CEO comments and highlights

Delivering on our strategy - organic EBITDA now in growth, best development in Denmark since 2010

In Q1, TDC Group continued the positive development, and the EBITDA is now growing organically with 1.1%. This turnaround is the result of our continued strong focus and execution on our strategic and structural initiatives since early 2016.

The turnaround is driven by improvements and a very strong development in Denmark, most notably in Consumer, and increased efficiency across all segments, with a 5.4% organic improvement in operating expenses.

As expected, the development in Norway was negative in this quarter as Q1 last year was boosted by one-off's and Q1 this year was impacted by additional investments in the customer experience and further digitalisation efforts. We expect Norway to return to growth for the remainder of 2018.

Our Danish mobility services improved strongly with 9.5% organic gross profit growth. We achieved this remarkable result in a highly competitive market, through our continued and relentless focus on providing high quality mobile services, which translated into growth in both the revenue per Consumer customer (ARPU) as well as 46k additional customers joining us in Q1. We are continuing this winning formula by further and continued network investments, e.g. as the first operator in Denmark currently testing the next generation mobile network technology, 5G.

Our Danish B2B performance is improving, we are welcoming new public customers from a large tender won in 2017, and in the segment of smaller and medium-sized customers, we are also seeing the expected improvements.

On the Consumer side, we have successfully completed the migration of former Plenti customers to our Telmore brand, and early indications show that these customers enjoy the improved experience, as churn rates have come down significantly.

Our converged offering, YouSee More, is gaining traction. More than 100k customers have opted in since the launch in late 2017, in line with our expectations. In Q1, we also launched our next generation entertainment offering, "Bland Selv" in YouSee. With this, our customers can utilise a unique point system developed for Get and YouSee to choose between our best-in-class offering of flow TV channels and streaming services to design their own, personalised entertainment offering - which can furthermore be adjusted on an ongoing basis to suit the needs of the customers as these develop over time. In addition, YouSee has expanded its exclusive TV offering with comedy in Q2. We believe that the combination of high quality networks, converged offerings and the unique opportunity for our customers to per-

Q1 highlights

- **Organic EBITDA growth** of 1.1% for TDC Group and 2.7% in Denmark in Q1 2018 YoY – the best development since 2010
- **Norway EBITDA down by 6.9%** in Q1 2018 YoY, affected by one-offs in 2017, investments in customer-centric activities and IT digitalisation as well as increased content costs in 2017
- **Organic operating expenses** improvement of 5.4% YoY driven mainly by renegotiations of supplier contracts and FTE reductions from efficiency improvements in the field force and streamlining of the Danish B2B business
- **EFCF** decline of DKK 91m vs. Q1 2017 affected by different timing of net working capital and tax
- Organic gross profit increase of 9.5% in **mobility services** following higher ARPU in Consumer and stabilised ARPU in Business over the past three quarters, as well as a growing customer base (46k in Q1 2018)
- **Merger of Plenti and Telmore** successfully completed, facilitating the transfer of 81k customers and 88 employees to Telmore
- Improvement in **customer touchpoint KPIs** in Q1 compared with Q4 2017, driven by improvements across business lines
- **New business line 'Digital'** implemented in TDC Group with ~1000[1] employees and an opex and capex budget of more than DKK 1bn to improve the customer experience and drive simplifications
- Successful launch of **new flexible YouSee TV offering** resulted in customers preferring larger packages
- Our new converged offering **'YouSee More'**, supporting a focus on household offerings, is currently onboarding ~1000 customers per day and has reached ~100k customers
- **DK Telekommunikation APS** now holds acceptances for shares representing more than 90% of the share capital and voting rights in TDC Group
- **2018 guidance** reaffirmed on all parameters (exclusive of impact from takeover); organic EBITDA development: ≥0%; EFCF: DKK ≥2.4bn; DPS: DKK 1.15 to be paid out in Q1 2019

[1] Including external consultants.

sonalise their entertainment experience, including new and exclusive content, will improve run rates for our TV businesses, where the underlying Q1 performance was in line with previous quarters.

Since 2016, we have gradually increased our investments in digitalising the customer experience and simplifying our operating model. In Q1, we launched a new Digital business line, where we have now pooled our digital resources and investments in Denmark to gain maximum speed and impact on both B2B and B2C. At Digital, 1000[1] people are working closely with our brands to deliver the digital solutions of tomorrow, and as a first example of what our customers can expect from us, Digital developed and launched our new, flexible entertainment offering for YouSee.

In summary, I am very proud that we have achieved the remarkable milestone of re-instating growth in our Danish businesses, and I would like to thank our people for the perseverance, focus and dedication in executing on our strategy from early 2016. I am confident that this marks the turning point for us, and that it will provide a strong basis from which we can continue to tackle the risks and embrace the opportunities in our industry and continue to bring innovative and high-quality products and services to our customers.

Pernille Erenbjerg, Group CEO and President

[1] Including external consultants.

Group performance

Strategic ambitions
TDC Group's 2018 strategy consists of two main goals; to deliver best-in-class customer satisfaction and provide the best cash flow.

Customer satisfaction
Best-in-class customer satisfaction is measured by the industry standard KPI Net Promoter Score (NPS). This score reflects customers' willingness to recommend TDC Group's B2C and B2B services.

In Q1 2018, TDC Group's NPS has been positively affected by the launch of YouSee More, which gives customers access to different benefits such as premiere films, e-books and magazines. Fullrate's new visual universe and brand identity have also contributed positively to our NPS.

