial statement, goodwill is allocated to the Group's cash-generating units. The determination of cash-generating units is based on the operating segments in the Group's internal management reporting.

Brands with finite useful lives, licences, proprietary rights, etc. are measured at cost less accumulated amortisation and impairment losses, and are amortised on a straight-line basis over their estimated useful lives.

Customer-related assets are measured at cost less accumulated amortisation and impairment losses, and are amortised using the diminishing-balance method based on the percentage of churn (5% to 33%) corresponding to the expected pattern of consumption of the expected future economic benefits.

Development projects, including costs of computer software purchased or developed for internal use, are recognised as intangible assets if the cost can be calculated reliably and if they are expected to generate future economic benefits. Costs of development projects include wages, external charges, depreciation and

amortisation that are directly attributable to the development activities as well as interest expenses in the production period. Development projects that do not meet the criteria for recognition in the balance sheet are expensed as incurred in the income statement.

The main amortisation periods are as follows:

Brands	4-10 years
Mobile licences	16-22 years
Development projects	3-5 years

Development projects in process and intangible assets of indefinite useful lives are tested for impairment at least annually and written down to recoverable amounts in the income statement if exceeded by the carrying amount.

Note 3.1 Intangible assets (continued)

Intangible assets are recorded at the lower of recoverable amount and carrying amount.

Impairment tests on goodwill and other intangible assets with indefinite lives are performed at least annually and, if necessary, when events or changes in circumstances indicate that their carrying amounts may not be recoverable.



Critical accounting estimates and judgements

Useful lives

Useful lives for intangible assets are assigned based on periodic studies of customer churn or actual useful lives and the intended use for those assets. Such studies are completed or updated when new events occur that have the potential to impact the determination of the useful life of the asset, i.e. when events or circumstances occur that indicate the carrying amount of the asset may not be recoverable and should therefore be tested for impairment. Any change in customer churn or the estimated useful lives of these assets is recognised in the financial statement as soon as any such change is ascertained.

Impairment testing of intangible assets

Intangible assets comprise a significant portion of TDC's total assets. The measurement of intangible assets is a complex process that requires significant Management judgement in determining various assumptions, such as cash-flow projections, discount rates and terminal growth rates. In addition, judgements are required in determining cost drivers, etc. in the activity-based costing model, which is used for allocation of the carrying amount and value in use of the cost centres. The sensitivity of the estimated measurement to these assumptions combined or individually can be significant. Furthermore, the use of different estimates or assumptions when determining the fair value of such assets may result in different values and could result in impairment charges in future periods. The assumptions for significant goodwill amounts are set out below in the section Impairment testing of goodwill and intangible assets with indefinite useful lives.

Note 3.1 Intangible assets (continued)

Intangible assets

DKKm

	2016					2015				
	Goodwill	Customer relationships	Brands	Other rights, software, etc.	Total	Goodwill	Customer relationships	Brands	Other rights, software, etc.	Total
Accumulated cost at 1 January	22,556	19,178	6,116	11,299	59,149	23,016	23,312	6,154	10,354	62,836
Transferred to discontinued operations	(1,053)	(478)	0	(490)	(2,021)	0	0	0	0	0
Additions relating to the acquisition of enterprises	76	43	8	37	164	(36)	(124)	0	74	(86)
Disposal relating to loss of control	(202)	0	0	(21)	(223)	0	0	0	0	0
Additions	0	0	0	1,289	1,289	0	0	0	989	989
Assets disposed of or fully amortised	0	(46)	(54)	(206)	(306)	(98)	(3,782)	0	(128)	(4,008)
Currency translation adjustments	298	230	34	1	563	(326)	(228)	(38)	10	(582)
Accumulated cost at 31 December	21,675	18,927	6,104	11,909	58,615	22,556	19,178	6,116	11,299	59,149
Accumulated amortisation and write-downs for impairment at 1 January	(5,062)	(10,980)	(203)	(8,449)	(24,694)	(1,012)	(13,161)	(184)	(7,586)	(21,943)
Transferred to discontinued operations	1,016	424	0	344	1,784	0	0	0	0	0
Amortisation	0	(973)	(3)	(930)	(1,906)	0	(1,138)	(22)	(973)	(2,133)
Write-downs for impairment	0	(23)	(4)	(8)	(35)	(4,144)	(472)	0	(12)	(4,628)
Disposal relating to loss of control	146	0	0	18	164					
Assets disposed of or fully amortised	0	46	54	206	306	98	3,782	0	128	4,008
Currency translation adjustments	0	(22)	(3)	(1)	(26)	(4)	9	3	(6)	2
Accumulated amortisation and write-downs for impairment at 31 December	(3,900)	(11,528)	(159)	(8,820)	(24,407)	(5,062)	(10,980)	(203)	(8,449)	(24,694)
Carrying amount at 31 December	17,775	7,399	5,945	3,089	34,208	17,494	8,198	5,913	2,850	34,455



Comments

Write-downs for impairment of intangible assets, etc. totalled DKK 35m (2015: DKK 4,628m). Of this, DKK 23m related to impairment of customer values, DKK 4m related to brand values not in use and DKK 8m was due to termination of various software projects. These write-downs related to assets in Denmark.

The carrying amount of assets with indefinite useful lives other than goodwill amounted to DKK 5,938m (2015: DKK 5,907m). DKK 5,339m related to the TDC brand in Denmark, DKK 105m related to the TDC Norway brand and DKK 494m related to the Get brand in Norway.

The carrying amount of software amounted to DKK 1,588m (2015: DKK 1,479m). The addition of internally developed software totalled DKK 289m (2015: DKK 241m).

The carrying amount of individually material Danish mobile licences included in other rights, software etc., amounted to DKK 1,325m (2015: DKK 1,141m) and is set forth in the following table:

Note 3.1 Intangible assets (continued)

Spectrum licences in Denmark

				DKKm
Spectrum (MHz)	Bandwidth (MHz)	Type/Technology	Licence expiration	Carrying amount
800	2 x 20	Technology neutral	2034	457
900	2 x 9	Technology neutral	2019	225
1800	2 x 21.8	Technology neutral	2017	0
1800 (from 2017)	2 x 20	Technology neutral	2032	299
2100	2 x 15 + 1 x 5	Technology neutral	2021	127
2600	2 x 20	Technology neutral	2030	217

Cash flow

			DKKm
	2016	2015	
Additions, cf. table above	(1,289)	(989)	
Instalments regarding mobile licences	(156)	(96)	
Non-cash part of acquisition of mobile licence	294	0	
Of which related to discontinued operations	0	82	
Cash flow from investment in intangible assets	(1,151)	(1,003)	

Impairment testing of goodwill and intangible assets with indefinite useful lives

The carrying amount of goodwill is tested for impairment annually and if events or changes in circumstances indicate impairment. The annual tests were carried out at 1 October 2016 and at 1 October 2015, respectively.

Impairment testing is an integral part of the Group's budget and planning process, which is based on three-year business plans. The discount rates applied reflect specific risks relating to the individual cash-generating unit. The recoverable amount is based on the value in use

determined on expected cash flows based on three-year business plans approved by Management. The business plans approved by Management follow the operating segments as described in note 2.1. The carrying amounts of Operations and Headquarters and the calculated negative value in use of these cost centres are allocated to YouSee, Online Brands, Business and Wholesale via an activity-based costing model. The value of the TDC brand is not allocated to business lines, which are combined to test potential impairment of the value of the TDC brand.

Projections for the terminal period are based on general expectations and risks, taking into account the general growth expectations for the telecoms industry in the relevant countries. The growth rates applied reflect expectations of relatively saturated markets. The valuation impact of changes in growth rates is minimal.

The three-year business plans are based on historic trends. The budget period includes cash flow effects from completed restructurings combined with effects of strategic initiatives aimed at improving or maintaining trend lines. The terminal period does not include additional effects.

For the impairment testing of goodwill, TDC uses a pre-tax discount rate for each cash-generating unit. In determining the discount rate, a risk premium on the risk-free interest rate is fixed at a level reflecting Management's expectations of the spread for future financing.

Goodwill and intangible assets with indefinite useful lives relate primarily to YouSee, Online Brands, Business and Get. The assumptions for calculating the value in use for the most significant goodwill amounts are given below.

Assumptions for calculating the value in use for the significant goodwill amounts

	YouSee ¹	Online Brands ¹	Business	Get
Carrying amount of goodwill at 31 December 2016 (DKKm)	6,756	1,114	4,436	5,326
Carrying amount of goodwill at 31 December 2015 (DKKm)	-	-	4,367	5,052
Market-based growth rate applied to extrapolated projected future cash flows for the period following 2019	0.0%	0.0%	0.0%	2.0%
Applied pre-tax discount rate at 1 October 2016	7.6%	7.3%	8.2%	8.2%
Applied pre-tax discount rate at 1 October 2015	-	-	8.4%	8.5%

¹ Consumer was split into YouSee and Online Brands as per 1 January 2016. Consumer goodwill amounted to DKK 7,854m at 31 December 2015.

Note 3.1 Intangible assets (continued)

Assumptions regarding recoverable amounts and projected earnings

YouSee

Any reasonably possible changes in the key assumptions are not expected to cause the carrying amount of goodwill to exceed the recoverable value.

Projections are based on the assumption of an improved *EBITDA* development in the three-year business plan based on the following assumptions:

- Reduced loss in landline voice as a consequence of a continuation of lower churn from 2016
- Small growth in mobility services from higher mobile voice *ARPU* and growth in mobile broadband
- Almost stable broadband gross profit growth as our accelerated gigaspeed roll-out counters intense price competition
- *Opex* savings driven by simplification initiatives and reduced call-to-customer service

Sensitivity analyses have been performed to assess the probability that any likely changes in cash flow or discount rate will result in an impairment loss. One of the key swing factors behind the projection is the 2019 *EBITDA* level used to calculate the terminal period. A sensitivity analysis indicates that in 2019, *EBITDA* may decrease by up to 23% before a write-down would have to be recognised.

Online Brands

Any reasonably possible changes in the key assumptions are not expected to cause the carrying amount of goodwill to exceed the recoverable value.

Projections are based on assumptions of single-digit *EBITDA* growth in the three-year business plan, driven by modest growth in mobility services from higher *ARPU* and growth in mobile broadband as well as modest growth in TV driven mainly by Blockbuster.

Sensitivity analyses have been performed to assess the probability that any likely changes in cash flow or discount rate will result in an impairment loss. The sensitivity analysis of the 2019 *EBITDA* level shows that *EBITDA* in 2019 may decrease by up to 29% before a write-down will have to be recognised.

Business

Projections are based on assumptions of improved YoY gross profit developments vs. the 2016 level. Continued intense price competition in the Danish business market is expected to negatively impact earnings, however gross profit development is expected to continue to improve as Business increases its focus on profitable contracts. In addition, new products and services are assumed to have a positive impact on gross profit.

Sensitivity analyses have been performed to assess the probability that any likely changes in cash flow or discount rate will result in an impairment loss. One of the key swing factors behind the projection is the 2019 *EBITDA* level used to calculate the terminal value. A sensitivity analysis indicates that 2019 *EBITDA* may decrease by more than DKK 150m before a write-down would be recognised. Likewise, a write-down will have to be recognised if the pre-tax discount rate increases by more than 0.5 percentage points.

Get

Any reasonably possible changes in the key assumptions are not expected to cause the carrying amount of goodwill to exceed the recoverable value.

Projections are based on assumptions of continued *EBITDA* growth in the three-year business plan, however at a lower level than previously. The main growth components are continued growth from broadband and in the short run, a limited impact from mobile voice and smart home solutions. TV is expected to be negatively impacted by increased content cost and *broadband unbundling*, partly off-set by higher TV *ARPU*.

Sensitivity analyses have been performed to assess the probability that any likely changes in cash flow or discount rate will result in an impairment loss. The key swing factor behind the projection is the market-based growth rate applied to extrapolated projected future cash flows for the period following 2019. A sensitivity analysis indicates that this growth rate may decrease to approximately 1% before a write-down will have to be recognised. The sensitivity of the 2019 *EBITDA* level indicates that *EBITDA* may decrease by more than 10.5% before a write-down will have to be recognised.

Note 3.2 Property, plant and equipment

§ Accounting policies

Property, plant and equipment are measured at cost less accumulated depreciation and write-downs for impairment.

Cost comprises purchase price and costs directly attributable to the acquisition until the date on which the asset is ready for use. The cost of self-constructed assets includes directly attributable payroll costs, materials, parts purchased and services rendered by sub-suppliers or contractors as well as interest expenses in the construction period. Cost also includes estimated decommissioning costs if the related obligation meets the conditions for recognition as a provision.

Directly attributable costs comprise personnel expenses together with other external expenses calculated in terms of time spent on self-constructed assets in the relevant business units.

The depreciation base is measured at cost less residual value and any write-downs. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. The main depreciation periods are as follows:

Buildings	20 years
Network infrastructure:	
mobile networks	20 years
copper	20 years
coax	20 years
fibre	30 years
exchange equipment	3-30 years
other network equipment	3-30 years
Equipment (computers, tools and office equipment)	3-15 years

The useful lives and residual values of the assets are reviewed regularly. If the residual value exceeds the carrying amount of an asset, depreciation is discontinued.

Property, plant and equipment that have been disposed of or scrapped are eliminated from accumulated cost and accumulated depreciation. Gains and losses arising from sale of property, plant and equipment are measured as the difference between the sales price less selling expenses and the carrying amount at the time of sale. The resulting gain or loss is recognised in the income statement under other income.

Software that is an integral part of telephone exchange installations, for example, is presented together with the related assets. Useful lives are estimated individually.

Installation materials are measured at the lower of weighted average cost and recoverable amount.

Customer-placed equipment (e.g. set-top boxes) is capitalised and depreciated over the estimated useful life of the individual asset, not exceeding five years.

Leased property, plant and equipment that qualify as finance leases are recognised as assets acquired.

Property, plant and equipment are recognised at the lower of recoverable amount and carrying amount.

Note 3.2 Property, plant and equipment (continued)

Property, plant and equipment

DKK m

	2016					2015				
	Land and buildings	Network infrastructure	Equipment	Assets under construction	Total	Land and buildings	Network infrastructure	Equipment	Assets under construction	Total
Accumulated cost at 1 January	589	34,288	2,493	1,489	38,859	588	31,965	2,460	916	35,929
Transferred to discontinued operations	0	(681)	(305)	(89)	(1,075)	0	0	0	0	0
Transfers (to)/from other items	1	1,386	(22)	(1,365)	0	0	933	111	(1,044)	0
Additions relating to the acquisition of enterprises	0	0	3	0	3	0	248	0	40	288
Additions	8	1,894	235	1,225	3,362	4	1,720	183	1,640	3,547
Assets disposed of	(1)	(232)	(100)	0	(333)	0	(394)	(265)	(5)	(664)
Currency translation adjustments	2	194	1	50	247	(3)	(184)	4	(58)	(241)
Accumulated cost at 31 December	599	36,849	2,305	1,310	41,063	589	34,288	2,493	1,489	38,859
Accumulated depreciation and write-downs for impairment at 1 January	(115)	(18,504)	(1,906)	(371)	(20,896)	(104)	(16,173)	(1,823)	(325)	(18,425)
Transferred to discontinued operations	0	393	206	33	632	0	0	0	0	0
Transfers to/(from) other items	0	(75)	35	40	0	0	13	(13)	0	0
Depreciation	(12)	(2,727)	(237)	0	(2,976)	(12)	(2,781)	(323)	0	(3,116)
Write-downs for impairment	0	(9)	0	(14)	(23)	0	(33)	(9)	(50)	(92)
Assets disposed of	0	232	98	0	330	0	394	264	5	663
Currency translation adjustments	(2)	(87)	0	0	(89)	1	76	(2)	(1)	74
Accumulated depreciation and write-downs for impairment at 31 December	(129)	(20,777)	(1,804)	(312)	(23,022)	(115)	(18,504)	(1,906)	(371)	(20,896)
Carrying amount at 31 December	470	16,072	501	998	18,041	474	15,784	587	1,118	17,963
Carrying amount of finance leases at 31 December	52	148	0	-	200	54	198	0	-	252



Comments

In 2016, write-downs for impairment totalled DKK 23m. Of this, DKK 18m related to assets in Denmark operated by Operations and DKK 5m related to Norway.

In 2015, write-downs for impairment totalled DKK 92m. Of this, DKK 82m related to assets in Denmark operated by Operations and DKK 10m related to Norway and Sweden.

Damages of DKK 46m received relating to property, plant and equipment were recognised as income (2015: DKK 46m).

Cash flow

DKK m

	2016	2015
Additions, cf. table above	(3,362)	(3,547)
Non-cash additions regarding finance leases	12	130
Non-cash additions regarding decommissioning obligations	22	0
Additions not yet paid	25	0
Of which related to discontinued operations	-	139
Cash flow from investment in property, plant and equipment	(3,303)	(3,278)

Note 3.3 Receivables

§ Accounting policies

Receivables are measured initially at fair value and subsequently at amortised cost. Write-downs for anticipated doubtful debts are based

on individual assessments of major receivables and historically experienced write-down for anticipated losses on uniform groups of receivables.