Both positive customer experiences and negative customer experiences[1] improved in Q1 2018 compared with Q4 2017, driven by improved performance in processes and touchpoints across business lines. The high focus on customer experience remains in place and initiatives for improving performance at touchpoints include incorporation of new standards in call centres, which removes the variance in the customer experiences when contacting YouSee. New digital onboarding initiatives in YouSee and Business are expected to have a very positive impact on our customer experience in the coming period.

Equity free cash flow
The decrease of DKK 91m in equity free cash flow was driven primarily by a negative contribution from the change in net working capital (DKK -446m) due to strong performance in Q1 2017, which was partly offset by different timing of income tax paid within 2018 (DKK 270m). Furthermore, cash flow related to special items contributed positively driven by compensation received in 2018 from the Danish State for the costs of providing a maritime distress and safety service in Denmark in 2008-2009 (DKK 85m) and by a lower level of cash outflow related to redundancies and vacant tenancies (DKK 34m).

YTD financial performance
Revenue
In Q1 2018, TDC Group's reported revenue decreased by 2.7% or DKK 143m to DKK 5,096m, including negative effects from regulated EU roaming prices. Adjusted for these effects as well as foreign exchange rates and acquisitions and divestments, organic revenue remained almost stable YoY. The decline in revenue represent an improvement compared with full-year 2017 and was driven mainly by the strong performance in mobility services in Denmark.

Gross profit
In TDC Group, reported gross profit decreased by 4.1% or DKK 156m to DKK 3,653 in Q1 2018. Organic gross profit decreased by 1.8% or DKK 69m driven by the continued decline in

TDC Group, key figures[1]

DKKm		Q1 2018	Q1 2017	Change in %
Income statements	DKKm			
Revenue		5,096	5,239	(2.7)
Gross profit		3,653	3,809	(4.1)
EBITDA		2,076	2,133	(2.7)
Organic revenue[2]				(0.7)
Organic gross profit[2]				(1.8)
Organic EBITDA[2]				1.1
Profit for the period from continuing operations excluding special items		635	540	17.6
Profit for the period		643	615	4.6
Total comprehensive income		792	805	(1.6)
Capital expenditure		(989)	(1,040)	4.9
Equity free cash flow (EFCF)		361	452	(20.1)
Key financial ratios				
Earnings Per Share (EPS)	DKK	0.58	0.56	3.6
Adjusted EPS	DKK	0.89	0.79	12.7
Gross margin	%	71.7	72.7	-
EBITDA margin	%	40.7	40.7	-

[1] The customers ranked their satisfaction in relation to contact/purchase/fault handling respectively on a 1-10 scale. 1-5 is categorised as a negative customer experience and 9-10 is categorised as a positive customer experience
[2] Cash flow related to capex includes adjustments to capex for timing differences regarding mobile license payments, reestablishment obligation, non-paid investments, etc.

landline voice. The gross profit margin decreased from 72.7% in Q1 2017 to 71.7% in Q1 2018 yet remained level with the full-year 2017 gross profit margin.

Operating expenses[1]
In Q1 2018, reported operating expenses decreased by 5.9% or DKK 99m to DKK 1,577m including smaller effects from foreign exchange rates as well as acquisitions and divestments. Adjusted for these effects, organic operating expenses decreased by 5.4% or DKK 91m in Q1 2018. These cost savings were driven mainly by renegotiation of supplier contracts within Other operations and organic FTE reductions of 6.2% or 485 FTEs from efficiency improvements in the field force and a streamline of the Danish B2B business.

EBITDA
Reported EBITDA decreased by 2.7% or DKK 57m to DKK 2,076m. Organic EBITDA increased by 1.1% or DKK 22m, consisting of a DKK 24m decline in Norway and an increase of DKK 46m in Denmark, driven by the strong performance in mobility services, partly offset by the continued decline in landline voice. This represents an improvement compared with the organic EBITDA decline of 0.6% in Q1 2017.

Cash flow and NIBD, key figures

DKKm

		Q1 2018	Q1 2017	Change in %
Cash flow from operating activities		1,593	1,675	(4.9)
Investment in property, plant and equipment		(702)	(775)	9.4
Investment in intangible assets		(322)	(232)	(38.8)
Finance lease repayments		(13)	(21)	38.1
Coupon payments on hybrid capital		(195)	(195)	-
Equity free cash flow		**361**	**452**	**(20.1)**
Total cash flow from operating activities		1,593	1,675	(4.9)
Total cash flow from investing activities		(1,055)	(531)	(98.7)
Total cash flow from financing activities		(950)	(818)	(16.1)
Total cash flow from continuing operations		(412)	326	-
Total cash flow from discontinued operations		0	0	-
Total cash flow		**(412)**	**326**	**-**
Net interest-bearing debt (NIBD)		(19,784)	(21,840)	9.4
Adjusted NIBD		(22,560)	(24,616)	8.4
Net interest-bearing debt/EBITDA	x	2.4	2.6	-
Adjusted NIBD/EBITDA	x	2.8	2.9	-

Profit for the period
Excluding discontinued operations and special items, profit for the period increased by 17.6% or DKK 95m driven by a positive development in currency translation adjustments of intercompany loans denominated in NOK (DKK 115m).

Profit for the period (including discontinued operations and special items) increased by only DKK 28m because the positive development in currency translation adjustments mentioned above was partly offset by the gain from divesting TDC Hosting (DKK 108m) in Q1 2017.

Comprehensive income
Total comprehensive income decreased by DKK 13m. The increase in profit for the period (DKK 28m) was more than offset by a decrease in other comprehensive income (DKK 41m). The DKK 41m decrease in other comprehensive income related to a negative development in defined benefit plans for Danish employees (DKK 145m after tax)[2] and a negative development in value adjustments of hedging instruments (DKK 98m) partly offset by a positive development of DKK 202m in exchange rate adjustments of foreign enterprises (primarily in Norway).