Receivables

DKKm

	2016	2015
Trade receivables	2,577	3,284
Allowances for doubtful debts	(259)	(270)
Trade receivables, net	2,318	3,014
Contract work in progress	89	70
Other receivables	344	322
Total	2,751	3,406
Recognised as follows in the balance sheet:		
Non-current assets	256	275
Current assets	2,495	3,131
Total	2,751	3,406
Allowances for doubtful debts at 1 January	(270)	(276)
Transferred to discontinued operations	1	0
Additions	(111)	(97)
Realised losses	80	81
Reversed allowances	41	22
Allowances for doubtful debts at 31 December	(259)	(270)

Trade receivables past due

DKKm

	Not past due	Past due and impaired	Past due and not impaired		Total
			Less than six months	More than six months	
2016:	1,390	813	331	43	2,577
2015:	2,193	644	361	86	3,284



Comments

Write-down for impairment of other receivables is DKK 15m (2015: DKK 16m).

The carrying amount of the balances approximates fair value due to the short maturity of amounts receivable.

Of the receivables classified as current assets, DKK 13m falls due after more than one year (2015: DKK 14m).

Note 3.4 Prepaid expenses



Accounting policies

Prepaid expenses comprise expenses paid relating to subsequent financial years. Prepaid expenses are measured at amortised cost.

Prepaid expenses

DKKm

	2016	2015
Prepaid expenses related to service contracts	113	176
Expenses related to non-refundable up-front connection fees	369	373
Other prepaid expenses	513	547
Total	995	1,096
Recognised as follows in the balance sheet:		
Non-current assets	314	355
Current assets	681	741
Total	995	1,096

Note 3.5 Deferred income

§ Accounting policies

Deferred income recognised as liabilities comprises payments received from customers covering income in subsequent years. Deferred income is measured at cost.

Deferred income

DKKm

	2016	2015
Deferred income from non-refundable up-front connection fees	660	710
Deferred subscription revenue	2,627	2,531
Other deferred income	217	362
Total	3,504	3,603
Recognised as follows in the balance sheet:		
Non-current liabilities	372	426
Current liabilities	3,132	3,177
Total	3,504	3,603

Note 3.6 Provisions

§ Accounting policies

Provisions are recognised when the Group has a legal or constructive obligation arising from past events, it is probable that economic benefits must be sacrificed to settle it, and the amount can be estimated reliably.

Provisions for restructuring, etc. are recognised when a final decision thereon has been made before or on the balance sheet date and has been announced to the parties involved, provided that the amount can be measured reliably. Provisions for restructuring are based on a defined plan, which means that the restructuring commences immediately after the decision has been made.

When the Group is under an obligation to demolish an asset or re-establish the site where the asset was used, a liability corresponding to the present value of estimated future costs is recognised and an equal amount is capitalised as part of the initial carrying amount of the asset. Subsequent changes in such a decommissioning liability that result from a change in the current best estimate of cash flows required to settle the obligation or from a change in the discount rate are added to (or deducted from) the amount recognised for the related asset. However, to the extent that such a treatment would result in a negative asset, the effect of the change is recognised as profit or loss for the year.

Provisions are measured at Management's best estimate of the amount at which the liability is expected to be settled. Provisions are discounted if the effect is material to the measurement of the liability.

Critical accounting estimates and judgements

The Group has engaged, and may in the future need to engage, in restructuring activities, which require Management to make significant estimates on provisions based on expectations concerning timing and scope, future cost level, etc. In connection with large restructurings, the provision for vacant tenancies comprises rent and operating costs for the contract period reduced by the expected rental income. For each category of tenancy (office, exchange, etc.) and in consideration of the geographical location, the probability of sublease and expected sublet rent rates are assessed. The provision is estimated based on certain assumptions, the most significant of which relate to the probability of sublease and expected sublet rent rates. The provision is estimated to DKK 551m (2015: DKK 567m). Should the actual amounts differ from these estimates, future results could be materially impacted.

The Group will continue to vacate and sublet additional tenancies following further reductions in the number of employees and upgrading to technical equipment that requires fewer square metres.

Note 3.6 Provisions (continued)

Provisions					DKKm
	2016				2015
	Decommis- sioning obligations	Restructur- ing obliga- tions	Other provisions	Total	
Provisions at 1 January	209	800	206	1,215	1,282
Transferred to discontinued operations	0	(42)	(30)	(72)	0
Additions relating to the acquisition of enterprises	0	0	3	3	0
Provisions made	18	213	28	259	342
Change in present value	8	7	0	15	3
Provisions used (payments)	(1)	(235)	(22)	(258)	(364)
Reversal of unused provisions	(1)	(35)	0	(36)	(47)
Currency translation adjustments	0	1	1	2	(1)
Provisions at 31 December	233	709	186	1,128	1,215
Of which recognised through special items in the income statement	0	708	84	792	874
Recognised as follows in the balance sheet:					
Non-current liabilities	233	553	149	935	985
Current liabilities	0	156	37	193	230
Total	233	709	186	1,128	1,215



Comments

Provisions for decommissioning obligations relate to the future dismantling of mobile stations and restoration of property owned by third parties. The uncertainties relate primarily to the timing of the related cash outflows. The majority of these obligations are not expected to result in cash outflow within the next five years.

Provisions for restructuring obligations relate primarily to redundancy programmes and vacant tenancies. The majority of the provisions for redundancy programmes are expected to result in cash outflows in the next five years. The uncertainties relate primarily to the estimated amounts and the timing of the related cash outflows.

Specification of how payments regarding provisions are recognised in the statements of cash flow

	DKKkM	
	2016	2015
Payments related to provisions	(5)	(11)
Cash flow related to special items	(251)	(326)
Investment in enterprises	0	(26)
Investment in property, plant and equipment	(2)	(1)
Total	(258)	(364)
Of which related to discontinued operations	-	28
Total	(258)	(336)

The Group has 142 leased tenancies no longer used by the Group (2015: 143). The leases terminate in 2041 at the latest. See also note 6.5. The uncertainties regarding the provision for vacant tenancies relate primarily to the assumption on probability of sublease and rent rates that will be impacted by e.g. changed market conditions for subletting.

Other provisions relate mainly to onerous contracts and jubilee benefits for employees as well as legal claims. The majority of these provisions are expected to result in cash outflows in the next five years. The uncertainties regarding legal claims and onerous contracts relate to

both timing and estimated amounts. The uncertainties regarding jubilee benefits relate to both salary and number of employees included.

In pursuance of Section 32 of the Danish Civil Servants Act, the Group has a termination benefit obligation to former Danish civil servants and to employees with civil-servant status hired before 1 April 1970 who are members of the related Danish pension fund. In the event of termination, such employees have a right to special termination benefits in the amount of three years' salary (tied-over allowance) or three months' full salary and two-thirds of their full monthly salary for four years and nine months (stand-off pay).

Average redundancy cost per full-time employee equivalent

	DKK thousands	
	2016	2015
Non-civil servants	412	422
Former Danish civil servants	1,350	1,085
Employees with civil-servant status	771	969
Weighted average per full-time employee equivalent	504	672

Note 3.6 Provisions (continued)

The Group's total termination benefits include wages during the notice period, severance pay, stand-off pay, payments pursuant to the Danish Salaried Employees Act, special termination benefits (in accordance with IAS 19 *Employee Benefits*), social security contributions and out-

placement costs. The average redundancy cost per full-time employee equivalent, calculated as the total cost divided by the number of full-time employee equivalents included in the redundancy programmes during this period, is shown in the table above.

Note 3.7 Trade and other payables

	2016	2015
Trade payables	4,164	4,686
Prepayments from customers	161	208
Amounts owed to joint ventures and associates	0	0
Accrued interest	554	700
Holiday allowance provision	631	689
Other payables	676	752
Total	6,186	7,035

Of the current liabilities, DKK 164m falls due after more than one year (2015: DKK 120m).

Note 3.8 Pension assets and pension obligations



Worth noting

In a defined contribution plan, TDC pays fixed contributions to a third party on behalf of the employees and has no further obligations towards the employees. The benefits for the employees ultimately depend on the third party's ability to generate returns.

In a defined benefit plan, members receive cash payments on retirement, the value of which depends on factors such as salary and length of service. TDC underwrites investment, mortality and inflation risks necessary to meet these obligations. In the event of returns not being sufficient to honour obligations towards the employees,

TDC needs to address this through increased levels of contribution. TDC has defined benefit plans in Denmark (in the separate legal entity: TDC Pension Fund) and in Norway.

TDC makes contributions to its separate pension funds, which are not consolidated in these financial statements, but are reflected in the balance sheet in pension assets (TDC Pension Fund) and pension liabilities (Norway). TDC's pension assets and pension obligations are outlined in more detail in the following.

Note 3.8 Pension assets and pension obligations (continued)

§ Accounting policies

In a defined benefit plan, TDC is obliged to pay a specific benefit at the time of retirement. A pension asset or pension obligation corresponding to the present value of the obligations less the defined pension plans' assets at fair value is recognised for these benefit plans.

The obligations are determined annually by independent actuaries using the Projected Unit Credit Method assuming that each year of service gives rise to an additional unit of benefit entitlement, and each unit is measured separately to build up the final obligations. Estimation of future obligations is based on the Group's projected future developments in mortality, early retirement, future wages, salaries and benefit levels, interest rate, etc. The defined pension plan assets are estimated at fair value at the balance sheet date.

Differences between the projected and realised developments in pension assets and pension obligations are referred to as remeasurement effects and are recognised in other comprehensive income when gains and losses occur.

Pension assets are recognised to the extent that they represent future repayments from the pension plan.

Pension income/costs from defined benefit plans consist of the items: service cost, administrative expenses and interest on pension assets. Service cost and administrative expenses are recognised in personnel expenses, whereas interest on pension assets is presented as an item in financial income and expenses.

For the defined contribution plans, the Group will pay in a fixed periodic contribution to separate legal entities and will have no further obligations after the payment has been made.

Critical accounting estimates and judgements

Defined benefit plans

Pension related to defined benefit plans is estimated based on certain actuarial assumptions, the most significant of which relate to discount rates, wage inflation and demography (mortality, disability, etc.). The assumed discount rate may fluctuate significantly. We believe the actuarial assumptions illustrate current market conditions and expectations for market returns in the long term. With the updated assumptions, TDC's pension costs related to the Danish defined benefit plan are expected to amount to DKK 57m in 2017 compared with DKK 8m in 2016, assuming all other factors remain unchanged. See the separate section Sensitivity analysis for the impact on the defined benefit obligation of sensitivities to discount rate, inflation and mortality.

Pension income/(costs) from defined benefit plans		DKK m
	2016	2015
Specification of plans		
Denmark	(8)	(63)
Norway	(6)	(16)
Pension income/(costs) from defined benefit plans	(14)	(79)
Recognition in the income statement		
Service cost ¹	(123)	(158)
Administrative expenses	(9)	(9)
Personnel expenses (included in EBITDA)	(132)	(167)
Interest on pension assets	118	88
Pension income/(costs) from defined benefit plans	(14)	(79)

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

Contributions to defined benefit plans		DKK m
	2016	2015
Pension contributions (ordinary contributions)		
Denmark	(96)	(99)
Norway	(10)	(22)
Total	(106)	(121)
Special items (extraordinary contributions)		
Denmark	(12)	(14)
Norway	0	0
Total	(12)	(14)

Note 3.8 Pension assets and pension obligations (continued)

Defined benefit plan in Denmark

Under conditions similar to those provided by the Danish Civil Servants' Pension Plan, 1,104 of TDC's employees (2015: 1,212) were entitled to pensions from the pension fund related to TDC. Of these, 96 (2015: 132) employees were seconded to external parties in connection with outsourcing tasks or divesting operations. In addition, 8,068 (2015: 8,144) members of the pension fund receive or are entitled to receive pension benefits. The pension benefits comprise lifelong old age and disability pensions as well as certain benefits for spouses and children. Future pension benefits are based primarily on years of credited service and on participants' compensation at the time of retirement. 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.

The pension fund operates defined benefit plans via a separate legal entity supervised by the Danish Financial Supervisory Authority (FSA). In accordance with existing legislation, articles of association and the pension regulations, TDC is required to make contributions to meet the capital adequacy requirements. Distribution of funds from the pension fund to TDC is not possible until all pension obligations have been met.

Ordinary monthly contributions to the pension fund are made corresponding to a percentage of wages. Extraordinary contributions are made in connection with redundancy programmes and other retirements. Overall, the risk of additional capital contributions to the pension fund can be categorised as investment, longevity and regulatory risks.

Investment risk is managed within risk tolerance limits to mitigate excessive risk that could lead to contribution. The fund invests in a wide variety of marketable securities (predominantly fixed-income securities) and the return on the investments has implications for TDC's financial results. Uncompensated risk related to nominal interest rates and inflation has been hedged.

Since the Danish FSA introduced the longevity benchmark in 2011 for statutory purposes, the fund's actuary has conducted a detailed longevity statistical analysis, that overall underpinned the fund's assumptions regarding observed current longevity. In line with the sector, however, the fund has increased its provisions for future expected improvements to longevity corresponding to the updated Danish FSA benchmark.

Other risks of capital contributions in excess of the planned ordinary contributions and extraordinary contributions in connection with redundancies going forward relate primarily to future changes to pension regulation and benefits over which TDC does not have full control.

The surplus under the Danish FSA pension regulation amounted to approx. DKK 3.1bn (2015: DKK 1.7bn). The equity of the pension fund amounted to approx. DKK 4.0bn (2015: DKK 2.6bn). The equity differs from the pension

assets recognised in accordance with IFRS due to specific FSA pension regulation requirements relating to mortality assumptions and an assumed higher inflation. The method for determining the fair value of plan assets is identical under the two requirements.

Plan assets include property with a fair value of DKK 39m used by Group companies (2015: DKK 125m).

Pension (costs)/income

DKK m

	Expected 2017	2016	2015
Service cost	(127)	(119)	(143)
Administrative expenses	(9)	(9)	(9)
Personnel expenses (included in EBITDA)	(136)	(128)	(152)
Interest on pension assets	79	120	89
Pension (costs)/income	(57)	(8)	(63)
Domestic redundancy programmes recognised in special items	-	(26)	(65)
Total pension (costs)/income recognised in the income statement	-	(34)	(128)

Note 3.8 Pension assets and pension obligations (continued)

Assets and obligations

	DKKkM	
	2016	2015
Specification of pension assets		
Fair value of plan assets	30,836	29,185
Defined benefit obligation	(25,241)	(23,238)
Pension assets recognised in the balance sheet	5,595	5,947
Change in defined benefit obligation		
Defined benefit obligation at 1 January	(23,238)	(24,665)
Service cost	(119)	(143)
Administrative expenses	(9)	(9)
Interest cost on the defined benefit obligation	(454)	(411)
Termination benefits	(26)	(65)
Remeasurement effect:		
Demographic experience	232	156
Financial assumptions	(2,683)	833
Benefit paid	1,056	1,066
Projected benefit obligations at 31 December	(25,241)	(23,238)
Change in fair value of plan assets		
Fair value of plan assets at 1 January	29,185	29,870
Interest income on plan assets	574	500
Actual return on plan assets greater/(less) than discount rate (remeasurement effect)	2,025	(232)
TDC's contribution	108	113
Benefit paid	(1,056)	(1,066)
Fair value of plan assets at 31 December	30,836	29,185
Change in pension assets		
Pension assets at 1 January	5,947	5,205
Pension (costs)/income	(34)	(128)
Remeasurement effects	(426)	757
TDC's contribution (see also table below)	108	113
Pension assets recognised in the balance sheet at 31 December	5,595	5,947

Asset allocation by asset categories at 31 December

	DKKkM	
	2016	2015
Assets with quoted prices:		
Government and mortgage bonds (incl. hedges and repos)	13,720	9,685
High-yield bonds	3,502	3,893
Investment grade bonds	2,927	3,437
Emerging markets-debt	3,248	2,665
Property	1,947	1,728
Equities	413	1,895
Cash	(115)	(18)
Other	(334)	112
Assets without quoted prices:		
High-yield bonds	1,917	1,320
Investment grade bonds	2,042	2,105
Property	1,154	859
Alternatives	246	1,417
Equities	169	87
Fair value of plan assets	30,836	29,185

Assumptions used to determine defined benefit obligations (balance sheet)

	%	
	2016	2015
Discount rate	1.41	2.00
General price/wage inflation	1.69	1.50

Assumptions used to determine pension (costs)/income

	2017	2016	2015
Discount rate	1.41	2.00	1.70
General price/wage inflation	1.69	1.50	1.45

Note 3.8 Pension assets and pension obligations (continued)

The basis for determining the discount rate is the yield of AA-rated euro-denominated corporate bonds with an average maturity of 12 years, taking into account that the pension liability is in Danish kroner. For purposes of determining TDC's pension costs, the assumed discount rate was 2.00% (1.70% in 2015) and inflation was 1.50% (1.45% in 2015). The assumptions for 2017 reflect a discount rate decrease to 1.41% and an increase of the assumed inflation rate to 1.69%.

The decreased discount rate during 2016 resulted in an increased pension benefit obligation compared with year-end 2015.

In 2017, with these changed assumptions, pension costs from the domestic defined benefit plan are expected to amount to DKK 57m (2016: DKK 8m), assuming all other factors remain unchanged.

The mortality assumptions are based on regular mortality studies. In 2014, the latest study for IAS 19 purposes was completed, which analysed the actual mortality experience of the TDC pension fund plan, found a best fit for a variety of adjusted standard tables, and also took into consideration broader factors impacting mortality globally.

The mortality assumptions provide the best fit for TDC's recent experience plus an allowance for future improvement.