Capital expenditure
In Q1 2018, capital expenditure totalled DKK 989m, a decrease of 4.9% or DKK 51m. The development resulted partly from large investment in Q1 2017 relating to the cable network upgrade and the Danish mobile network. Lower unit costs on CPE[4] combined with more effective utilisation also helped reduce our customer installation costs.

Our IT investment and digitalisation journey remains a priority, and to further strengthen our focus we reorganised our IT organisation on 1 February 2018, creating a new Digital business line. With ~1000 employees[5] working closely with colleagues from Consumer and Business, we aim at developing innovative TV and B2B cloud offerings combined with a superior digital customer experience.

Net interest-bearing debt
Both net interest-bearing debt and adjusted net interest-bearing debt fell by DKK 314m during Q1 2018 following the net cash flows from operating and investing activities as well as the coupon payments on hybrid capital.

[1] Including other income.
[2] For further information see note 6 Pension assets and pension obligations.
[3] After adjustment for cash and debt as well as transaction costs.
[4] customer premises equipment (CPE)
[5] Including external consultants.

TDC Group's performance per business line in Q1 2018

The illustration below reflects TDC Group's Q1 2018 performance based on our traditional business line reporting. Costs in Denmark are not allocated but are included in the business line responsible for the service. The Q1 2018 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	Norway in total
Revenue[1]	5,096 -2.7%	2,736 -0.1%	1,057 -13.7%	434 +1.2%	121 +15.2%	4,338 -2.5%	785 +2.5%
Gross profit[1]	3,653 -4.1%	1,969 +0.1%	806 -15.4%	306 +5.2%	66 -5.7%	3,145 -3.1%	510 -3.2%
EBITDA[1]	2,076 -2.7%	1,536 -0.7%	602 -13.3%	277 +5.3%	-652 +10.7%	1,763 -0.6%	313 -6.9%

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

Consumer in Denmark

Q1 highlights

- Revenue and EBITDA decline of 0.1% and 0.7%, respectively, YoY
- Net gain of 10k mobility services customers vs. Q4; Strong churn rate development on mobile voice down 1.3 percentage points from Q4 2017
- Launch of a unique flexible TV-solution, mixing flow TV and streaming services
- YouSee More reached ~100k customers
- Support calls down 22% YoY driven by improvements across products and processes
- Partnership on eSports creating a YouSee eSports league
- As YouSee now interacts digitally with 95% of its customers, the paper communication fee will be discontinued as of 1 July 2018

Q1 performance

Almost flat EBITDA development YoY with an EBITDA decrease of 0.7% or DKK 11m to DKK 1,536m. Gross profit slightly improved by 0.1% mainly driven by mobility services, partly offset by TV and landline voice. The opex spend increased by 2.9% or DKK 12m to DKK 433m, driven by higher personel cost following the call centre insourcing in Q4 2017 and Plenti acquisition in Q3 2017. This was partly countered by effects from reduced call levels and sales cost. The number of FTEs rose by 34.6% YoY to 2,585.

Consumer, key figures

DKKm

		Q1 2018	Q1 2017	Change in %
Revenue	DKKm	**2,736**	**2,740**	**(0.1)**
Mobility services		748	687	8.9
TV		1,019	1,056	(3.5)
Internet & network		610	603	1.2
Landline voice		157	186	(15.6)
Other services		202	208	(2.9)
Gross profit		**1,969**	**1,968**	**0.1**
EBITDA		**1,536**	**1,547**	**(0.7)**
Gross margin	%	72.0	71.8	-
EBITDA margin	%	56.1	56.5	-
Number of FTEs (end-of-period)	#	2,585	1,921	34.6

Mobility services

In Q1 2018, revenue for mobility services was up 8.9% or DKK 61m to DKK 748m, driven by more mobile voice subscribers with higher ARPU. The mobile voice customer base grew 71k YoY to 1,906k, partly driven by the Plenti acquisition, partly due to organic growth of 9k in Q1 2018. ARPU improved by DKK 6 YoY to DKK 121 driven by price increases in June 2017, partly offset by lower billed traffic volumes. The mobile broadband customer base increased by 6k YoY to 145k, and ARPU rose by 12% driven by our new portfolio.

TV

Revenue from TV was down 3.5% or DKK 37m to DKK 1,019m in a contracting market for flow TV services. TV ARPU increased by DKK 6 YoY to DKK 263 driven by price increases in January 2018. Gross profit decreased by 7.6% or DKK 41m due to a customer loss of 76k YoY to 1,281k. The gross profit was put under further pressure by increased content cost, lowering the gross profit margin by 2.2 percentage points YoY.

Internet & network

In Q1 2018, Consumer's reported revenue from internet & network increased by 1.2% or DKK 7m to DKK 610m. The growth was mainly driven by price increases generating an ARPU lift of DKK 6 to DKK 195. The customer base, however, decreased by 14k YoY to 1,032k as growth in the high-speed cable customers segment was more than offset by a loss of xDSL customers. The share of cable broadband subscribers with a speed ≥100Mbit/s increased by 28 percentage points YoY to 70%.

Landline voice

In Q1 2018, the landline voice customer base amounted to 412k, corresponding to a net loss of 64k lines YoY. The landline voice ARPU decreased by DKK 3 YoY to DKK 124, driven mainly by a worse subscriber-mix. The lower customer base combined with the lesser ARPU resulted in a revenue decline for landline voice of DKK 29m or 15.6% to DKK 157m.

Other services

Revenue from other services decreased by DKK 6m to DKK 202m in Q1 2018. This was among others due to decreasing paper communication fees.