Life expectancy	Years from birth	
	Males	Females
Without allowance for future improvements	82.4	83.0
Now aged 60 with future improvements	85.0	85.9
Now aged 40 with future improvements	86.9	88.2

Sensitivity analysis

The table below shows the estimated impact of some of the risks that TDC is exposed to. TDC is also exposed to fluctuations in the market value of assets. For some of these risks, if the defined benefit obligation rises or falls, the market value of assets may move in the opposite direction, thereby eliminating part of the risk.

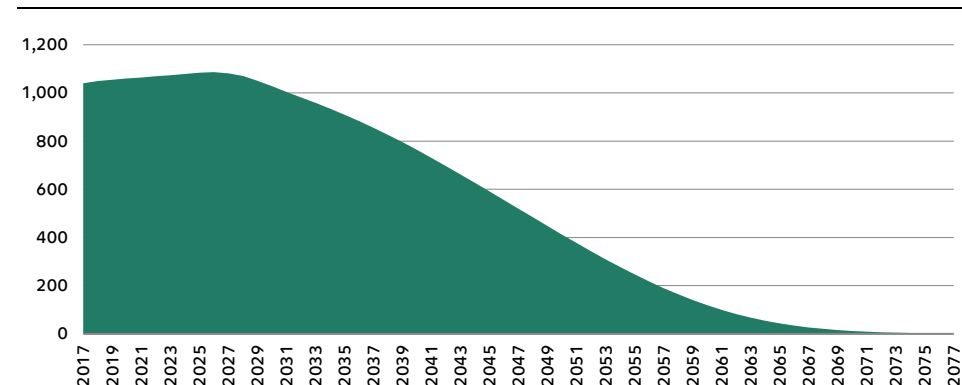
Projected defined benefit obligations

DKK m

	2016	2015
Reported defined benefit obligation	25,241	23,238
Discount rate sensitivity	1.41%	2.00%
Assumption -0.5%	27,216	24,978
Assumption +0.5%	23,484	21,686
General price/wage inflation sensitivity	1.69%	1.50%
Assumption +0.25%	26,231	24,119
Assumption -0.25%	24,304	22,404
Mortality sensitivity		
Assumption +1 year longevity	26,316	24,142
Assumption -1 year longevity	24,113	22,283

Projected benefit payments¹

DKK m



¹ The duration of the pension plan is approximately 15 years.

Note 3.8 Pension assets and pension obligations (continued)

TDC's contributions

DKKm

	Expected 2017	2016	2015
Ordinary contributions	86	96	99
Extraordinary contributions in connection with retirements	20	12	14
Capital contributions	0	0	0
Total	106	108	113

Other information

Ultimately, 530 members of the defined benefit plans will have part of their pension payment reimbursed by the Danish government.

The related benefit obligations of DKK 466m (2015: DKK 452m) have been deducted in the projected benefit obligation.

Defined benefit plans in Norway

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 sheet under pension liabilities.

One of TDC Norway's defined benefit plans was closed down during 2015, resulting in a one-off gain of DKK 34m.

Pension contributions related to foreign defined benefit plans amounted to DKK 10m (2015: DKK 22m). Pension liabilities relating to foreign defined benefit plans amounted to DKK 39m (2015: DKK 36m). The actuarially determined pension obligations amounted to DKK 250m (2015: DKK 227m) and the fair value of the pension funds' assets amounted to DKK 211m (2015: DKK 191m). The remeasurement effects amounted to DKK (4)m (2015: DKK 28m).

Capital structure and financing costs

This section explains the Group's capital structure and related financing costs, *net interest-bearing debt* as well as finance-related risk and how these are managed.

Note 4.1 Equity

Worth noting

In February 2015, TDC issued EUR 750m in hybrid capital used to repay the bridge facility from the Get acquisition.

Hybrid capital is accounted for as equity, whereas rating agencies assign 50% equity credit to this type of capital.

Accounting policies

Hybrid capital

Hybrid capital comprises issued bonds that qualify for treatment in accordance with the rules on compound financial instruments due to the special characteristics of the loan. The principal amount, which constitutes a liability, is recognised at the present value, and equity has been increased by the difference between the net proceeds received and the present value of the discounted liability. As coupon payments are discretionary and therefore not included in

the calculation of the present value of the liability, the present value amounts to nil on initial recognition. Accordingly, amortisation charges will only impact on profit for the year towards the end of the 1,000-year term of the hybrid capital.

Any coupon payments are recognised directly in equity at the time the payment obligation arises. This is because the coupon payments are discretionary and relate to the part of the hybrid capital that has been recognised in equity. Consequently, coupon payments have no effect on profit for the year. Coupon payments are recognised in the statement of cash flow as a separate item within financing activities.

Treasury shares

The cost of treasury shares is deducted from equity under retained earnings on the date of acquisition. Similarly, payments received in connection with the disposal of treasury shares and dividends are recognised directly in equity.

Dividends

Dividends expected to be distributed for the year are recognised in a separate item in equity. Dividends and interim dividends are recognised as a liability at the time of adoption by the Annual General Meeting and the meeting of the Board of Directors, respectively.

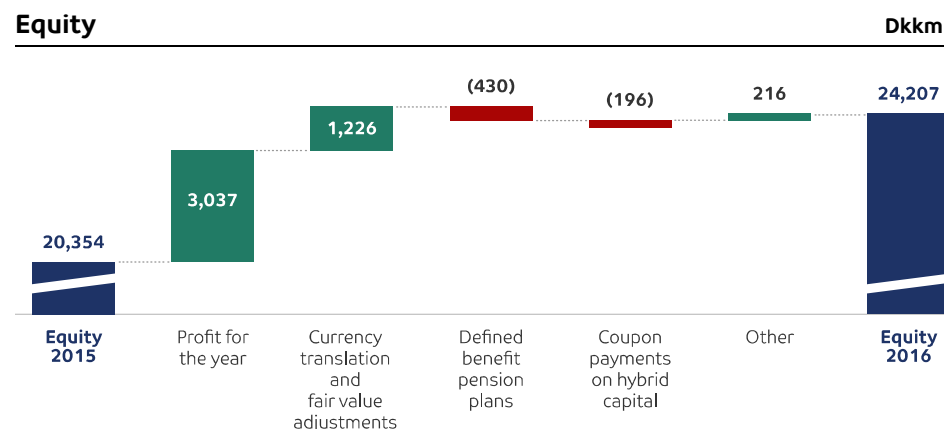
Currency translation reserve

Currency translation reserve comprises exchange-rate differences arising from translation of the functional currency of foreign enterprises' financial statements into Danish kroner.

Translation adjustments are recognised in the income statement when the net investment is realised.

Reserve for cash flow hedges

Reserve for cash flow hedges in equity comprises changes in the fair value of hedging transactions that qualify for recognition as cash flow hedges and where the hedged transaction has not yet been realised.



Note 4.1 Equity (continued)



Comments

The total authorised number of shares is 812,000,000 with a par value of DKK 1 per share (unchanged during 2016 and 2015). All issued shares have been fully paid up.

During 2016, total equity increased by DKK 3.8bn to DKK 24.2bn due mainly to the positive total comprehensive income (DKK 3.9bn).

During 2015, total equity increased by DKK 1.7bn to DKK 20.4bn due chiefly to the issuance of hybrid bonds (DKK 5.6bn), which are accounted for as equity in the balance sheet. This was partly offset by the negative total comprehensive income (DKK 2.3bn) and distributed dividends (DKK 1.6bn).

The Parent Company statement of changes in equity specifies which reserves are available for distribution. The distributable reserves amounted to DKK 17,224m at 31 December 2016 before proposed dividend (2015: DKK 13,963m before proposed dividend). At the Annual General Meeting on 9 March 2017, the Board of Directors will propose a dividend of DKK 1 per share. For the financial year 2015, a dividend of DKK 1.00 per share was distributed.

Dividend payments during the financial year 2016 amounted to DKK 0 per share (2015: DKK 2.00 per share).

Treasury shares

	Shares (number)	Nominal value (DKKm)	% of share capital
Holding at 1 January 2015	11,723,513	12	1.44
Used to settle share programmes	(1,441,582)	(2)	(0.17)
Holding at 1 January 2016	10,281,931	10	1.27
Used to settle share programmes	(325,858)	0	(0.04)
Holding at 31 December 2016	9,956,073	10	1.23

Treasury shares

The holding of treasury shares may be used in connection with incentive and other remuneration programmes for the Executive Committee and employees, as consideration in acquisitions of other businesses and subject to the necessary approval of the Annual General Meeting, to complete a share capital reduction.

Hybrid capital

TDC has EUR 750m in callable subordinated capital securities (hybrid bonds) outstanding which are accounted for as equity. The hybrid capital is subordinate to the Group's other creditors. The further key details on the hybrid bonds are:

- final maturity: 26 February 3015
- first par call date: 26 February 2021
- coupon rate: fixed at 3.5000% until 26 February 2021

TDC may defer coupon payments to bond holders. However, deferred coupon payments will fall due for payment in the event of distribution of dividends to TDC's shareholders. Deferred coupons will lapse in 3015.

Coupon payments will be recognised directly in equity at the time the payment obligation arises. Non-recognised accumulated coupons amounted to DKK 166m as of 31 December 2016.

Coupon payments will be recognised in the statement of cash flow as a separate item within financing activities. Hybrid coupon payments will be included as a separate item in the statement of *equity free cash flow (EFCF)*.

The hybrid bonds issued by TDC provide 50% equity credit from rating agencies. Accordingly, an adjusted *net interest-bearing debt (NIBD)* and leverage ratio are disclosed, where 50% of the hybrid capital is included in *NIBD*.

Note 4.2 Loans and derivatives



Worth noting

TDC is financed through the European bond market and bank loans. In December 2016, TDC launched and executed a bond tender offer to holders of its outstanding EUR 800m notes maturing in 2018 and GBP 550m notes maturing in 2023.

The tender offer resulted in a repurchase of nominal EUR 200m of the 2018 notes and nominal GBP 125m of the 2023 notes.

The next upcoming maturity is the EUR 600m bond that will mature in February 2018.

TDC's outstanding EMTN bonds have been issued in EUR and GBP with fixed interest rates. The GBP bonds have been swapped to fixed EUR interest rates. Part of the fixed-rate debt has been swapped to floating-rate debt. On 31 December 2016, TDC had a floating-rate share of debt of 25%, which is within the maximum of 60% as defined in TDC's Financial Strategy.

Hedges used for hedge accounting purposes comprise both cash flow hedges (GBP to EUR) and fair value hedges (fixed to a floating interest rate). Fair value adjustments of cash flow hedges are recognised in other comprehensive income except for any ineffective part of the hedge which is recognised under fair value adjustments in the income statement. Fair value adjustments of both derivatives and loans treated as fair value hedges are recognised in the income statement.

Derivatives are used for hedging interest and exchange-rate exposure only, and not for taking speculative positions.



Accounting policies

Loans

Loans are recognised initially at the proceeds received net of transaction expenses incurred. In subsequent periods, loans are measured at amortised cost so that the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Fair value hedged loans are measured at fair value excluding the effect of changes in own credit risk.

Other financial liabilities are measured at amortised cost.

Finance leases

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. At inception, the cost of finance leases is measured at the lower of the assets' fair value and the present value of future minimum lease payments. The corresponding rental obligations are included in loans. Each lease payment is allocated between the liability and the finance charges so as to achieve a constant interest rate on the outstanding finance balance.

Financial instruments

On initial recognition, financial derivatives are recognised in the balance sheet at fair value and subsequently remeasured at fair value. Depending on the type of instrument, different recognised measurement methods are applied for derivative financial instruments.

Fair value changes of financial derivatives are recognised in the income statement. However, in case of changes in the fair value of financial derivatives designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income. Any ineffective portion of the hedge is recognised in the income statement. Changes in the fair value of derivative financial instruments that qualify as hedges of fair value are recognised in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged interest rate risk.

Unrealised gains/losses relating to hedging of future cash flows are recognised in other comprehensive income under a separate reserve.

Note 4.2 Loans and derivatives (continued)

Euro Medium Term Notes (EMTNs) and Bank loans¹

	2018	2019	2020	2020	2022	2023	2027	Total
Maturity	23 Feb 2018	30 Dec 2019	4 Feb 2020	14 Dec 2020	2 Mar 2022	23 Feb 2023	27 Feb 2027	
Fixed/floating rate	Fixed	Floating	Floating	Floating	Fixed	Fixed	Fixed	
Coupon	4.375%				3.750%	5.625%	1.75%	
Currency	EUR	EUR	EUR	EUR	EUR	GBP	EUR	
Type	Bond	Bank loan	Bank loan	Bank loan	Bond	Bond	Bond	
Nominal value (DKKm)	4,461	2,974	1,859	744	3,718	3,695	5,948	23,399
Nominal value (Currency)	600	400	250	100	500	425	800	-
Of which nominal value swapped to or with floating interest rate (EURm)	200	400	250	100	150	50	0	1,150
Of which nominal value swapped from GBP to EUR (GBPm) ²	0	0	0	0	0	425	0	425

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

² The nominal value of the GBP 425m Feb-2023 bond is fully swapped to EUR 508m.

Debts relating to finance leases

DKKm

	Minimum payments		Present value	
	2016	2015	2016	2015
Maturing within 1 year	83	93	81	85
Maturing between 1 and 3 years	45	108	44	98
Maturing between 3 and 5 years	11	14	11	7
Maturing after 5 years	85	118	37	58
Total	224	333	173	248

Debts relating to finance leases concerned primarily lease agreements regarding property and IT equipment. See also note 3.2.

Note 4.3 Financial risks



Worth noting

TDC is exposed to financial market and credit risks when buying and selling goods and services denominated in foreign currencies as well as due to its investing and financing activities. As a consequence of TDC's capital structure and financing, TDC faces interest-rate and exchange-rate risks. TDC's Group Treasury identifies monitors and manages these risks through policies and procedures that are revised on an annual basis, if necessary, and approved by the Board of Directors.

TDC's current financial strategy was approved in June 2015 and defines maxima/minima for interest-rate, exchange-rate and counterparty risks as well as maxima/minima for a range of other variables. Together with market values of financial assets and liabilities, these exposures are calculated and monitored monthly. All risk measures are reported to the Group Chief Financial Officer on a monthly basis.

Interest-rate risks

TDC is exposed to interest-rate risks in the euro area, as 100% of the nominal gross debt is denominated in or swapped to EUR.

The interest-rate risk emerges from fluctuations in market interest rates, which affect the market value of financial instruments and financial income and expenses.

Throughout 2016, TDC monitored and managed its interest-rate risks using several variables in accordance with TDC's financial strategy to protect primarily TDC's financial policy targets. The following variables are monitored:

- floating interest-rate debt shall not exceed 60% of the total gross debt (including related derivatives)
- the maximum share of TDC's fixed-rate debt (including related derivatives) to be reset within one year shall not exceed 25% in year two and 30% in year three, respectively. The

Group Chief Financial Officer can approve breaches of the limit for up to three months during which Group Treasury must take action or have plans approved by the Group Chief Financial Officer to reduce the interest resetting risk to below the limit

- the BPV (basis point value or DKK change in the value of the financial portfolio for a one basis point change in interest rates) of the financial portfolio shall not exceed the BPV of the debt portfolio if it were fully fixed for its entire maturity.
- TDC can pre-hedge future debt issuances up to 3 years in advance with instruments that have a maturity of up to 15 years. Pre-hedging is used to reduce the interest-rate reset risk, and the instruments will be exempt from the BPV limit above
- The duration (interest-rate sensitivity) of TDC's financial assets shall not exceed 0.25 year.

Monitored interest-rate risk variables (average)

	Maxima/minima	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	Interval 2016	Average 2016	Average 2015
Share of floating interest-rate debt	Max. 60%	25%	23%	23%	23%	24%	23%-25%	23%	29%
Actual financial portfolio BPV (DKKm)		17.2	17.1	16.3	15.9	14.1	12.2-17.3	15.9	17.2
Max. BPV of the financial portfolio (DKKm) ¹		20.4	19.3	18.3	17.7	15.7	13.9-19.5	17.7	19.5
Duration of financial assets (years)	Max. 0.25	0	0	0	0	0	0	0	0
The maximum share of fixed interest-rate gross debt to be reset within one year in year two ²	Max. 25%	0%	19%	16%	16%	15%	13%-20%	17%	0%
The maximum share of fixed interest-rate gross debt to be reset within one year in year three ²	Max. 30%	18%	0%	0%	0%	0%	0%-0%	0%	15%

¹ At 31 December 2016, a +/- 1 percentage point parallel shift in the interest-rate curve would impact profit for the year by approx. DKK +50.0/-57.1m due to changes in fair value adjustments and paid interest (2015: +45.9/- 25.5m). The impact on equity is estimated to be immaterial in both years.

² Average figures for reset risk in 2016 and 2015 are defined as the average of the maximum share of the fixed interest-rate gross debt to be reset within one year for the next five years.

Note 4.3 Financial risks (continued)

Exchange-rate risks

TDC is exposed primarily to exchange-rate risks from NOK, USD, SEK and EUR. The exchange-rate exposure from TDC's business activities relates principally to profits and cash flow for the year generated in foreign subsidiaries, as income and expenses generated in these entities are denominated in primarily local currencies.

For Danish companies, the net exchange-rate exposure relates to payables and receivables mainly from roaming and *interconnection* agreements with foreign operators as well as equipment and handset suppliers.

Due to TDC's capital structure, the exposure from financial activities in EUR is significant, as 100% of the nominal gross debt (including derivatives) is denominated in EUR. However, due to the fixed EUR/DKK exchange-rate policy of Danmarks Nationalbank (the Danish central bank), TDC does not consider its positions in EUR to constitute a significant risk. TDC's EUR exposure was DKK 29.0bn in 2016 (DKK 31.8bn in 2015).

Throughout 2016, TDC monitored and managed its exchange-rate risks using several variables in accordance with TDC's financial strategy to protect primarily TDC's financial policy targets. The following variables are monitored:

- total open gross position, including payables and receivables, cash accounts, financing (including derivatives) and marketable securities in other currencies than DKK and EUR must not exceed DKK 500m (DKK 400m until June 2015)
- budgeted cash flows in other currencies than EUR and DKK in the coming year must be hedged if foreign currencies constitute a risk to *EFCF* of more than 1.25% of total *EFCF*. This is measured and tested on a quarterly basis using Value at Risk (VaR). VaR is a measure of the maximum potential loss (caused by changes in market exchange rates) with 90% certainty within a certain time frame

In addition to the above variables, the financial strategy includes a range of exchange-rate hedging policies that e.g. stipulate the guiding rule that EUR positions of TDC companies with local currencies in DKK or EUR are not to be hedged. Furthermore, as a guiding rule, foreign subsidiaries with other reporting currencies than DKK or EUR must hedge payables /receivables in other currencies than DKK and EUR to local currency. Finally, to the largest extent possible, foreign subsidiaries should

pay out net cash holdings as dividend to TDC subject to maintaining an appropriate capitalisation and liquidity position for the subsidiary.

As a guiding rule, TDC does not currently hedge exchange-rate exposure arising from foreign investments in the Nordic countries as these are regarded as long-term investments. This also applies to intra-group loans.

Net investments in foreign subsidiaries, joint ventures and associates

	DKKm	
	2016 Carrying amount	2015 Carrying amount
SEK	1,350	(362)
EUR	1	7
NOK	8,932	8,591
Total at 31 December	10,283	8,236

The change in the carrying amounts for SEK is due to the divestment of TDC Sweden by TDC Nordic AB.

Note 4.3 Financial risks (continued)

Monitored exchange-rate risk variables (end-of-period)

	Maxima	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	Interval 2016	Average 2016	Average 2015
Total open gross position in other currencies than DKK and EUR ^{1,2}	500	304	284	283	341	315	126-490	324	207

¹ Including payables and receivables, cash accounts and financing (including derivatives).

² At 31 December 2016, foreign currencies constituted a maximum translation risk of approx. DKK 8m in relation to EFCF (2015: approx. DKK 24.5m, with 90% certainty within a time frame of one year).

Credit risks

TDC is exposed to credit risks principally as a supplier of telecommunications services in Denmark and abroad, and as a counterparty in financial contracts. The credit risk arising from supplying telecommunications services is handled by the individual business lines, whereas the credit risks in relation to financial contracts are handled centrally by Group Treasury. Credit risks arising in relation to financial contracts are governed by the financial strategy that defines a maximum exposure for each counterparty. The maxima are based primarily on the lowest credit ratings of the counterparties from either Standard & Poor's (S&P) or Moody's Investor Services (Moody's).

Financial transactions with a potential financial exposure for TDC are entered into only with counterparties holding the long-term credit rating of at least BBB+ from Standard & Poor's or Baa1 from Moody's. Each counterparty credit line is determined by the counterparty's credit rating and is of a size that spreads the credit risks of total credit lines over several counterparties. However, should one of TDC's counterparties default, TDC might incur a loss. Credit risks are monitored on a monthly basis.

TDC's maximum credit risks amounted to DKK 4,364m at 31 December 2016 (2015: DKK 3,697m).

Liquidity risks

To reduce refinancing risks, the maturity profile of the debt portfolio is spread over several years. The committed Revolving Credit Facilities totalling EUR 700m (or DKK 5,205m) and cash generated by the business activities are deemed sufficient to handle upcoming redemption of debt.

Based on TDC's financial planning, stable access to the debt capital markets, the available cash, interest-bearing receivables and undrawn credit lines are sufficient to maintain current operations to complete projects underway, to finance stated objectives and plans, and to meet short- and long-term cash requirements.

Undrawn credit lines

At year-end 2016, TDC had undrawn committed credit lines totalling DKK 5,205m, of which DKK 3,718m was syndicated.

Note 4.4 Credit ratings and net interest-bearing debt



Worth noting

Credit rating

TDC is rated by three international rating agencies, S&P's, Moody's and Fitch, and is committed to maintaining investment grade ratings. This is e.g. done by continuously monitoring several credit metrics (including *NIBD/EBITDA*) which determine the credit profile and form the basis of the rating according to rating agencies' methodologies.

No assurance can be given that the aims of the credit rating policy will be achieved at all times. If TDC is downgraded, the funding costs will increase.

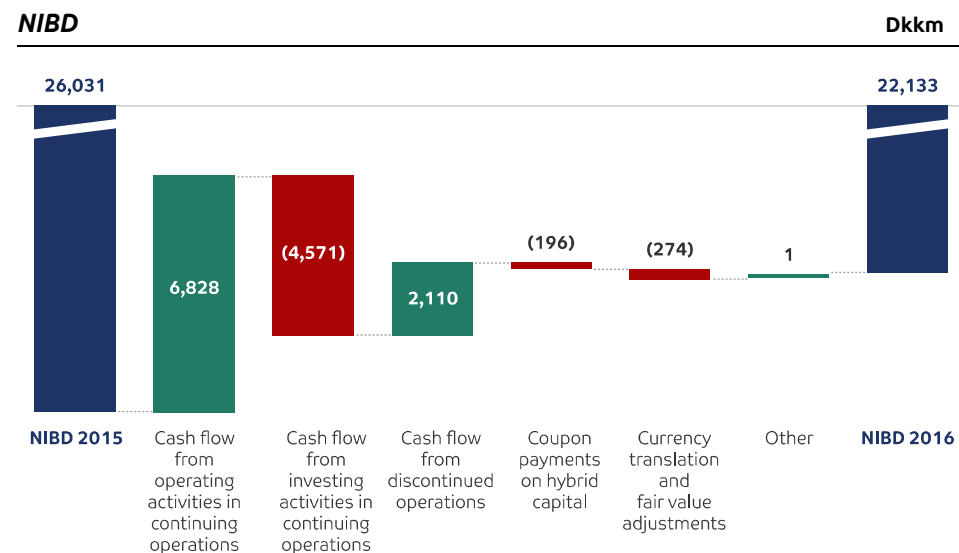
TDC financing contains coupon/margin step-up clauses, cross-default provisions and change of control clauses.

TDC's rating agencies took no action in relation to the rating of TDC in 2016.

TDC's company ratings at 31 December 2016

Rating	Short-term	Long-term	Outlook
S&P	A-3	BBB-	Stable
Moody's	-	Baa3	Stable
Fitch	F3	BBB-	Stable

NIBD



Note 4.4 Credit ratings and net interest-bearing debt (Continued)

Net interest-bearing debt

DKK m

	At 1 January, 2016	2016						
		Included in cash flows from		Non-cash changes				At 31 December, 2016
		Investing activities	Financing activities	Acquisitions /disposals	New leases and debt re. mobile licences	Currency translation adjustment	Fair value adjustments	
Long-term loans incl. short-term part	27,595	(156)	(2,994)	(16)	306	(769)	220	24,186
Short-term loans	3	0	1	(4)	0	0		0
Interest-bearing payables	2	0	0	0	0	0		2
Derivatives	(928)	0	0	0	0	755	64	(109)
Total interest-bearing debt	26,672	(156)	(2,993)	(20)	306	(14)	284	24,079
Interest-bearing receivables and investments	(278)							(259)
Cash	(363)							(1,687)
Net interest-bearing debt	26,031							22,133
50% of hybrid capital	2,776							2,776
Adjusted net interest-bearing debt	28,807							24,909

	2015							
	Included in cash flows from			Non-cash changes				
	At 1 January, 2015	Investing activities	Financing activities	Acquisitions	New leases	Currency translation adjustment	Fair value adjustments	At 31 December, 2015
Long-term loans incl. short-term part	26,767	(96)	386	59	130	375	(26)	27,595
Short-term loans	11,914	0	(11,943)	0	0	32	0	3
Interest-bearing payables	7	(5)	0	0	0	0	0	2
Derivatives	(711)	0	0	0	0	(326)	109	(928)
Total interest-bearing debt	37,977	(101)	(11,557)	59	130	81	83	26,672
Interest-bearing receivables and investments	(307)							(278)
Cash	(4,746)							(363)
Net interest-bearing debt	32,924							26,031
50% of hybrid capital	0							2,776
Adjusted net interest-bearing debt	32,924							28,807



Comments

Both *net interest-bearing debt* and adjusted *net interest-bearing debt* fell by DKK 3,898m during 2016 following the net cash flows from operating and investing activities including the proceeds from divesting TDC Sweden of DKK 1,997m (net proceeds after adjustment for net debt, transaction costs, etc.).

Note 4.5 Financial income and expenses

Financial income and expenses

	DKKm	
	2016	2015
Interest income	17	26
Interest expenses	(782)	(986)
Net interest	(765)	(960)
Currency translation adjustments	98	(320)
Fair value adjustments	(223)	88
Interest, currency translation adjustments and fair value adjustments	(890)	(1,192)
Profit from joint ventures and associates	(4)	0
Interest on pension assets	118	88
Total	(776)	(1,104)

Interest, currency translation adjustments and fair value adjustments

	2016			
	Net interest	Currency translation adjustments	Fair value adjustments	Total
Euro Medium Term Notes (EMTNs) incl. hedges (treated as hedge accounting)	(692)	49	(289)	(932)
European Investment Bank (EIB) and bank loans	(23)	20	0	(3)
Other hedges (not treated as hedge accounting)	0	0	66	66
Other	(50)	29	0	(21)
Total	(765)	98	(223)	(890)

	2015			
	Net interest	Currency translation adjustments	Fair value adjustments	Total
Euro Medium Term Notes (EMTNs) incl. hedges (treated as hedge accounting)	(847)	(28)	86	(789)
European Investment Bank (EIB) and bank loans	(21)	(10)	0	(31)
Other hedges (not treated as hedge accounting)	0	0	2	2
Other	(92)	(282)	0	(374)
Total	(960)	(320)	88	(1,192)



Comments

Financial income and expenses represented an expense of DKK 890m in 2016, an improvement of DKK 302m compared with 2015 (DKK 1,192m), driven primarily by:

Net interest

The EMTN loan (EUR 274m) that matured in December 2015 was refinanced by bank loans (EUR 100m) and cash resulting in a lower interest expense. Furthermore, 2015 was negatively impacted by interest expenses on the bridge bank loan (EUR 1,600m) stemming from the acquisition of Get in 2014.

Currency translation adjustments

In 2016, intercompany loans denominated in NOK resulted in gains. This was partly offset by losses from intercompany loans denominated in SEK. In 2015, intercompany loans denominated in NOK resulted in losses.

In 2016, the EUR/DKK exchange rate decreased, resulting in gains, whereas the EUR/DKK exchange rate increased during 2015, resulting in losses.

Fair value adjustments

2016 was primarily impacted by a bond tender equivalent of nominal EUR 350m in December. The repurchased notes as well as losses from swaps terminated resulted in a loss of DKK 291m.

Interest on pension assets

The higher interest on pension assets was attributable to an increasing discount rate, as the interest is calculated on the basis of the pension funds' net assets (assets less liabilities) using a discount rate. For further information about pension plans, see note 3.8.

Note 4.5 Financial income and expenses (continued)

Net financials recognised in other comprehensive income DKKm

	2016	2015
Currency translation adjustment, foreign enterprises	530	(415)
Reversal of currency translation adjustment related to disposal of foreign enterprises	654	0
Exchange rate adjustments of foreign enterprises	1,184	(415)
Change in fair value adjustments of cash flow hedges	(7)	(38)
Change in fair value adjustments of cash flow hedges transferred to financial expenses	49	(86)
Value adjustments of hedging instruments	42	(124)



Comments

Net interest of DKK 913m paid in 2016, represented a DKK 36m increase compared with 2015 (DKK 877m), driven primarily by:

2016 was primarily impacted by a bond tender in December that resulted in higher interest paid. This was partly offset by refinancing of debt in 2015, which resulted in lower interest paid.

Cash flow from net interest DKKm

	2016	2015
Interest received	557	637
Interest paid	(1,470)	(1,514)
Net interest paid	(913)	(877)
Specified as follows:		
Euro Medium Term Notes (EMTNs) incl. hedges (treated as hedge accounting)	(830)	(775)
European Investment Bank (EIB) and KfW bank loans	(21)	(15)
Other hedges (not treated as hedge accounting)	(50)	(60)
Other	(12)	(27)
Net interest paid	(913)	(877)

Note 4.6 Maturity profiles of financial instruments

Maturity profiles

The maturity analyses of financial assets and liabilities are disclosed by category and class and are allocated according to maturity period. All interest payments and repayments of financial liabilities are based on contractual agreements. Interest payments on floating-rate instruments are determined using forward rates.

Financial assets and liabilities measured at fair value relate to derivatives. Calculation of fair value of these derivatives is based on observable inputs such as interest rates, etc. (Level 2 in the IFRS fair value hierarchy).

Maturity profiles of expected cash flows¹

DKKm

Financial assets and liabilities measured at fair value through profit or loss	< 1 year	1-3 years	3-5 years	> 5 years	Total	Fair value	Carrying amount
Assets²:							
Derivatives Fair value hedges							
Inflow	50	65	26	11	152		
Outflow	(17)	0	(3)	0	(20)		
Total fair value hedges, assets	33	65	23	11	132	132	132
Derivatives, Other derivatives							
Inflow	1,028	242	166	123	1,559		
Outflow	(875)	(6)	(36)	(73)	(990)		
Total other derivatives assets	153	236	130	50	569	568	568
Liabilities: Derivatives, Cash flow hedges							
Inflow	188	416	416	4,111	5,131		
Outflow	(180)	(398)	(396)	(4,176)	(5,150)		
Total cash flow hedges	8	18	20	(65)	(19)	(282)	(282)
Derivatives, Other derivatives							
Inflow	933	0	30	71	1,034		
Outflow	(1,095)	(263)	(209)	(135)	(1,702)		
Total other derivatives	(162)	(263)	(179)	(64)	(668)	(667)	(667)
Total derivatives	32	56	(6)	(68)	14	(249)	(249)
Financial liabilities measured at amortised cost							
Euro Medium Term Notes (EMTNs)	0	(4,461)	0	(13,361)	(17,822)	(18,946)	(17,865)
European Investment Bank loan (EIB)	0	(2,974)	(744)	0	(3,718)	(3,718)	(3,718)
Other bank loans	0	0	(1,859)	0	(1,859)	(1,859)	(1,855)
Debt relating to finance leases	(83)	(45)	(11)	(85)	(224)	(173)	(173)
Other loans	(141)	(249)	(123)	(93)	(606)	(575)	(575)
Total loans	(224)	(7,729)	(2,737)	(13,539)	(24,229)	(25,271)	(24,186)
Euro Medium Term Notes (EMTNs) and bank loans, interest ³	(664)	(1,139)	(911)	(1,180)	(3,894)	(554)	(554)
Trade and other payables ⁴	(2,614)	(13)	0	0	(2,627)	(2,627)	(2,627)
Total financial liabilities measured at amortised cost	(3,502)	(8,881)	(3,648)	(14,719)	(30,750)	(28,452)	(27,367)
Total 2016	(3,470)	(8,825)	(3,654)	(14,787)	(30,736)	(28,701)	(27,616)
Total 2015	(4,136)	(7,805)	(6,863)	(16,574)	(35,378)	(31,518)	(31,043)

¹ All cash flows are undiscounted. The table reflects only the cash flow from financial liabilities and derivatives recognised as financial assets, other cash flow from financial assets is not disclosed.

² Both assets and liabilities measured at fair value through profit or loss are disclosed in the above table because the some of the derivatives are used for hedging of financial liabilities measured at amortised cost, which is disclosed in the table.

³ Fair value and carrying amount value consist of accrued interest on EMTNs, EIB and bank loans at 31 December 2016.

⁴ As not all trade and other payables recognised in the balance sheet are financial instruments (e.g. unbilled payables do not constitute a financial liability), the amount differs from the amount disclosed in the balance sheet.

Cash flow

This section gives information on the Group's cash flow. Furthermore, information on development in the cash flow items is included in note 2.7 Special items, note 3.1 Intangible assets, note 3.2 Property, plant and equipment, 3.6 Provisions, note 3.8 Pension assets and pension obligations as well as note 4.5 Financial income and expenses. A detailed review of *Equity free cash flow* is provided in the section 'Our performance' in the Management's review.



Worth noting

TDC Group's renewed 2016-18 strategy is centered on providing best-in-class customer satisfaction and improving the trend towards cash flow growth measured in terms of *equity free cash flow (EFCF)*. See also the consolidated statement of cash flow.



Accounting policies

Cash flow from operating activities is presented under the indirect method and is based on profit before interest, taxes, depreciation, amortisation and special items adjusted for non-cash operating items, cash flow related to special items, changes in working capital, interest received and paid, realised currency translation adjustments as well as income taxes paid. Interest received and paid includes settlement of interest-hedging instruments.