With our focus on digitalising the customer journey, YouSee now interacts with 95% of its customers through e-mail or "mit YouSee". The paper communication fee introduced in 2014 to encourage customers to use e-communication will therefore be discontinued as of 1 July 2018.

Business in Denmark

Q1 highlights

- EBITDA decrease of 13.3% or DKK 92m due to a decline across products; organic EBITDA[1] decreased by 7.8% YoY
- Strong customer growth in the public segment, due to the public tender won in Q3 2017
- Customer growth and improved ARPU trend in the small and medium-sized business segment. Launch of Skype for Business Express is expected to contribute to continued growth
- Acquisition of business centres in Jutland at year end 2017 was fully integrated during Q1 2018 with a positive market response
- Improving gross profit trend in mobility services; 1.4% decrease in Q1 2018 YoY vs. 6.3% decrease in FY 2017 YoY
- Positive customer satisfaction momentum from 2017 continued with multiple KPIs reaching all-time highs during Q1 2018

Q1 performance

In Q1 2018, Business' financial performance continued to decline with an EBITDA loss of 13.3% or DKK 92m to DKK 602m, driven by intense competition across segments and products.

Adjusted for acquisitions, divestments and regulation the organic EBITDA decline of 7.8% in Q1 2018 was an improvement compared with the organic full-year decrease of 9.1% in 2017.

Mobility services

Reported revenue from mobility services in Business declined by 3.6% or DKK 11m to DKK 291m in Q1 2018 YoY, which is an improvement compared with the 6.6% decrease in full-year 2017. The main contributor to the revenue decline from mobility services was a decline in ARPU, however this was partly offset by a 32k increase YoY in the customer base. This was driven primarily by the public tender awarded in Q3 2017 and secondly an improved trend in the small and medium-sized business segment.

Internet & network

In Q1 2018, Business' reported revenue from internet & network decreased by 27.3% or DKK 120m to DKK 319m.This was caused mainly by the divestment of TDC Hosting (DKK 106m).

Revenue from broadband was affected mainly by the declining customer base with a net loss of 21k customers YoY across segments, although this was offset by increased ARPU of DKK 16. Loss of customers was driven by market demand for and change to high speed technologies where our product pricing is comparatively high. The full effect of initiatives launched in 2017 to prevent customer churn has yet to be seen.

The competitive market situation for fibre continued from 2017 into Q1 2018. ARPU decreased in line with the market trend and in Q1 2018 there was a flattish development in the customer base YoY. This continues putting pressure on TDC Business' market share in a growing market.

Landline voice

In Q1 2018, reported revenue from landline voice decreased by 16.2% or DKK 33m to DKK 171m. This decline stemmed from a DKK 21 decrease in ARPU YoY as well as a 21k YoY reduction in the customer base. This aligns with the overall trend for the declining market for landline voice.

Other services

Reported revenue from other services declined 1.4% or DKK 4m to DKK 276m. This decrease in revenue was caused mainly by a 23.8% or DKK 49m decline in NetDesign's revenue to DKK 157m. The revenue decline in NetDesign resulted almost exclusively from lower sales of hardware with a low gross profit margin.

[1] Adjusted for acquisition, divestments and roaming regulation.

Business, key figures

DKKm

		Q1 2018	Q1 2017	Change in %
Revenue	DKKm	**1,057**	**1,225**	**(13.7)**
Mobility services		291	302	(3.6)
Internet & network		319	439	(27.3)
Landline voice		171	204	(16.2)
Other services		276	280	(1.4)
Gross profit		**806**	**953**	**(15.4)**
EBITDA		**602**	**694**	**(13.3)**
Gross margin	%	76.3	77.8	-
EBITDA margin	%	57.0	56.7	-
Number of FTEs (end-of-period)[1]	#	1,105	1,387	(20.3)

[1] Divestment of TDC Hosting with 294 FTEs as from Q2 2017

Wholesale in Denmark

Q1 highlights

- Continued EBITDA growth of 5.3% driven by gross profit growth in mobility services and internet & network
- Mobile voice customer base up by 8k vs. Q1 2017 driven by existing Wholesale customers
- Decrease of 6k in internet & network customer base vs. Q1 2017. However the broadband portfolio increased in value due to movement from low-value raw products to more value-added products combined with regulatory price increases as of 1January 2018

Wholesale, key figures

		Q1 2018	Q1 2017	Change in %
Revenue	DKKm	**434**	**429**	**1.2**
Mobility services		138	132	4.5
Internet & network		201	191	5.2
Landline voice		44	56	(21.4)
Other services		51	50	2.0
Gross profit		**306**	**291**	**5.2**
EBITDA		**277**	**263**	**5.3**
Gross margin	%	70.5	67.8	-
EBITDA margin	%	63.8	61.3	-
Number of FTEs (end-of-period)	#	126	127	(0.8)

DKKm

Q1 performance

In Q1 2018, Wholesale continued reported EBITDA growth of 5.3% or DKK 14 to 277m. This growth stemmed from gross profit growth in mobility services and internet & network.

Mobility services

Reported revenue from mobility services increased by 4.5% or DKK 6m to DKK 138m in Q1 2018. This was driven mainly by the positive development in mobile interconnect volumes.

Reported gross profit from mobility services increased by 23.2% or DKK 16m to DKK 85m in Q1 2018 driven by mobile interconnect volumes.

Mobile voice ARPU increased by 1 DKK YoY while the customer base increased by 8k. resulting primarily from an increased customer intake among existing Wholesale customers positively affecting both revenue and gross profit.

Internet & network

In Q1 2018, reported revenue from internet & network increased by 5.2% or DKK 10m to DKK 201m driven by broadband.