Cash flow from investing activities comprises acquisitions and divestments of enterprises, purchases and sales of intangible assets, property, plant and equipment as well as other non-current assets, and purchases and sales of securities that are not recognised as cash and cash equivalents. Cash flows from acquired enterprises are recognised from the time of acquisition, while cash flows from enterprises divested are recognised up to the time of divestment.

Cash flow from operating, investing and financing activities of discontinued operations is presented in separate lines in the statement of cash flow with comparative figures.

Cash flow from financing activities comprises changes in interest-bearing debt, purchase of treasury shares and dividends to shareholders.

Cash and cash equivalents cover cash and marketable securities with a remaining life not exceeding three months at the time of acquisition, and with an insignificant risk of changes in value.

Note 5.1 Adjustment for non-cash items

DKKkm

	2016	2015
Pension costs regarding defined benefit plans	132	137
Share-based remuneration	135	63
(Gain)/loss on disposal of property, plant and equipment, net	(11)	(5)
Other adjustments	11	(4)
Total	267	191

Note 5.2 Change in working capital

DKKkm

	2016	2015
Change in inventories	7	28
Change in receivables	176	188
Change in trade payables	(26)	1
Change in deferred income	(87)	7
Change in prepaid expenses	139	(118)
Change in other items, net	(58)	74
Total	151	180

Note 5.3 Investment in enterprises

§ Accounting policies

On acquisition of subsidiaries, joint ventures and associates, the purchase method is applied, and acquired assets, liabilities and contingent liabilities are measured on initial recognition at fair values on the date of acquisition. Identifiable intangible assets are recognised if they can be separated and the fair value can be reliably measured. Deferred tax on the revaluation made is recognised.

Any positive differences between cost and fair value of the assets, liabilities and contingent liabilities acquired on acquisition of subsidiaries are recognised as goodwill in the balance sheet under intangible assets. The cost is stated at the fair value of shares, debt instruments as well as cash and cash equivalents. Goodwill is not amortised, but is tested annually for impairment. Negative balances (negative goodwill) are recognised in the income statement on the date of acquisition. Positive differences on acquisition of joint ventures and associates are recognised in the balance sheet under investments in joint ventures and associates.

For acquisitions prior to 1 January 2010, the cost of the acquisition includes transaction costs. For acquisitions on or after 1 January 2010, such costs are expensed as incurred.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected, adjustments made within twelve months of the acquisition date to the provisional fair value of acquired assets, liabilities and contingent liabilities or cost of the acquisition are adjusted to the initial goodwill. The adjustment is calculated as if it were recognised at the acquisition date and comparative figures are restated. Changes in estimates of the cost of the acquisition being contingent on future events are recognised in the income statement.

Acquired enterprises are recognised in the consolidated financial statements from the time of acquisition.

Acquisitions in 2016

Enterprises and activities acquired	Segment	Date of recognition	Proportion acquired
Cirque A/S	Business	31 March 2016	100%
Cirque Bredbånd A/S	Operations	31 March 2016	100%
Cirque systems A/S	Business	31 March 2016	100%
TDC Erhvervscenter Holbæk ApS	Business	30 September 2016	60%
CubelO A/S ¹	Consumer	1 November 2016	100%
Adactit ApS	Business	4 December 2016	100%

¹ Previously recognised as an associated company with an equity share of 50%.

At the date of acquisition, the cost of the assets and liabilities acquired was DKK 141m. Following adjustment of net assets to fair value, goodwill was measured at DKK 76m. Goodwill represents the value of current employees and know-how as well as expected synergies arising from the business combinations.

Adjusted for cash in acquired enterprises of DKK (11)m, the cash flow related to investment in enterprises amounted to DKK 130m. In addition, DKK 15m was paid in relation to acquisitions in prior years.

The acquisitions had no significant impact on the income statement for 2016.

Acquisitions in 2015

Enterprises and activities acquired	Segment	Date of recognition	Proportion acquired
TV and fibre activities from TREFOR	Consumer/Operations	1 January 2015	100%
Business activities from Justfone A/S	Business	1 May 2015	100%
Fyns Antenne- og Elektronikcenter A/S	Operations	30 June 2015	100%

At the date of acquisition, the cost of the assets and liabilities acquired was DKK 189m. Following adjustment of net assets to fair value, goodwill was measured at DKK 9m. Goodwill represents the value of current employees and know-how as well as expected synergies arising from the business combinations.

Adjusted for cash in acquired enterprises of DKK (1)m and change in unpaid acquisition cost of DKK (35)m, the cash flow related to investment in enterprises amounted to DKK 153m.

The acquisitions had no significant impact on the income statement for 2015.

Note 5.4 Cash flow from investing activities in discontinued operations

In 2016, TDC divested TDC Sweden AB. This divestment has been presented as discontinued operations.

At the time of divestment, the carrying amount of assets and liabilities in discontinued operations consisted of the following:

The carrying amount of assets and liabilities in discontinued operations at the time of divestments

DKKm

	2016	2015
Intangible assets	224	0
Property, plant and equipment	463	0
Other non-current assets	54	0
Inventories	71	0
Receivables	644	0
Cash	98	0
Provisions	(58)	0
Deferred income	(203)	0
Trade and other payables	(865)	0
Net assets	428	0
Profit/(loss) relating to divestments of discontinued operations including tax	981	0
Reversal of non-cash taxes	26	0
Reversal of currency adjustments recognised in equity	654	0
Sales costs not paid yet	6	(2)
Cash and bank deposit in discontinued operations	(98)	0
Net cash flow on divestments	1,997	(2)
Cash flow from investing activities in discontinued operations excluding divestments	(183)	(222)
Net cash flow from investing activities in discontinued operations	1,814	(224)

Other disclosures

This section contains statutory notes or notes that are presumed to be less important for understanding the Group's financial performance.

Note 6.1 Incentive programmes

§ Accounting policies

Share-based remuneration

TDC Group operates share-based incentive programmes, under which TDC Group grants the programmes and receives services from employees. The fair value of employee services received is recognised in the income statement under personnel expenses. The total expense is recognised over the period from the start of employees providing services (under the Deferred Bonus Share Programme and Performance Share Programme, employees provide services in advance of the grant date) until the end of the vesting period, which is the period during which all of the specified vesting conditions are to be satisfied. The Deferred Bonus Share Programme is a share-based programme with a cash settlement option while the Performance Share Programme and the Norwegian RSU programme are equity-settled programmes.

The fair value of the granted deferred bonus share units takes into account the risk of losing the deferred bonus. The fair value of the granted performance share units takes into account the conditions attached to that programme regarding the TDC share's performance compared with a peer group. Other conditions are included in assumptions about the number of units that are expected to vest.

At the end of each reporting period, the Group revises its estimates of the number of matching share units and RSUs that are expected to vest.

Bonus programmes

Approximately 275 TDC Group top managers participate in a short-term bonus programme called the Top Managers' Compensation Programme, and approximately 200 TDC Group managers and specialists participate in a short-term bonus programme called the Managers' Compensation Programme.

The short-term bonus programmes are closely linked to the two main goals in our 2016-2018 strategy: *equity free cash flow (EFCF)* and customer satisfaction, weighted 50% each.

Bonus payments are calculated as the individual employee's basic salary multiplied by the bonus percentage multiplied by the degree of target fulfilment.

The bonus achieved when targets are met is called the on-target bonus.

For the Top Managers' Compensation Programme, the bonus percentage is fixed in the contract of employment with the individual employee and usually varies within a range of 10%-33% of basic salary. The bonus percentage is somewhat lower for the Managers' Compensation Programme. The bonus achieved can be maximum 200% of the on-target bonus.

The short-term bonus programme for the members of the Executive Committee is based on the same principles as those for other managers, with a bonus percentage of 50.

Deferred bonus

For the Executive Committee, a deferral element applies. The Executive Committee members are obliged to defer 50% of their short-term bonus for three years with an option to defer an additional 50% of their bonus for three years. Approximately 60 other executives have been eligible for a deferred bonus, but in 2016 the Board of Directors decided to discontinue the programme for other executives, as very few have taken advantage of the opportunity. This decision has been handled with a buy-out of deferred bonus share units in the 2015 and 2016 programmes and a lump sum for future opportunities.

Note 6.1 Incentive programmes (continued)

Deferred bonuses are immediately converted into deferred bonus share units in TDC with a corresponding value. Deferred bonus share units vest and are converted into shares in TDC after three years, depending on how TDC Group's *equity free cash flow (EFCF)*

per share performs compared with a weighted average of the three years in the base case in TDC Group's business plan. Participants will receive the following shares:

EFCF per share compared with the base-case business plan	Deferred bonus share units	Matching share units ¹	Total share units ²
2.5% higher	100%	100%	200%
Equal to	100%	75%	175%
2.5% lower	100%	62.5%	162.5%
5% lower	100%	50%	150%
5.01-15% lower	100%	25%	125%
15.01% lower	0%	0%	0%

¹ Linear calculation of matching share units between 75%-100% and 50%-75%.

² Dividends paid out on shares in the deferral period will result in corresponding increases of each participant's number of share units. A participant who terminates employment during the vesting period for reasons of voluntary resignation or misconduct will receive no matching shares. Participants who terminate employment for other reasons will receive matching shares as if their employment had continued throughout the vesting period.

The value of the bonus that the Executive Committee members are obliged to defer at the beginning of 2017 amounted to DKK 13.0m (beginning of 2016: DKK 14.4m). The value of the bonus that the participants have the option to defer at the beginning of 2017 amounted to DKK 15.5m (beginning of 2016: DKK 35.1m). The value of potential matching shares amounted to DKK 13.2m (2016: DKK 18.8m).

Liabilities arising from share-based remuneration amounted to DKK 9m (2015: DKK 19m).

The *EFCF* for 2014 to 2016 has been calculated and resulted in a 160% vesting for the 2014 grant (187% vesting for the 2013 grant).

Performance Share Programme

Approximately 175 TDC Group managers, including the Executive Committee, participate in a Performance Share Programme that rewards long-term performance.

Performance Shares granted in	Vesting period	Vesting	Market value in DKKm
2011	2011-2013	100%	73.2
2012	2012-2014	50%	43.5
2013	2013-2015	0%	0.0
2014	2014-2016	0%	0.0
2015	2015-2017	-	-
2016	2016-2018	-	-

All eligible participants are granted performance share units annually. Vested performance share units are converted into shares in TDC A/S. The value of performance share units granted is calculated as a percentage of participants' base salary depending on their tier level and individual performance. The number of performance share units granted is determined by the fair value per unit on the basis of a Monte Carlo simulation. For the Executive Committee, this corresponds to 30% of base salary and, for other TDC Group managers, up to 25% of their base salary.

Ownership of shares will pass to participants only provided the performance share units vest. Performance share units vest three years from

the date of granting subject to TDC's performance as measured by Total Shareholder Return (*TSR*-calculated as share price movements plus dividends received over a stated period divided by the share price at the beginning of such period) relative to a peer group of 12 telecommunications companies (BT, Deutsche Telekom, Elisa, KPN, Orange, Proximus, Swisscom, Telefonica Deutschland, Telekom Austria, Telenor, Telia and Vodafone), cf. the table below.

From 2017, the performance criterion for participants outside the Corporate Management Team has been changed from relative *TSR* to cash flow growth.

TSR performance relative to peer group	Vesting share units ^{1,2} 2016 and 2015 grants	Vesting share units ^{1,2} 2014 grant
Nos. 1-3	140%	150%
Nos. 4-6	90%	100%
Nos. 7-8	65%	75%
Nos. 9-10	40%	50%
Nos. 11	25%	25%
Nos. 12-13	25%	0%

¹ Dividends paid out on shares in the vesting period will result in annual corresponding increases of each participant's number of performance share units. A participant who terminates employment during the vesting period for reasons of voluntary resignation or misconduct will not vest any performance share units. Participants who terminate employment for other reasons will vest performance share units as if their employment had continued throughout the vesting period.

² For the Executive Committee, the vesting schedule for the 2014 grant also applies to the 2015 and 2016 grants.

Note 6.1 Incentive programmes (continued)

Share-based incentive programme for the management of TDC's Norwegian business

In July 2015, TDC Group launched a new share-based incentive programme for the management of Get and TDC Norway ("TDC's Norwegian business"). Under the incentive programme, the managers will be entitled to a bonus in the form of Restricted Stock Units (RSUs) based on the development in *EBITDA* less *capex* compared with a threshold level for TDC's Norwegian business for the period covering the financial years 2015, 2016 and 2017. The bonus will be calculated no later than 31 March 2018 and will be paid in RSUs. The number of RSUs is affected by the development in the TDC share price in the period 2015 to 2017. The RSUs will vest on 1 April 2018 and for each RSU the manager will be given one TDC share upon vesting. At the time of vesting, TDC may choose to make a cash settlement, in full or in part, of RSUs instead of delivering TDC shares.

The aggregate bonus amount cannot exceed NOK 150 million. Each manager's entitlement to RSUs is conditional upon the manager's continued employment until 31 December 2017 subject to certain leaver provisions.

The expenses for 2016 relating to the programme amounted to DKK 37m (2015: DKK 19m).

In addition to the above, TDC Group has entered into an investment agreement with each manager under which the manager will be required to purchase shares in TDC at a certain time for a certain amount at market value at the relevant time. The total investment in TDC shares amounted to NOK 100 million. The shares purchased are subject to certain lock-up restrictions until 31 December 2017.

The share-based incentive programme for the management of TDC's Norwegian business was amended in 2016. The amendment implies that the managers are guaranteed a minimum return on their TDC share investment of 0.8% per year (corresponding to the 3-year Norwegian risk-free interest rate) in the form of a compensation paid in TDC shares or cash in 2018. The expenses for 2016 relating to the amendment amounted to DKK 16m.

Mandatory share ownership for the Executive Committee

For the Executive Committee, a mandatory perpetual share ownership representing a value equivalent to two years' annual base salary, net of taxes, was implemented with effect from 1 January 2011. The required share ownership will be set as a fixed number of shares based on the individual Executive Committee member's base salary and the share price at the time of implementation and for new Executive Committee members at the time of hire/promotion. The number of shares required to be owned by Executive Committee members can be changed by a Board decision if the share value or salary level changes significantly. For Executive Committee members employed before 2013, share ownership can be built up over a maximum of three years. For Executive Committee members employed from 2013, the share ownership can be built up over a maximum of five years, but with increasing mandatory ownership for each year.

Note 6.1 Incentive programmes (continued)

Share units

	2016				2015			
	Deferred bonus share units		Performance share units		Deferred bonus share units		Performance share units	
	Executive Committee	Other managers ¹	Executive Committee	Other managers ¹	Executive Committee	Other managers ¹	Executive Committee	Other managers ¹
Outstanding at 1 January	151,100	336,283	297,505	3,461,665	227,843	413,146	452,918	3,628,999
Granted	185,613	67,219	208,235	1,509,375	135,016	17,385	168,422	1,159,744
Vested	(20,581)	(142,160)	(83,478)	(1,311,871)	(83,536)	(222,471)	(151,882)	(1,290,999)
Settled	(13,934)	(58,719)	(52,190)	(124,737)	0	0	0	0
Forfeited	0	0	0	(165,413)	0	0	(72,521)	(135,511)
Transferred	(84,272)	84,272	(88,275)	88,275	(128,223)	128,223	(99,432)	99,432
Outstanding at 31 December	217,926	286,895	281,797	3,457,294	151,100	336,283	297,505	3,461,665

¹ Incl. retired Executive Committee members.

None of the outstanding performance share units at 31 December 2016 were exercisable.

The fair value at grant date was DKK 30.28 per unit for the 2016 grant (DKK 40.83 per unit for the 2015 grant). The fair value of the grant is calculated using a Monte Carlo simulation model with the assumptions given below.

Assumptions for using the Monte Carlo simulation model

	2016	2015
Interest rate	-0.21%	-0.01%
Volatility	24.6%	19.4%
Average correlation between TDC and peers	35.9%	37.3%
Share price at time of granting	33.95	47.23

Note 6.2 Remuneration for Management

Remuneration for the Board of Directors¹

	DKK thousands	
	2016	2015
Vagn Sørensen (Chairman)	1,300	1,327
Pierre Danon (Vice Chairman)	1,075	825
Marianne Rørslev Bock ²	526	0
Stine Bosse	550	550
Pieter Knook	675	525
Angus Porter	525	525
Benoit Scheen ³	700	452
Søren Thorup Sørensen ²	126	650
Jan Bardino ²	77	400
Christian A. Christensen ²	77	400
Steen M. Jacobsen ²	77	400
Mogens Jensen ²	324	0
John Schwartzbach	400	400
Zanne Stensballe ²	324	0
Gert Winkelmann	400	400
Total	7,156	6,854

¹ In addition, TDC Group has paid social security contribution of DKK 432 thousand for members outside Denmark (2015: DKK 440 thousand) as well as certain of TDC Group products available for the members of the Board of Directors. See the section on Management for further information about the members of the Board of Directors including duties related to the Compensation, Nomination and Audit Committees.

² The remuneration for 2016 for this member does not comprise remuneration for the full year for all duties.

³ The remuneration for 2015 for this member does not comprise remuneration for the full year for all duties.