The increase in broadband revenue resulted from a movement of the base towards the more processed products combined with higher ARPU stemming from regulatory price increases as of 1 January 2018.

Reported gross profit from internet & network increased by 7.0% or DKK 11m to DKK 168m in Q1 2018.

Landline voice

Reported revenue from landline voice decreased by 21.4% or DKK 12m to DKK 44m in Q1 2018, stemming primarily from decreases in PSTN.

Reported gross profit from landline voice decreased by 95.7% or DKK 22m to DKK 1m due to a one-off of DKK 15m in Q1 2017 combined with higher national outbound interconnect traffic vs. Q1 2017.

The 14k decrease in service provider customers was due to the continuous decline in the overall landline voice market. ARPU decreased by DKK 4.

Other operations in Denmark

Q1 highlights

- On 1 February 2018, we implemented a new business line, Digital. Around 1000[1] employees working side-by-side with colleagues from Consumer and Business in agile teams developing superior digital customer experiences while rethinking and differentiating our TV and B2B cloud offerings
- Reduction of 186 FTEs or 5.2% YoY in Q1 2018. The reduction in FTEs stemmed from efficiency improvements in the field force partly offset by recruiting digital profiles to progress our Digital First programme
- Continued improvement in fault-handling hours 10.2% vs. Q4 2017, driven by improved productivity and fewer faults

Q1 performance

Other operations consists of TDC Group's support functions such as IT, digital activities, procurement, network, installation, facility management and Headquarters. In Q1 2018, EBITDA from Other operations increased by 10.7% or DKK 78m to DKK -652m, driven by savings in operating expenses of 10.3% or DKK 82m to DKK -718m.

The improvement in operating expenses in Q1 YoY stemmed from renegotiation of supplier contracts and FTE reductions of 5.2% across Other operations, but especially in the field force. Reductions in the field force FTEs were possible e.g. as time spent on fault handling at customer premises was reduced by 13.6%, providing customers with an improved experience. This improvement was achieved based on a continued high focus on optimising core processes, initial effects from a field-force transformation programme launched in early 2018, and from intensive work on performance management.

Other operations, key figures

		Q1 2018	Q1 2017	Change in %
				DKKm
Revenue	DKKm	121	105	15.2
Gross profit		66	70	(5.7)
Opex		(718)	(800)	10.3
EBITDA		**(652)**	**(730)**	**10.7**
KPIs				
Fault-handling hours	Hours ('000)	114	132	(13.6)
Number of FTEs (end-of-period)	#	3,398	3,584	(5.2)

[1] Including external consultants.

Norway

Q1 highlights

- Norway's reported EBITDA declined by 6.9% driven by increased content costs in 2017, opex investments in IT digitisation and customer-centric activities, and partly by a negative effect from a one-off in Q1 2017
- Get strengthened the smart home offering by acquiring 51% of the shares in the innovative company Futurehome AS
- Broadband speed migration performed in Q1 moved customers to higher speeds at higher prices; average download speed up by 61% YoY
- 1k broadband net adds vs. Q4 and 10k YoY driven by increased household penetration
- Good traction in mobile voice net adds supported by campaigns in January and February
- Stable TV customer development in Q1 vs. Q4 and YoY as the loss of residential subscribers was offset by growth in B2B subscribers

Q1 performance

In Q1 2018, reported EBITDA in Norway decreased by 6.9% or NOK 30m to NOK 405m, driven by an EBITDA decline in Get. Revenue in Norway increased by 2.5%, while gross profit decreased by NOK 22m or 3.2% from increased content costs related to the flexible TV offering launched by Get in April 2017.

Opex in Norway increased by NOK 8m driven by investment in IT digitalisation and customer-centric activities in Get, which were partly offset by FTE reductions in Get and opex savings in TDC Norway.

Norway, key figures

NOKm

		Q1 2018	Q1 2017[2]	Change in %
Revenue	NOKm	**1,015**	**990**	**2.5**
TV		394	408	(3.4)
Residential broadband		287	282	1.8
Business[1]		219	228	(3.9)
Other residential services		115	72	59.7
Gross profit		**659**	**681**	**(3.2)**
EBITDA		**405**	**435**	**(6.9)**
Gross margin	%	64.9	68.8	-
EBITDA margin	%	39.9	43.9	-
Number of FTEs (end-of-period)	#	738	764	(3.4)

[1] Includes TDC Norway and Get's Business division.
[2] Q1 2017 TV revenue affected by one-off revenue of NOK ~30m.

TV

In Q1 2018, Get's reported revenue from TV decreased by 3.4% or NOK 14m to NOK 394m. Adjusted for a one-off in Q1 2017, revenue increased by NOK 16m, driven by price increases in April 2017 related to an increase in underlying content costs and the launch of a new flexible TV offering with streaming services included.

The TV customer base remained level YoY in Q1 2018 with solid growth in B2B subscribers which was offset by a negative consumer trend. The residential subscriber decline resulted from intensified competition in the residential TV market in Norway but was also affected by a contained unbundling effect on TV from broadband.

TV box penetration increased by 1 percentage point YoY to more than 95% of TV subscribers.

Residential broadband

Residential broadband revenue increased by 1.8% or NOK 5m to NOK 287m in Q1 2018 driven by expansion of the customer base. The customer base increased by 10k YoY with a rise of 3 percentage points in broadband penetration.

Broadband ARPU decreased by NOK 2 YoY as ARPU was negatively affected by an increase in long-term collective MDU agreements with lower ARPU. However, new long-term contracts have been secured. Migration of broadband customers to higher speeds at higher prices in the last part of Q1 2018 raised ARPU by NOK 4 vs. Q4 2017 and increased the average download speed by 61% YoY. The full ARPU impact of the speed migration is expected to materialise in Q2 2018.

Business

In Q1 2018, reported revenue from Business decreased by 3.9% or NOK 9m to NOK 219m. The revenue decline stemmed mainly from controlled loss of low-margin customers. Continued focus on business segments and product concepts with healthier margins led to improvement in TDC Norway's gross profit-margin and slight gross profit growth in Q1 YoY.

Consolidated financial statements

Income statement

DKKm

	Note	Q1 2018	Q1 2017	Change in %
Revenue	2	**5,096**	**5,239**	**(2.7)**
Cost of sales		(1,443)	(1,430)	(0.9)
Gross profit		**3,653**	**3,809**	**(4.1)**
External expenses		(702)	(766)	8.4
Personnel expenses		(898)	(935)	4.0
Other income		23	25	(8.0)
Operating profit before depreciation, amortisation and special items (EBITDA)	2	**2,076**	**2,133**	**(2.7)**
Depreciation, amortisation and impairment losses	3	(1,223)	(1,263)	3.2
Operating profit excluding special items (EBIT excluding special items)		**853**	**870**	**(2.0)**
Special items	4	17	65	(73.8)
Operating profit (EBIT)		**870**	**935**	**(7.0)**
Financial income and expenses	5	(31)	(166)	81.3
Profit before income taxes		**839**	**769**	**9.1**
Income taxes		(196)	(154)	(27.3)
Profit for the period from continuing operations		**643**	**615**	**4.6**
Profit for the period from discontinued operations		-	-	-
Profit for the period		**643**	**615**	**4.6**
Profit attributable to:				
Owners of the parent company		465	451	3.1
Coupon payments on hybrid capital, net of tax		178	164	8.5
Non-controlling interests		-	-	-
EPS (DKK)				
Earnings per share, basic		0.58	0.56	3.6
Earnings per share, diluted		0.57	0.56	1.8
Adjusted EPS		0.89	0.79	12.7

Statement of comprehensive income

DKKm

	Note	Q1 2018	Q1 2017
Profit for the period		**643**	**615**
Items that may subsequently be reclassified to the income statement:			
Exchange-rate adjustments of foreign enterprises	5	129	(73)
Value adjustments of hedging instruments	5	(36)	62
Items that cannot subsequently be reclassified to the income statement:			
Remeasurement of defined benefit pension plans		72	258
Income tax relating to remeasurement of defined benefit pension plans		(16)	(57)
Other comprehensive income/(loss)		**149**	**190**
Total comprehensive income/(loss)		**792**	**805**

Balance sheet

DKKm

	Note	31 March 2018	31 December 2017	31 March 2017
Assets				
Non-current assets				
Intangible assets		32,677	32,606	33,588
Property, plant and equipment		17,832	17,840	17,933
Joint ventures, associates and other investments		77	80	83
Pension assets	6	6,819	6,752	5,830
Receivables		196	197	214
Derivative financial instruments		47	50	60
Prepaid expenses		8	13	27
Total non-current assets		**57,656**	**57,538**	**57,735**
Current assets				
Inventories		266	246	234
Receivables		2,424	2,652	2,386
Income tax receivables		-	9	108
Derivative financial instruments		289	455	418
Prepaid expenses		529	473	563
Cash		1,365	1,767	2,013
Total current assets		**4,873**	**5,602**	**5,722**
Total assets		**62,529**	**63,140**	**63,457**

Balance sheet

DKKm

	Note	31 March 2018	31 December 2017	31 March 2017
Equity and liabilities				
Equity				
Share capital		812	812	812
Reserve for exchange rate adjustments		(1,378)	(1,507)	(908)
Reserve for cash flow hedges		(211)	(175)	(143)
Retained earnings		21,378	20,881	19,142
Equity attributable to owners of the parent company		**20,601**	**20,011**	**18,903**
Hybrid capital	8	5,552	5,552	5,552
Non-controlling interests		2	1	1
Total equity		**26,155**	**25,564**	**24,456**
Non-current liabilities				
Deferred tax liabilities		4,310	4,341	4,232
Provisions		992	983	905
Pension liabilities		30	29	38
Loans	7	21,078	17,282	19,417
Derivative financial instruments		376	406	222
Total non-current liabilities		**26,786**	**23,041**	**24,814**
Current liabilities				
Loans	7	170	4,651	4,739
Trade and other payables		8,556	9,188	8,431
Income tax payable		230	-	-
Derivative financial instruments		404	485	514
Deferred income		111	84	360
Provisions		117	127	143
Total current liabilities		**9,588**	**14,535**	**14,187**
Total liabilities		**36,374**	**37,576**	**39,001**
Total equity and liabilities		**62,529**	**63,140**	**63,457**