Remuneration rates for the Board of Directors

	DKK thousands	
	2016	2015
Chairman of the Board	1,100	1,100
Vice Chairman of the Board	700	700
Other members of the Board	400	400
In addition:		
Chairman of the Audit Committee	250	250
Member of the Audit Committee	150	150
Chairman of the Business Review Development Committee	250	-
Member of the Business Review Development Committee	150	-
Chairman of the Compensation Committee	150	150
Member of the Compensation Committee	100	100
Chairman of the Nomination Committee	50	50
Member of the Nomination Committee	25	25

Remuneration for the Executive Committee¹

DKK m

	2016				2015
	CEO Pernille Erenbjerg	CFO Stig Pastwa ²	Other members	Total	Total
Base salary (incl. benefits)	7.3	2.5	19.8	29.6	30.2
Cash bonus	2.7	0.7	10.0	13.4	14.5
Deferred bonus	4.0	1.3	8.1	13.4	11.9
Pensions ³	1.4	0.5	3.3	5.2	5.6
Performance share remuneration ⁴	2.2	0.0	4.5	6.7	5.1
Share-based incentive programme in Norway	-	-	20.7	20.7	7.7
Retention allowance	1.4	0.0	0.0	1.4	3.2
One-off consideration	0.0	0.0	3.1	3.1	0.0
Employer social security contribution	-	-	6.4	6.4	2.9
Redundancy compensation ⁵	-	-	10.9	10.9	24.2
Total	19.0	5.0	86.8	110.8	105.3
Total in 2015	16.6	-	88.7	105.3	

¹ During 2016, the remuneration for the Executive Committee (excluding redundancy compensation) comprises 7.1 members on average (2015: 7.7 members). For further information on the Executive Committee members, see Management.

² Remuneration for seven months.

³ Defined contribution plans.

⁴ Fair value of performance share units granted. The performance share remuneration for 2016 was reduced by DKK 0m (2015: DKK 2.3m) due to cancellation of performance share units due on retirement.

⁵ The compensation in 2015 related primarily to the former CEO Carsten Dilling.

The remuneration rates to the Vice Chairman of the Board and the ordinary board members have not been adjusted since 2010. The Chairman has received the current remuneration rate since before 2010.

The Board of Directors has set up a temporary Business Review and Development Committee to support execution of TDC's new strategy. This committee had finished its work by the end of 2016.

For 2017, the Board of Directors will propose no adjustment of the remuneration rates for the Board of Directors to the Annual General Meeting 2017.

Note 6.2 Remuneration for Management (continued)

The amounts for deferred bonus and performance share remuneration included in the table above are the fair values of instruments granted during the year.

The fair values are expensed over the vesting period. The expense for 2016 amounted to DKK 27.6m (2015: DKK 32.2m). Total remuneration expenses for the Executive Committee amounted to DKK 104.8m (2015: DKK 106.3m).

The Executive Committee members' service contracts include 6-12 months' notice in the event of termination by the Company. In case of change of control of the Company, the 12 months' notice will be prolonged to 24 months for one Executive Committee member in the event of termination by the Company.

TDC Group's executive remuneration:

- is closely linked to company performance and shareholder value creation. The executive remuneration comprises a mix of base salary and incentive programmes that are measurable, controllable, well defined and aligned with shareholder interests
- varies according to level and consists of a base salary, pension contribution, a cash-based incentive and share performance programmes based on *Total Shareholder Return*, company performance and peer group performance. The split between base salary and variable remuneration is set to ensure a clear focus on short-term performance and achievement of our long-term business objectives
- is assessed against a benchmark of large Danish companies – some include international activities to ensure competitiveness
- is decided by the Compensation Committee

Number of shares in TDC A/S

	1 January 2016 ²	Additions	Divestments	31 December 2016	Market value DKKm
Present Board of Directors¹					
Vagn Sørensen	325,392	33,600	0	358,992	13.0
Pierre Danon	45,085	45,225	0	90,310	3.3
Marianne Rørslev Bock	6,116	0	0	6,116	0.2
Stine Bosse	2,310	0	0	2,310	0.1
Benoit Scheen	0	6,500	0	6,500	0.2
Mogens Jensen	255	0	0	255	0.0
John Schwartzbach	740	0	0	740	0.0
Zanne Stensballe	740	0	0	740	0.0
Gert Winkelmann	750	0	0	750	0.0
Total	381,388	85,325	0	466,713	16.8
Present Executive Committee					
Pernille Erenbjerg	170,790	24,033	0	194,823	7.1
Stig Pastwa	20,000	5,000	0	25,000	0.9
Jaap Postma	30	0	0	30	0.0
Gunnar Evensen	699,600	0	0	699,600	25.4
Marina Lønning	0	0	0	0	0.0
Peter Trier Schleidt	16,433	0	0	16,433	0.6
Jens Aaløse	9,299	0	0	9,299	0.3
Total	916,152	29,033	0	945,185	34.3

¹ The other members of the Board of Directors hold no shares in TDC A/S.

² For new members: The shareholding at the time of appointment.

Note 6.3 Related parties

The pension fund TDC Pensionskasse located in Copenhagen, Denmark, is a related party.

Danish Group companies have one lease contract with the pension fund, TDC Pensionskasse. The lease contract is interminable until 2022. In addition, annual contributions are paid to the pension fund, see note 3.8. TDC A/S has issued a subordinated loan to the pension fund.

Related parties also include the Group's joint ventures and associates shown in note 6.9.

Remuneration for the Board of Directors and the Executive Committee is described in note 6.2. In addition to the remuneration for the membership of the Board of Directors, the Vice Chairman Pierre Danon provided consultancy services totalling DKK 75 thousand in 2016 (2015: DKK 410 thousand).

The Group has the following additional transactions and balances with related parties; income/(expenses), receivables/(debt):

Related parties	DKKm	
	2016	2015
TDC Pensionskasse		
Rental expense	(3)	(3)
Investment advisory fees	16	16
Interest income of subordinated loan and other income	3	3
Debt regarding lease agreements and other payables	(20)	(40)
Subordinated loan	149	150
Other receivables	3	3
Joint ventures and associates		
Expenses	(14)	(5)

Note 6.4 Fees to auditors

Fees to auditors elected by the Annual General Meeting	DKKm	
	2016	2015
Statutory audit, PricewaterhouseCoopers	10	10
Other assurance engagements	1	5
Tax advisory services	1	1
Other services	4	7
Total non-statutory audit services, PricewaterhouseCoopers	6	13
Total, PricewaterhouseCoopers	16	23

Note 6.5 Other financial commitments



Worth noting

Commitments represent amounts TDC Group has contractually committed to pay to third parties in the future. This gives an indication of future cash flows.

Lease agreements can commit TDC Group to significant future expenditure. The table discloses TDC Group's commitments to make such payments. Except for the provision for vacant tenancies (cf. note 3.6), such commitments are not recognised in the balance sheet.

TDC Group sublets a number of the leased properties where such properties, or part of such properties, are no longer required for use. The table discloses the commitments sub-lessors have made in respect of such arrangements. These commitments are not recognised in the balance sheet. However, they are included in the basis for determining the provision for vacant leases.

Other financial commitments

DKK m

	2016	2015
Lease commitments for all operating leases¹		
Properties and mobile sites	6,267	6,602
Machinery, equipment, computers, etc.	622	577
Total	6,889	7,179
Future sublease payments	(239)	(208)
Net commitments	6,650	6,971
Total lease commitments can be specified as follows:		
Due not later than 1 year	708	732
Due later than 1 year and not later than 5 years	1,897	1,860
Due later than 5 years	4,284	4,587
Total	6,889	7,179
Capital and purchase commitments		
Investments in intangible assets	925	659
Investments in property, plant and equipment	838	591
Commitments related to outsourcing agreements	696	633

¹ Lease commitments include commitments on vacant tenancies for which a provision of DKK 551 m has been recognised in the balance sheet (2015: DKK 567 m), cf. note 3.6.



Comments

Some of the leases are expected to be transferred to new lessees instead of being sub-leased. This will reduce the commitments.

Operating leases, for which TDC Group is the lessee, are related primarily to agreements on *fibre* networks, sea *cables*, cars and agreements on property leases and mobile sites. The lease agreements will terminate in 2041 at the latest.

Note 6.6 Contingencies

Contingent liabilities

TDC Group is party to certain pending lawsuits and cases pending with public authorities and complaints boards. Based on a legal assessment of the possible outcome of each of these lawsuits and cases, Management is of the opinion that these will have no significant adverse effect on TDC Group's financial position.

Change of control

The EU Takeover Directive, as partially implemented by the Danish Financial Statements Act, contains certain rules for listed companies specifying the disclosure of information on capital and ownership structure, etc., and change-of-control provisions in material agreements.

Information on TDC's ownership is provided in Shareholder information.

Certain of TDC Group's contracts with third parties also include change-of-control clauses. A change of control could lead to termination of such contracts. Termination of such contracts would not individually or in combination have a material adverse effect on TDC Group's revenue and earnings.

Note 6.7 Events after the balance sheet date

None.

Note 6.8 New accounting standards

At 3 February 2017, IASB had approved the following new accounting standards (IFRSs and IASs) and interpretations (IFRICs) that are effective for 2017 or later, and are judged relevant for TDC:

- IFRS 9 Financial Instruments addresses the requirements for recognition and measurement, impairment, derecognition and general hedge accounting. A new credit loss model has replaced the incurred loss impairment model used in IAS 39. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright-line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the ratio Management actually uses for risk management purposes. The intrinsic value of a hedging instrument is designated as hedge accounting while changes in time value are recognised in OCI and reclassified to profit or loss on an amortised basis. The standard becomes effective from 2018, and TDC Group will implement the standard when it becomes effective. The Group is in the process of quantifying the impact.

- IFRS 15 Revenue from Contracts with Customers deals with revenue. Revenue is recognised when customers obtain control of goods or services. The standard replaces IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations and becomes effective from 2018. TDC Group will implement the standard when it becomes effective. The standard will change our accounting for revenue arrangements with multiple deliverables, subscriber acquisition costs, non-refundable up-front connection fees and fulfilment costs. The Group is in the process of quantifying the impact.

- IFRS 16 Leases¹ amends the rules for the lessee's accounting treatment of operating leases. In future, operating leases must therefore be recognised in the balance sheet as lease assets and corresponding lease liabilities. The standard will become effective from 2019. TDC Group expects to implement the standard when it becomes effective. TDC Group is in the process of examining the effect of the standard.

The IASB has approved further new standards and interpretations that are not relevant to the Group and will have no effect on the financial statements.

¹ Not yet endorsed by the EU.

Note 6.9 Overview of Group companies at 31 December 2016

Company name ¹	Domicile	Currency	Ownership share (%)
Business			
Adactit ApS	Copenhagen, Denmark	DKK	100
Cirque A/S	Copenhagen, Denmark	DKK	100
TDCH A/S	Copenhagen, Denmark	DKK	100
TDC Mobil Center A/S	Odense, Denmark	DKK	100
TDC Erhvervscenter Holbæk ApS	Holbæk, Denmark	DKK	60
Mobilcenter Bagsværd A/S ²	Bagsværd, Denmark	DKK	50
Wholesale			
OCH A/S ²	Copenhagen, Denmark	DKK	25
4T af 1. oktober 2012 ApS ²	Copenhagen, Denmark	DKK	25
Norway			
Get AS	Oslo, Norway	NOK	100
Homebase AS	Oslo, Norway	NOK	100
TDC AS	Oslo, Norway	NOK	100
Operations			
Dansk Kabel TV A/S	Copenhagen, Denmark	DKK	100
Consumer			
Contact Center Europe GmbH	Flensburg, Germany	EUR	100
CubelO A/S	Herlev, Denmark	DKK	100
TDC Telco ApS	Taastrup, Denmark	DKK	100
Ecosys A/S ²	Silkeborg, Denmark	DKK	38
Bet25 A/S ²	Silkeborg, Denmark	DKK	38
Other			
TDC Nordic AB	Stockholm, Sweden	SEK	100
TDC Reinsurance A/S	Copenhagen, Denmark	DKK	100

¹ In order to give readers a clear presentation, 12 minor enterprises are not listed separately in the overview. In pursuance of Section 6 of the Danish Financial Statements Act, the following subsidiaries have chosen not to prepare an annual report: Kaisai A/S, 4WEB A/S, TDC Hosting Holding ApS, Hosting TopCo ApS, Selskabet af 16. juni 2015 ApS and TDCH III ApS.

² The enterprise is included under the equity method.

Parent Company financial statements

Parent Company income statement

DKK m

	Note	2016	2015
Revenue	2.1	17,205	18,658
Cost of sales		(4,135)	(4,507)
Gross profit		13,070	14,151
External expenses		(3,414)	(3,327)
Personnel expenses	2.2	(2,687)	(2,774)
Other income		132	88
Operating profit before depreciation, amortisation and special items (EBITDA)		7,101	8,138
Depreciation, amortisation and impairment losses		(4,013)	(4,167)
Operating profit excluding special items (EBIT excluding special items)		3,088	3,971
Special items	2.3	(167)	(4,863)
Operating profit/(loss) (EBIT)		2,921	(892)
Profit from subsidiaries	3.3	1,189	236
Profit/(loss) from joint ventures and associates		(5)	2
Financial income and expenses	4.3	(559)	(1,016)
Profit/(loss) before income taxes		3,546	(1,670)
Income taxes	2.4	(503)	(631)
Profit/(loss) for the year		3,043	(2,301)

Parent Company statement of comprehensive income

DKK m

	Note	2016	2015
Profit/(loss) for the year		3,043	(2,301)
Items that may subsequently be reclassified to the income statement:			
Exchange rate adjustments of foreign subsidiaries, joint ventures and associates	4.3	1,184	(415)
Value adjustments of hedging instruments	4.3	42	(124)
Share of other comprehensive income in subsidiaries		59	32
Items that cannot subsequently be reclassified to the income statement:			
Remeasurement of the defined benefit pension plan		(425)	756
Income tax relating to remeasurement of benefit pension plan	2.4	94	(166)
Other comprehensive income		954	83
Total comprehensive income/(loss)		3,997	(2,218)

Parent Company balance sheet

Assets		DKKkm		
	Note	2016	2015	2014
Non-current assets				
Intangible assets	3.1	23,469	23,796	29,045
Property, plant and equipment	3.2	14,901	14,782	14,674
Investments in subsidiaries	3.3	11,125	9,270	13,246
Joint ventures, associates and other investments		37	33	32
Pension assets	3.4	5,595	5,947	5,205
Receivables	3.5	3,554	4,567	1,735
Derivative financial instruments	4.4	88	484	214
Prepaid expenses	3.6	314	323	286
Total non-current assets		59,083	59,202	64,437
Current assets				
Inventories		220	235	264
Receivables	3.5	2,120	2,512	2,643
Income tax receivables	2.4	32	0	84
Derivative financial instruments	4.4	613	472	598
Prepaid expenses	3.6	604	493	406
Cash		1,559	325	4,650
Total current assets		5,148	4,037	8,645
Total assets		64,231	63,239	73,082

Equity and liabilities		DKKkm		
	Note	2016	2015	2014
Equity				
Share capital	4.1	812	812	812
Reserve for cash flow hedges		(205)	(247)	(123)
Reserve for capitalised development projects		618	0	0
Retained earnings		16,627	14,210	17,052
Proposed dividends		802	0	802
Equity attributable to owners		18,654	14,775	18,543
Hybrid capital		5,552	5,552	0
Total equity		24,206	20,327	18,543
Non-current liabilities				
Deferred tax liabilities	2.4	3,548	3,716	3,800
Provisions	3.9	883	891	903
Loans	4.2	23,961	27,395	18,628
Derivative financial instruments	4.4	290	0	0
Deferred income	3.7	373	393	493
Total non-current liabilities		29,055	32,395	23,824
Current liabilities				
Loans	4.2	220	282	20,042
Trade and other payables	3.8	5,057	5,447	5,867
Payables to group enterprises		1,995	1,264	1,470
Derivative financial instruments	4.4	658	537	531
Deferred income	3.7	2,897	2,819	2,585
Provisions	3.9	143	168	220
Total current liabilities		10,970	10,517	30,715
Total liabilities		40,025	42,912	54,539
Total equity and liabilities		64,231	63,239	73,082

Parent Company statement of cash flow

		DKK m	
	Note	2016	2015
Operating profit before depreciation, amortisation and special items (<i>EBITDA</i>)		7,101	8,138
Adjustment for non-cash items	5.1	184	232
Pension contributions		(97)	(99)
Special items		(324)	(486)
Change in working capital	5.2	138	(145)
Interest received		788	890
Interest paid		(1,508)	(1,630)
Income tax paid		(588)	(794)
Cash flow from operating activities		5,694	6,106
Investment in subsidiaries		(161)	(46)
Investment in property, plant and equipment		(2,491)	(2,529)
Investment in intangible assets		(1,119)	(1,056)
Investment in other non-current assets		(1)	(6)
Divestment of subsidiary		0	385
Sale of non-current assets		16	60
Loan to subsidiary		0	(3,163)
Repayment of loan to subsidiaries, joint ventures and associates		1,107	0
Dividends received from subsidiaries, joint ventures and associates		710	3,719
Cash flow from investing activities		(1,939)	(2,636)
Proceeds from long-term loans		0	8,484
Proceeds from issuance of hybrid capital		0	5,552
Repayments on long-term loans		(2,897)	(8,008)
Finance lease repayments		(96)	(79)
Repayment of bridge bank loan		0	(11,946)
Change in other short-term bank loans		(88)	88
Change in interest-bearing receivables and payables		806	(218)
Coupon payments on hybrid capital		(196)	0
Dividends paid		0	(1,603)
Cash flow from financing activities		(2,471)	(7,730)
Total cash flow		1,284	(4,260)
Cash and cash equivalents at 1 January		325	4,650
Cash related to hosting activities divested to new subsidiary		0	(52)
Effect of exchange-rate changes on cash and cash equivalents		(50)	(13)
Cash and cash equivalents at 31 December		1,559	325