Statements of cash flow

DKKm

	Q1 2018	Q1 2017	Change in %
EBITDA	2,076	2,133	(2.7)
Adjustment for non-cash items	58	69	(15.9)
Pension contributions	(4)	(24)	83.3
Payments related to provisions	(4)	(1)	-
Special items	24	(117)	120.5
Change in working capital	14	460	(97.0)
Interest paid, net	(571)	(575)	0.7
Income tax paid	-	(270)	-
Operating activities in continuing operations	**1,593**	**1,675**	**(4.9)**
Operating activities in discontinued operations	-	-	-
Total cash flow from operating activities	**1,593**	**1,675**	**(4.9)**
Investment in enterprises	(36)	-	-
Investment in property, plant and equipment	(702)	(775)	9.4
Investment in intangible assets	(322)	(232)	(38.8)
Investment in other non-current assets	(1)	(4)	75.0
Divestment of enterprises	-	469	-
Divestment of joint ventures and associates	-	2	-
Sale of other non-current assets	6	9	(33.3)
Investing activities in continuing operations	**(1,055)**	**(531)**	**(98.7)**
Investing activities in discontinued operations	-	-	-
Total cash flow from investing activities	**(1,055)**	**(531)**	**(98.7)**
Proceeds from long-term loans	3,724	-	-
Repayment of long-term loans	(4,467)	-	-
Finance lease repayments	(13)	(21)	38.1
Coupon payments on hybrid capital	(195)	(195)	-
Dividends paid	-	(602)	-
Capital contribution from non-controlling interests	1	-	-
Financing activities in continuing operations	**(950)**	**(818)**	**(16.1)**
Financing activities in discontinued operations	-	-	-
Total cash flow from financing activities	**(950)**	**(818)**	**(16.1)**
Total cash flow	**(412)**	**326**	**-**
Cash and cash equivalents (beginning-of-period)	1,767	1,687	4.7
Effect of exchange-rate changes on cash and cash equivalents	10	-	-
Cash and cash equivalents (end-of-period)	**1,365**	**2,013**	**(32.2)**

Equity free cash flow

DKKm

	Q1 2018	Q1 2017	Change in %
Cash flow from operating activities	1,593	1,675	(4.9)
Investment in property, plant and equipment	(702)	(775)	(9.4)
Investment in intangible assets	(322)	(232)	(38.8)
Finance lease repayments	(13)	(21)	(38.1)
Coupon payments on hybrid capital	(195)	(195)	0.0
Equity free cash flow	**361**	**452**	**(20.1)**

Statement of changes in equity

DKKm

	Equity attributable to owners of the parent company								
	Share capital	**Reserve for currency translation adjustments**	**Reserve for cash flow hedges**	**Retained earnings**	**Proposed dividends**	**Total**	**Hybrid capital**	**Non-controlling interests**	**Total**
Equity at 1 January 2017	812	(835)	(205)	18,080	802	18,654	5,552	1	24,207
Effect of change in accounting policies		-	-	402		402		-	402
Shareholders' equity at 1 January 2017 after change in accounting policies	812	(835)	(205)	18,482	802	19,056	5,552	1	24,609
Profit for the period				451		451	164		615
Exchange-rate adjustments of foreign enterprises		(73)				(73)			(73)
Value adjustments of hedging instruments			62			62			62
Remeasurement effects of defined benefit pension plans				258		258			258
Income tax relating to remeasurement effects of defined benefit pension plans				(57)		(57)			(57)
Total comprehensive income	**-**	**(73)**	**62**	**652**	**-**	**641**	**164**	**-**	**805**
Distributed dividends					(802)	(802)			(802)
Share-based remuneration				8		8			8
Coupon payments on hybrid capital						-	(195)		(195)
Income tax relating to coupon payments on hybrid capital						-	31		31
Total transactions with shareholders	**-**	**-**	**-**	**8**	**(802)**	**(794)**	**(164)**	**-**	**(958)**
Equity at 31 March 2017	**812**	**(908)**	**(143)**	**19,142**	**-**	**18,903**	**5,552**	**1**	**24,456**

Statement of changes in equity (continued)

DKKm

	Equity attributable to owners of the parent company								
	Share capital	Reserve for currency translation adjustments	Reserve for cash flow hedges	Retained earnings	Proposed dividends	Total	Hybrid capital	Non-controlling interests	Total
Equity at 1 January 2018	812	(1,504)	(175)	20,491		19,624	5,552	1	25,177
Effect of change in accounting policies		(3)		390		387			387
Shareholders' equity at 1 January 2018 after change in accounting policies	812	(1,507)	(175)	20,881	-	20,011	5,552	1	25,564
Profit for the period				465		465	178		643
Exchange-rate adjustments of foreign enterprises		129				129			129
Value adjustments of hedging instruments			(36)			(36)			(36)
Remeasurement effects related to defined benefit pension plans				72		72			72
Income tax relating to remeasurement effects from defined benefit pension plans				(16)		(16)			(16)
Total comprehensive income	**-**	**129**	**(36)**	**521**	**-**	**614**	**178**	**-**	**792**
Share-based remuneration				(24)		(24)			(24)
Coupon payments on hybrid capital						-	(195)		(195)
Income tax relating to coupon payments on hybrid capital						-	17		17
Additions to non-controlling interest						-		1	1
Total transactions with shareholders	**-**	**-**	**-**	**(24)**	**-**	**(24)**	**(178)**	**1**	**(201)**
Equity at 31 March 2018	**812**	**(1,378)**	**(211)**	**21,378**	**-**	**20,601**	**5,552**	**2**	**26,155**

Consolidated financial statements

Note 1 Accounting policies

TDC's Interim Financial Report for Q1 2018 has been prepared in accordance with IAS 34 Interim Financial Reporting and the additional disclosure requirements for listed companies.

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

Critical accounting estimates and judgements
When preparing the consolidated financial statements, Management makes assumptions that affect the reported amount of assets and liabilities at the balance sheet date, and the reported income and expenses for the accounting period. The accounting estimates and judgements considered material to the preparation of the consolidated financial statements are shown in note 1.2 in the consolidated financial statements for 2017, cf. TDC's Annual Report 2017.

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

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

IFRS 15 has been implemented fully retrospectively and by that the comparative figures for previous periods have been restated accordingly.