Parent Company statement of changes in equity

DKKm

	Share capital	Reserve for cash flow hedges	Reserve for capitalised development projects	Retained earnings	Proposed dividends	Hybrid capital	Total
Equity at 1 January 2015	812	(368)	-	18,853	802	-	20,099
Adjustment related to changes in accounting policies	-	245	-	(1,801)	-	-	(1,556)
Adjusted equity at 1 January 2015	812	(123)	-	17,052	802	-	18,543
Loss for the year	-	-	-	(2,301)	0	-	(2,301)
Exchange rate adjustments of subsidiaries, joint ventures and associates	-	-	-	(415)	-	-	(415)
Value adjustments of hedging instruments	-	(124)	-	-	-	-	(124)
Share of other comprehensive income in subsidiaries	-	-	-	32	-	-	32
Remeasurement of the defined benefit pension plan	-	-	-	756	-	-	756
Income tax relating to remeasurement of the defined benefit pension plan	-	-	-	(166)	-	-	(166)
Total comprehensive income	-	(124)	-	(2,094)	0	-	(2,218)
Distributed dividend	-	-	-	(801)	(802)	-	(1,603)
Share-based remuneration	-	-	-	53	-	-	53
Additions, hybrid capital	-	-	-	-	-	5,552	5,552
Total transactions with owners	0	-	-	(748)	(802)	5,552	4,002
Equity at 31 December 2015	812	(247)	-	14,210	0	5,552	20,327
Profit for the year	-	-	618	1,448	802	175	3,043
Exchange rate adjustments of subsidiaries, joint ventures and associates	-	-	-	1,184	-	-	1,184
Value adjustments of hedging instruments	-	42	-	-	-	-	42
Share of other comprehensive income in subsidiaries	-	-	-	59	-	-	59
Remeasurement of the defined benefit pension plan	-	-	-	(425)	-	-	(425)
Income tax relating to remeasurement of the defined benefit pension plan	-	-	-	94	-	-	94
Total comprehensive income	-	42	618	2,360	802	175	3,997
Share-based remuneration	-	-	-	57	-	-	57
Coupon payments on hybrid capital	-	-	-	-	-	(196)	(196)
Income tax relating to coupon payments on hybrid capital	-	-	-	-	-	21	21
Total transactions with owners	0	-	-	57	0	(175)	(118)
Equity at 31 December 2016	812	(205)	618	16,627	802	5,552	24,206

At the Annual General Meeting on 9 March 2017, the Board of Directors will propose a dividend of DKK 1.00 per share. For the financial year 2015, a dividend of DKK 1.00 per share was distributed.

Dividend payments during the financial year 2016 amounted to DKK 0 per share (2015: DKK 2.00 per share).

Notes to Parent Company financial statements

Note 1.1 Accounting policies

The financial statements 2016 of the Parent Company have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and further disclosure requirements in the Danish Financial Statements Act.

Changes to accounting policies

The accounting policies have been changed in relation to Investments in subsidiaries, joint ventures and associates.

For periods beginning on or after 1 January 2016, the amendment to the IFRS Standard for Separate Financial Statements (IAS 27) permits use of the equity method for measuring investments in subsidiaries, joint ventures and associates in the Parent Company's separate financial statement. TDC has chosen to use the equity method for measuring the investments in subsidiaries, joint ventures and associates.

Under the equity method, on initial recognition, the investment in a subsidiary, a joint venture or an associate is recognised at cost, and the carrying amount is increased or decreased to recognise the Parent Company's share of the profit or loss of the investment after the date of acquisition. The Parent company's share of profit or loss is recognised in the Parent Company's profit or loss. Dividends received from investments in subsidiaries, joint ventures and associates reduce the carrying amount of the

investment. The Parent Company's share of other comprehensive income arising from the investment is recognised in the Parent Company's other comprehensive income. Previously, investments in subsidiaries, joint ventures and associates were measured at cost.

The comparative figures for 2015 have been restated accordingly. The impact on the financial statements is shown below.

Except for the changes mentioned above, the accounting policies are unchanged from last year.

The Parent Company accounting policies are the same as those applied for the Group, with the additions mentioned below. See note 1.1 to the consolidated financial statements for the accounting policies of the Group.

DKKkm

	2016			2015		
	Previous accounting policies	Effect of change in accounting policies	New accounting policies	Previous accounting policies	Effect of change in accounting policies	New accounting policies
Special items	(165)	(2)	(167)	(5,284)	421	(4,863)
Operating profit/loss (EBIT)	2,923	(2)	2,921	(1,313)	421	(892)
Profit from subsidiaries	0	1,189	1,189	0	236	236
Profit from joint ventures and associates	0	(5)	(5)	0	2	2
Financial income and expenses	778	(1,337)	(559)	1,533	(2,549)	(1,016)
Profit before income taxes	3,701	(155)	3,546	220	(1,890)	(1,670)
Profit/(loss) for the year	3,198	(155)	3,043	(411)	(1,890)	(2,301)
Currency translation adjustment in subsidiaries, joint ventures and associates:	0	1,184	1,184	0	(415)	(415)
Share of other comprehensive income in subsidiaries	0	59	59	0	32	32
Other comprehensive income	(289)	1,243	954	466	(383)	83
Total comprehensive income	2,909	1,088	3,997	55	(2,273)	(2,218)
Investments in subsidiaries	13,869	(2,744)	11,125	13,095	(3,825)	9,270
Joint ventures, associates and other investments	32	(2)	30	42	(9)	33
Total assets	66,977	(2,746)	64,231	67,073	(3,834)	63,239
Total Equity	26,952	(2,746)	24,206	24,161	(3,834)	20,327
Total equity and liabilities	66,977	(2,746)	64,231	67,073	(3,834)	63,239

Note 1.1 Accounting policies (continued)

Supplementary accounting policies for the Parent Company

Investments in subsidiaries, joint ventures and associates

The equity method is used for measuring the investments in subsidiaries, joint ventures and associates. Under the equity method, the investment in a subsidiary, a joint venture or an associate is recognised on initial recognition at cost, and the carrying amount is increased or decreased to recognise the Parent Company's share of the profit or loss of the investment after the date of acquisition. The Parent Company's share of profit or loss is recognised in the Parent Company's profit or loss. Dividends received from investments in subsidiaries, joint ventures and associates reduce the carrying amount of the investment. The Parent Company's share of other comprehensive income arising from the investment is recognised in other comprehensive income of the Parent Company.

Reserve for capitalised development projects

In accordance with the amended Danish Financial Statements Act, the Parent Company has established a non-distributable reserve in equity regarding development projects capitalised in 2016 and later. This reserve will be reversed as the development projects have effect on the income statements.

Note 1.2 Critical accounting estimates and judgements

For information on critical accounting estimates and judgements, see note 1.2 to the consolidated financial statements.

Note 2.1 Revenue

	DKKm	
	2016	2015
Sales of goods	737	1,090
Sales of services	16,468	17,568
Total	17,205	18,658

Note 2.2 Personnel expenses

	DKKm	
	2016	2015
Wages and salaries (including short-term bonus)	(2,858)	(2,889)
Pensions	(384)	(420)
Share-based remuneration	(61)	(61)
Social security	(67)	(77)
Total	(3,370)	(3,447)
Of which capitalised as non-current assets	683	673
Total	(2,687)	(2,774)
Average number of full-time employee equivalents ¹	5,655	5,906

¹ Denotes the average number of full-time employee equivalents including permanent employees and trainees.

Remuneration for the Board of Directors and the Executive Committee is described in note 6.2 to the consolidated financial statements.

Note 2.3 Special items

	DKKm	
	2016	2015
Loss on sale of enterprises	(2)	0
Costs related to redundancy programmes and vacant tenancies	(188)	(326)
Other restructuring costs, etc.	(52)	(88)
Impairment losses	0	(4,472)
Loss from rulings	(1)	(2)
Adjustment of purchase price of enterprises	0	24
Gain on hedging of divestment of enterprises	120	0
Costs related to acquisition and divestment of enterprises	(44)	1
Special items before income taxes	(167)	(4,863)
Income taxes related to special items	33	203
Total special items	(134)	(4,660)

For information on special items, see note 2.7 to the consolidated financial statements.

Note 2.4 Income taxes

	2016			2015		
	Income taxes cf. the income statement	Income tax payable/ (receivable)	Deferred tax liabilities/(assets)	Income taxes cf. the income statement	Income tax payable/ (receivable)	Deferred tax liabilities/(assets)
At 1 January		0	3,716	-	(84)	3,800
Deduction related to hosting activities transferred to new subsidiary	-	-	-	-	-	(3)
Income taxes	(567)	646	(79)	(642)	914	(272)
Adjustment of tax for previous years	64	(90)	26	11	(36)	25
Tax relating to remeasurement effects from the defined benefit pension plan	0	0	(94)	-	-	166
Tax relating to coupon payments on hybrid capital			(21)			
Tax paid	-	(588)	-	-	(794)	-
Total	(503)	(32)	3,548	(631)	0	3,716
Income taxes are specified as follows:						
Income excluding special items	(536)	-	-	(834)	-	-
Special items	33	-	-	203	-	-
Total	(503)	-	-	(631)	-	-

TDC A/S participates in joint taxation with all its Danish subsidiaries. TDC A/S is the management company in the joint taxation. The jointly taxed companies in the TDC Group are jointly and severally liable for the total income taxes, taxes paid on account and outstanding residual tax (with additional payments and interest) relating to the joint taxation.

Reconciliation of effective tax rate

	%	
	2016	2015
Danish corporate income tax rate	22.0	23.5
Profit from subsidiaries, joint ventures and associates	(7.1)	(1.8)
Other non-taxable income and non-tax deductible expenses	0.0	(0.2)
Adjustment of tax for previous years	(1.7)	(0.3)
Limitation on the tax deductibility of interest expenses	1.3	5.0
Other	(0.2)	0.0
Effective tax rate excluding special items	14.3	26.2
Special items from non-tax deductible write-downs of goodwill	0.0	(63.2)
Other special items	(0.2)	(0.8)
Effective tax rate including special items	14.1	(37.8)

Specification of deferred tax

	DKKk	
	2016	2015
Other	(63)	(86)
Current	(63)	(86)
Intangible assets	2,395	2,454
Property, plant and equipment	79	169
Pension assets	1,231	1,308
Other	(94)	(129)
Non-current	3,611	3,802
Deferred tax at 31 December	3,548	3,716

Note 3.1 Intangible assets

											DKK m
	2016					2015					
	Goodwill	Customer relations	Brands	Rights, software, etc.	Total	Goodwill	Customer relations	Brands	Rights, software, etc.	Total	
Accumulated cost at 1 January	15,517	14,351	5,470	10,651	45,989	15,631	18,178	5,470	9,875	49,154	
Additions	0	0	0	1,257	1,257	0	64	0	969	1,033	
Assets related to hosting activities transferred to new subsidiary	0	0	0	0	0	(16)	(109)	0	(111)	(236)	
Assets disposed of or fully amortised	0	(46)	(19)	(201)	(266)	(98)	(3,782)	0	(82)	(3,962)	
Accumulated cost at 31 December	15,517	14,305	5,451	11,707	46,980	15,517	14,351	5,470	10,651	45,989	
Accumulated amortisation and write-downs for impairment at 1 January	(3,900)	(10,174)	(130)	(7,989)	(22,193)	0	(12,737)	(111)	(7,261)	(20,109)	
Amortisation	0	(655)	(1)	(897)	(1,553)	0	(832)	(19)	(879)	(1,730)	
Write-downs for impairment	0	(23)	0	(8)	(31)	(3,998)	(472)	0	(11)	(4,481)	
Assets related to hosting activities transferred to new subsidiary	0	0	0	0	0	0	85	0	80	165	
Assets disposed of or fully amortised	0	46	19	201	266	98	3,782	0	82	3,962	
Accumulated amortisation and write-downs for impairment at 31 December	(3,900)	(10,806)	(112)	(8,693)	(23,511)	(3,900)	(10,174)	(130)	(7,989)	(22,193)	
Carrying amount at 31 December	11,617	3,499	5,339	3,014	23,469	11,617	4,177	5,340	2,662	23,796	

The carrying amount of software amounted to DKK 1,515m (2015: DKK 1,354m).

The addition of internally developed software amounted to DKK 269m (2015: DKK 230m).

Goodwill is related to YouSee, Online Brands and Business. For information on impairment testing, see note 3.1 to the consolidated financial statements.

The carrying amount of assets with indefinite useful lives other than goodwill amounted to DKK 5,339m, which is unchanged from prior years. The full amount relates to the TDC brand.

Note 3.2 Property, plant and equipment

DKK m

	2016					2015				
	Land and buildings	Network infrastructure	Equipment	Assets under construction	Total	Land and buildings	Network infrastructure	Equipment	Assets under construction	Total
Accumulated cost at 1 January	544	30,349	1,729	630	33,252	540	28,383	2,082	612	31,617
Transfers (to)/from other items	1	552	19	(572)	0	0	807	22	(829)	0
Additions relating to the acquisition of enterprises	0	0	0	0	0	0	0	0	40	40
Additions	5	1,866	167	512	2,550	4	1,598	165	852	2,619
Assets related to hosting activities transferred to new subsidiary	0	0	0	0	0	0	0	(299)	0	(299)
Assets disposed of	(1)	(205)	(69)	0	(275)	0	(439)	(241)	(45)	(725)
Accumulated cost at 31 December	549	32,562	1,846	570	35,527	544	30,349	1,729	630	33,252
Accumulated depreciation and write-downs for impairment at 1 January	(97)	(16,734)	(1,343)	(296)	(18,470)	(88)	(15,019)	(1,544)	(292)	(16,943)
Transfers to/(from) other items	0	0	0	0	0	0	0	0	0	0
Depreciation	(9)	(2,229)	(173)	0	(2,411)	(9)	(2,125)	(252)	0	(2,386)
Write-downs for impairment	0	(8)	0	(10)	(18)	0	(29)	(4)	(9)	(42)
Assets related to hosting activities transferred to new subsidiary	0	0	0	0	0	0	0	217	0	217
Assets disposed of	0	205	68	0	273	0	439	240	5	684
Accumulated depreciation and write-downs for impairment at 31 December	(106)	(18,766)	(1,448)	(306)	(20,626)	(97)	(16,734)	(1,343)	(296)	(18,470)
Carrying amount at 31 December	443	13,796	398	264	14,901	447	13,615	386	334	14,782
Carrying amount of finance leases at 31 December	52	148	0	-	200	54	173	0	-	227

In 2016, damages of DKK 46m received relating to property, plant and equipment were recognised as income (2015: DKK 46m).

Note 3.3 Investments in subsidiaries

	DKKm	
	2016	2015
Accumulated cost at 1 January	19,230	22,290
Adjustment relating to changes in accounting policies	0	(1,500)
Adjusted accumulated cost at 1 January	19,230	20,790
Additions	146	275
Disposals	(127)	(1,489)
Currency translation adjustments	214	(346)
Accumulated cost at 31 December	19,463	19,230
Accumulated write-downs at 1 January	(9,960)	(7,499)
Adjustment relating to changes in accounting policies	0	(45)
Adjusted accumulated revaluation at 1 January	(9,960)	(7,544)
Dividends from subsidiaries	(700)	(3,719)
Other adjustments through equity	59	32
Disposals	105	1,158
Share of profit/(loss)	1,189	236
Currency translation adjustments	969	(123)
Accumulated write-downs at 31 December	(8,338)	(9,960)
Carrying amount at 31 December	11,125	9,270

Overview of subsidiaries at 31 December 2016

Company name ¹	Domicile	Currency	Ownership share (%)
Subsidiaries:			
Adactit ApS	Copenhagen, Denmark	DKK	100
Cirque A/S	Copenhagen, Denmark	DKK	100
Contact Center Europe GmbH	Flensburg, Germany	EUR	100
CubelO A/S	Herlev, Denmark	DKK	100
Dansk Kabel TV A/S	Copenhagen, Denmark	DKK	100
Get AS	Oslo, Norway	NOK	100
TDC Mobil Center A/S	Odense, Denmark	DKK	100
TDC Nordic AB	Stockholm, Sweden	SEK	100
TDC Reinsurance A/S	Copenhagen, Denmark	DKK	100
TDC Telco ApS	Taastrup, Denmark	DKK	100
TDCH A/S	Copenhagen, Denmark	DKK	100

¹ In order to give the reader a clear presentation, some minor subsidiaries are not listed separately in the overview.

Note 3.4 Pension assets

For information on pension assets, see note 3.8 to the consolidated financial statements under the domestic defined benefit plan.

Note 3.5 Receivables

	DKKm	
	2016	2015
Trade receivables	2,144	2,472
Allowances for doubtful debts	(234)	(224)
Trade receivables, net	1,910	2,248
Receivables from group enterprises	3,483	4,578
Other receivables	281	253
Total	5,674	7,079
Recognised as follows:		
Non-current assets	3,554	4,567
Current assets	2,120	2,512
Total	5,674	7,079
Allowances for doubtful debts at 1 January	(224)	(236)
Additions	(108)	(87)
Realised losses	59	79
Reversed allowances	39	20
Allowances for doubtful debts at 31 December	(234)	(224)

Receivables past due all related to trade receivables. Write-downs for impairment included in other receivables were DKK 15m (2015: DKK 16m). Of receivables classified as current assets, DKK13m (2015: DKK 14m) falls due after more than one year.

The Parent Company has provided an intra-group loan of NOK 4,081m to Get AS, unchanged from 2015. The intra-group loan of SEK 1,450m to TDC Nordic AB was repaid in 2016.

Note 3.5 Receivables (continued)

Trade receivables past due

DKK m

	Not past due	Past due and impaired	Past due and not impaired		Total
			Less than six months	More than six months	
2016:	1,055	735	311	43	2,144
2015:	1,539	508	337	88	2,472

Note 3.6 Prepaid expenses

DKK m

	2016	2015
Expenses related to non-refundable up-front connection fees	369	373
Other prepaid expenses	549	443
Total	918	816
Recognised as follows:		
Non-current assets	314	323
Current assets	604	493
Total	918	816

Note 3.7 Deferred income

DKK m

	2016	2015
Deferred income from non-refundable up-front connection fees	660	697
Deferred subscription revenue	2,578	2,477
Other deferred income	32	38
Total	3,270	3,212
Recognised as follows:		
Non-current liabilities	373	393
Current liabilities	2,897	2,819
Total	3,270	3,212

Note 3.8 Trade and other payables

DKK m

	2016	2015
Trade payables	3,398	3,616
Prepayments from customers	101	99
Accrued interest	554	701
Holiday allowance provision	497	496
Other payables	507	535
Total	5,057	5,447

Of the current liabilities, DKK 164m falls due after more than one year (2015: DKK 116m).

Note 3.9 Provisions

DKKmn

	2016				2015
	Decommissioning obligations	Restructuring obligations	Other provisions	Total	Total
Provisions at 1 January	204	715	140	1,059	1,123
Provisions made	18	180	5	203	265
Change in present value	9	8	(1)	16	3
Provisions used (payments)	(1)	(202)	(13)	(216)	(295)
Reversal of unused provisions	(1)	(34)	(1)	(36)	(36)
Provisions related to hosting activities divested to new subsidiary	0	0	0	0	(1)
Provisions at 31 December	229	667	130	1,026	1,059
Recognised as follows:					
Non-current liabilities	229	546	108	883	891
Current liabilities	0	121	22	143	168
Total	229	667	130	1,026	1,059

Provisions for decommissioning obligations relate to the future dismantling of mobile stations and restoration of property owned by third parties. The uncertainties concern primarily the timing of the related cash outflows. The majority of these obligations are not expected to result in cash outflows within the next five years.

Provisions for restructuring obligations stem primarily from redundancy programmes and vacant tenancies. The majority of the provisions for redundancy programmes are expected to result in cash outflows in the next five years. The uncertainties relate primarily to the estimated amounts and the timing of the associated cash outflows.

TDC has approximately 141 leased tenancies no longer used by TDC. The leases terminate in 2041 at the latest. The uncertainties regarding the provision for vacant tenancies relate mainly to the assumption on probability of sublease and rent rates that will be impacted by e.g. changed market conditions for subletting.

Other provisions relate mainly to pending lawsuits and onerous contracts, as well as jubilee benefits for employees. The majority of these provisions are expected to result in cash outflows within the next five years. The uncertainties regarding lawsuits and onerous contracts relate to both timing and estimated amounts. The uncertainties regarding jubilee benefits relate to both salary and the number of employees included.

Note 4.1 Equity

For information on share capital, hybrid capital and treasury shares, see note 4.1 to the consolidated financial statements.

Note 4.2 Loans

Debts relating to finance leases

DKKm

	Minimum payments		Present value	
	2016	2015	2016	2015
Maturing within 1 year	83	93	81	85
Maturing between 1 and 3 years	43	108	42	98
Maturing between 3 and 5 years	11	14	11	7
Maturing after 5 years	85	118	37	58
Total	222	333	171	248

Debts relating to finance leases stem primarily from lease agreements regarding property and IT equipment.

For further information on loans, see note 4.2 to the consolidated financial statements.

Note 4.3 Financial income and expenses

DKKm

	2016	2015
Interest income	13	23
Interest from group enterprises	193	145
Interest on pension assets	120	89
Gain regarding sale of joint ventures and associates	1	0
Currency adjustment	105	0
Fair value adjustment	0	78
Financial income	432	335
Currency adjustment	0	(361)
Fair value adjustment	(213)	0
Interest expenses	(778)	(985)
Interest to group enterprises	0	(5)
Financial expenses	(991)	(1,351)
Total	(559)	(1,016)

Net financials recognised in other comprehensive income

DKKm

	2016	2015
Currency translation adjustment, subsidiaries, joint ventures and associates	530	(415)
Reversal of currency translation adjustment related to disposal of subsidiaries, joint ventures and associates	654	0
Exchange-rate adjustments of subsidiaries, joint ventures and associates	1,184	(415)
Change in fair value adjustments of cash flow hedges	(7)	(38)
Change in fair value adjustments of cash flow hedges transferred to financial expenses	49	(86)
Value adjustments of hedging instruments	42	(124)

Note 4.4 Financial instruments

TDC's currency risks concern mainly financing and hedging. As financing and hedging are carried out by the Parent Company, note 4.3 to the consolidated financial statements also largely reflects the Parent company's currency exposure. The same applies to liquidity exposure, as the Parent Company in addition to

financing and hedging, carries out the majority of the Group's operating activities. As this also applies to financial income and expenses, note 4.5 to the consolidated financial statements largely reflects the Parent Company's financial income and expenses.

For information on the Parent Company's capital management, see notes 4.4 and 4.5 to the consolidated financial statements.

Note 5.1 Adjustment for non-cash items

	DKKkm	
	2016	2015
Pension costs related to the defined benefit plan	128	152
Share-based remuneration	61	61
(Gain)/loss on disposal of enterprises and property, plant and equipment, net	(6)	39
Other adjustments	1	(20)
Total	184	232

Note 5.2 Change in working capital

	DKKkm	
	2016	2015
Change in inventories	15	29
Change in receivables	250	14
Change in trade payables	(48)	(95)
Change in other items, net	(79)	(93)
Total	138	(145)

Note 6.1 Related parties

For information about the related parties of the Group, see note 6.3 to the consolidated financial statements. The Parent Company has the following transactions and balances with its subsidiaries (cf. the overview of subsidiaries in note 3.3):

Subsidiaries	DKKkm	
	2016	2015
Income	369	460
Expenses	(605)	(666)
Receivables	3,483	4,578
Debt	(1,995)	(1,264)
Guarantees	(79)	(115)

In addition to income from subsidiaries, the Parent Company received dividends, as shown in note 3.3.

All transactions were made on an arm's length basis. Remuneration for the Board of Directors and the Executive Committee is described in note 6.2 and incentive programmes in note 6.1 to the consolidated financial statements. In addition, payment of contributions to the pension fund is described in note 3.8 to the consolidated financial statements.

Note 6.2 Fees to auditors elected by the Annual General Meeting

	DKKkm	
	2016	2015
Statutory audit	8	8
Other assurance engagements	1	4
Tax advisory services	1	1
Other services	4	7
Total non-statutory audit services	6	12
Total	14	20

Note 6.3 Other financial commitments

	DKKm	
	2016	2015
Lease commitments		
Lease expenses relating to properties and mobile sites in the period of interminability	5,920	6,233
Accumulated lease commitments for machinery, equipment, computers, etc.	357	282
Total	6,277	6,515
specified as follows:		
Due not later than one year	532	547
Due later than one year but not later than five years	1,586	1,513
Due later than five years	4,159	4,455
Total	6,277	6,515
Lease expense for the year for all operating leases		
Lease payments	608	614
Sublease payments	(119)	(121)
Total	489	493
Capital and purchase commitments		
Investments in intangible assets	925	659
Investments in property, plant and equipment	838	591
Commitments related to outsourcing agreements	670	630

Operating leases, for which the Parent Company is the lessee, relate primarily to agreements for *fibre* networks and sea *cables*, and agreements on property leases and mobile sites. The lease agreements will terminate in 2041 at the latest.

Total future minimum sublease payments expected for interminable subleases on balance sheet dates amounted to DKK 239m at 31 December 2016 (2015: DKK 208m).

Note 6.4 Contingencies

For information on pending lawsuits and change-of-control clauses, see note 6.6 to the consolidated financial statements

TDC A/S is jointly registered for Danish VAT with the majority of Danish subsidiaries and is jointly and severally liable for payment of VAT.

Note 6.5 Events after the balance sheet date

For information on events after the balance date, see note 6.7 to the consolidated financial statements.

Note 6.6 New accounting standards

For information on new accounting standards for the Group, see note 6.8 to the consolidated financial statements.



Terminology

“ TDC Group has
8 million
customer services – also called RGU’s

Terminology

Financial terms

Adjusted EPS refers to Earnings per share (EPS) based on profit from continuing operations adjusted for special items (net of tax) and amortisation of brands and customer relationships stemming from the merger of TDC and NTC ApS (net of tax).

Adjusted NIBD refers to NIBD plus 50% of hybrid capital.

Capex refers to capital expenditure excluding investments in mobile licences and share acquisitions.

EBITDA refers to operating profit before depreciation, amortisation and special items.

EFCE or equity free cash flow refers to EBITDA adjusted for non-cash items, pension contributions, provisions payments, changes in *net working capital*, net interest paid, corporate income tax paid, cash flow related to special items and cash flows relating to capex.

FTE or Full-Time Equivalents refers to full-time employee equivalents, including permanent employees, trainees and temporary employees but excluding temps and outsourced civil servants.

Net working capital or NWC refers to a key financial figure defined as current assets less current liabilities related mainly to receivables, trade payables and inventory. Cash balances as well as a number of cash flow components treated separately in the cash flow statement, e.g. taxes, interest, dividends payable, are not included.

NIBD or net interest-bearing debt refers to long-term loans, short-term loans, interest-bearing payables and derivatives related to loans less interest-bearing receivables and investments and cash.

Opex refers to operating expenses and includes external expenses, wages, salaries and pension costs, and other income.

Organic EBITDA refers to EBITDA adjusted for foreign exchange effects, effects from acquisitions and divestments, and changes in regulation.

SAC/SRC refers to subscriber acquisition costs and subscriber retention costs.

TSR or Total Shareholder Return shows the total return on an investor's share.

Telco specific terms

ARPU refers to Average Revenue Per User and is calculated per month. TDC Group calculates ARPU for a given product group as its total revenue divided by the average RGUs in the period. ARPU includes gross traffic revenue unless otherwise stated.

Broadband unbundling refers to broadband that is unbundled from TV on cable. Hence, customers can obtain broadband without also receiving TV.

Carrier aggregation refers to the technology where multiple carriers are combined to increase the overall transmission bandwidth to achieve higher speeds.

Churn rate refers to yearly customer turnover expressed as a percentage. TDC Group calculates churn by dividing the gross decrease in the number of customers for a given period by the average number of customers for that period.

Cable refers to a technology based on coaxial cables - electrical cables with an inner conductor surrounded by a flexible, tubular insulating layer, surrounded by a tubular conducting shield. Coax is used to transmit radio frequency signals, distribute cable-TV signals, etc.

Cord cutting refers to the process of terminating an existing pay-TV package in order to change to an over-the-top (OTT) subscription.

Cord shaving refers to the process of downgrading an existing pay-TV package.

Fibre refers to a technology used to transmit telephone signals, internet communications and cable television signals.

Flow-TV refers to a television service that enables viewers to watch a scheduled TV programme at the

particular time it is offered and on the particular channel it is transmitted. This is the opposite of e.g. Video-on-Demand.

Incumbent refers to a public telecommunications operator that - when the provision of communications services was a government monopoly - was the only operator able and allowed to offer such services.

Interconnection refers to the provision of access or availability of facilities or services for another provider for the purpose of providing electronic communications services, and exchange of traffic between communications networks used by the same or a different provider.

International roaming refers to a means of accessing a foreign operator's mobile network that enables customers to automatically make and receive voice calls, or send and receive data when travelling abroad.

LRAIC (Long Run Average Incremental Cost) refers to the most applied pricing regulation methods used to set interconnection prices for operators with Significant Market Power (SMP). LRAIC uses an average of the costs of services. The interconnection prices are set equal to the costs associated with producing the regulated services in a modern and fully effective telecommunications network of the same size as the SMP operator's network.

MDU or Multi Dwelling Unit refers to a classification of housing (often apartment buildings) that has a collective TV and/or broadband agreement.

MVNO or Mobile Virtual Network Operator refers to a mobile operator with no frequency allocation. MVNOs have business arrangements with MNOs to buy traffic and data for sale to their own customers.

OTT or Over The Top refers to online delivery of video and audio without the internet service provider being involved in the control or distribution of the content itself.

PSTN or Public Switched Telephone Network refers to the telecommunications network based on copper

lines carrying analogue voice and data. PSTN includes ISDN.

Recommend score refers to TDC Group's variant of the net promoter score (Would you recommend TDC to family and friends/colleagues and business associates). 100 is the maximum score (0-100 scale).

Roam Like at Home refers to no extra roaming fee on top of the domestic price when making or receiving a call, using data or sending SMS messages abroad.

DSLAM refers to a DSL-based access node in a street cabinet placed closer to the end user than current central office locations to reduce attenuation in copper cables and thereby increase the broadband speed.

RGU or Revenue Generating Unit refers to the total number of customer relationships generating revenue for TDC Group. TDC Group's RGU statement includes the number of main products sold by TDC Group's residential, business and wholesale segments. Customer relationships are synonymous with RGUs.

SDU or Single Dwelling Unit refers to households that purchase TV and/or broadband on an individual basis.

Service provider refers to partners providing services under their own brands to external customers using TDC's infrastructure.

SMB refers to the small and medium-sized business segment in TDC Business.

VPN or Virtual Private Network refers to a network that enables organisations to use a private network with LAN functionality for remote sites or users, without a dedicated connection (such as a leased line).

xDSL refers to a family of technologies that provides digital data transmission over copper wires, e.g. ADSL, VDSL and SHDSL.

Reported vs. organic growth

Adjustments

In order to evaluate TDC Group's underlying organic growth, TDC Group's figures are adjusted for a number of factors, including foreign exchange effects, effects from acquisitions and divestments, and changes in regulation.

In total, revenue was negatively affected by DKK 207m, while *EBITDA* was negatively affected by DKK 224m.

Foreign exchange

The development in the NOK exchange rate vs. 2015 had a negative impact on revenue growth totalling DKK 123m. *EBITDA* was negatively affected by DKK 53m.

Acquisitions and divestments

In 2016, acquisitions and divestments were affected primarily by the acquisition of Cirque, which was included in the reported figures as of May 2016.

In total, acquisitions and divestments impacted revenue by DKK 68m, while *EBITDA* was impacted by DKK 8m.

Regulation

On 30 April 2016, the EU roaming transition phase was implemented with retail roaming prices reduced to regulated wholesale prices. This applied to customers with package products. Customers with 'Pay-as-you-go' products are charged the domestic retail price plus a

wholesale charge. The combined price must not exceed the regulated retail roaming price.

The EU regulation on roaming affected the TDC Group financials negatively in 2016 due to on-going commercial pressure and the transition phase.

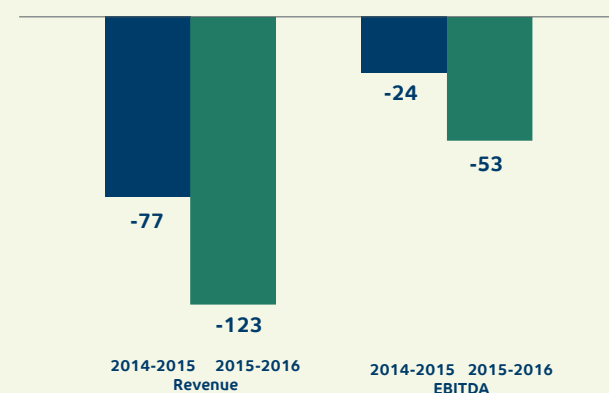
In total, the negative effect on revenue development amounted to DKK 152m, while the negative effect on *EBITDA* totalled DKK 179m.

Roam Like at Home will take full effect on June 15, 2017. The 'Fair Use Policy', announced on December 15, based *Roam Like at Home* on subscription and wholesale prices, and introduced limitations in order to curb permanent roaming

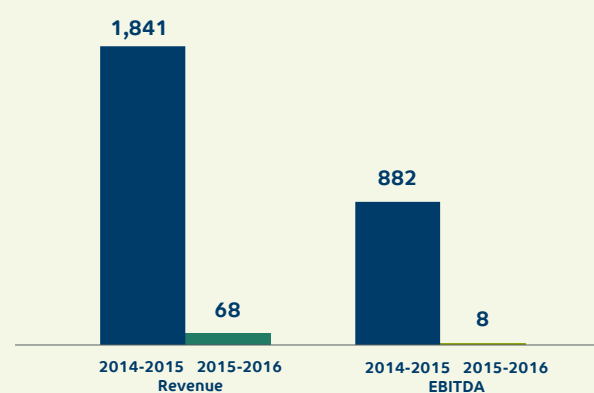
through a sustainability mechanism. The monthly data roaming cap is calculated as two months' *ARPU* (excl. VAT) divided by the wholesale price cap (excl. VAT).

In 2017, TDC Group financials are expected to be negatively affected by EU regulation, but there is still substantial uncertainty concerning the amount.

NOK exchange rate development



Acquisitions/divestments development



Regulatory development