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

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

Impact on Consolidated Financial Statements

DKKm

	Previous accounting policy	Changed accounting policy	New accounting policy
Revenue			
1Q 2018	5,030	66	5,096
1Q 2017	5,211	28	5,239
Operating profit before depreciation, amortisation and special items (EBITDA)			
1Q 2018	2,073	3	2,076
1Q 2017	2,128	5	2,133
Income taxes			
1Q 2018	(195)	(1)	(196)
1Q 2017	(152)	(2)	(154)
Profit for period			
1Q 2018	641	2	643
1Q 2017	612	3	615
Earnings per share (EPS) (DKK)			
1Q 2018	0.58	0.0	0.58
1Q 2017	0.56	0.0	0.56
Total assets			
1Q 2018	62,549	(20)	62,529
1Q 2017	63,488	(31)	63,457
Total equity			
1Q 2018	25,765	390	26,155
1Q 2017	24,051	405	24,456

Note 2 Segment reporting

Activities

DKKm

	Consumer		Business		Wholesale		Other operations[1]	
	Q1 2018	Q1 2017	Q1 2018	Q1 2017	Q1 2018	Q1 2017	Q1 2018	Q1 2017
Mobility services	748	687	291	302	138	132	1	1
Landline voice	157	186	171	204	44	56	3	3
Internet and network	610	603	319	439	201	191	43	45
TV	1,019	1,056	8	9	14	13	-	1
Other services	202	208	268	271	37	37	74	55
Norway	-	-	-	-	-	-	-	-
Revenue	**2,736**	**2,740**	**1,057**	**1,225**	**434**	**429**	**121**	**105**
Total operating expenses excl. depreciation, etc.	(1,200)	(1,193)	(455)	(531)	(157)	(166)	(805)	(868)
Other income and expenses	-	-	-	-	-	-	32	33
EBITDA	**1,536**	**1,547**	**602**	**694**	**277**	**263**	**(652)**	**(730)**
Specification of revenue:								
External revenue	2,734	2,740	1,054	1,180	419	416	117	98
Revenue across segments	2	-	3	45	15	13	4	7

	Norway[2 3]		Eliminations		Total	
	Q1 2018	Q1 2017	Q1 2018	Q1 2017	Q1 2018	Q1 2017
Mobility services	-	-	(3)	(1)	1,175	1,121
Landline voice	-	-	(1)	-	374	449
Internet and network	-	-	(3)	(34)	1,170	1,244
TV	-	-	-	-	1,041	1,079
Other services	-	-	(3)	(15)	578	556
Norway	785	819	(27)	(29)	758	790
Revenue	**785**	**819**	**(37)**	**(79)**	**5,096**	**5,239**
Total operating expenses excl. depreciation, etc.	(473)	(460)	47	87	(3,043)	(3,131)
Other income and expenses	1	1	(10)	(9)	23	25
EBITDA	**313**	**360**	**-**	**(1)**	**2,076**	**2,133**
Specification of revenue:						
External revenue	772	805	-	-	5,096	5,239
Revenue across segments	13	14	(37)	(79)	-	-

Note 2 Segment reporting (continued)

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

DKKm	Q1 2018	Q1 2017
EBITDA from reportable segments	2,076	2,133
Unallocated:		
Depreciation, amortisation and impairment losses	(1,223)	(1,263)
Special items	17	65
Financial income and expenses	(31)	(166)
Consolidated profit/(loss) before income taxes	**839**	**769**

[1] Consists of the three operating segments Operations, Digital and Headquarters. At Operations, external revenue amounted to DKK 112m (Q1 2017: DKK 94m), revenue across segments amounted to DKK 5m (Q1 2017: DKK 7m) and EBITDA amounted to DKK (299)m (Q1 2017: DKK (337)m). At Digital, external revenue amounted to DKK 1m (Q1 2017: DKK 0m), revenue across segments amounted to DKK 1m (Q1 2017: DKK 0m) and EBITDA amounted to DKK (34)m (Q1 2017: DKK (43)m). At Headquarters, external revenue amounted to DKK 4m (Q1 2017: DKK 4m), revenue across segments amounted to DKK 10m (Q1 2017: DKK 3m) and EBITDA amounted to DKK (319)m (Q1 2017: DKK (350)m). Elimination of revenue across segments within Other operations amounted to DKK (12)m (Q1 2017: DKK (3)m).

[2] Consists of the two operating segments Get and TDC Norway AS. At Get, external revenue amounted to DKK 635m (Q1 2017: DKK 650m), revenue across segments amounted to DKK 0m (Q1 2017: DKK 0m) and EBITDA amounted to DKK 288m (Q1 2017: DKK 342m). At TDC Norway AS, external revenue amounted to DKK 137m (Q1 2017: DKK 155m), revenue across segments amounted to DKK 13m (Q1 2017: DKK 14m) and EBITDA amounted to DKK 25m (Q1 2017: DKK 18m).

[3] Revenue from Norway consist of: TV amounted to DKK 305m (Q1 2017: DKK 337m), Broadband to DKK 222m (Q1 2017: DKK 233m), Business to DKK 168m (Q1 2017: DKK 188m) and Other residential services amounted to DKK 90m (Q1 2017: DKK 61m).

Note 3 Depreciation, amortisation and impairment losses

DKKm

	Q1 2018	Q1 2017
Depreciation on property, plant and equipment	(739)	(785)
Amortisation of intangible assets	(467)	(458)
Impairment losses	(17)	(20)
Total	**(1,223)**	**(1,263)**

The decrease in depreciation, amortisation and impairment losses from Q1 2017 to Q1 2018 is primarily due to higher depreciation on various network equipment related to the upgrading of the *cable* network to enable 1 gigabit broadband in 2017.

Note 4 Special items

Special items include significant amounts that cannot be attributed to normal operations such as restructuring costs and special write-downs for impairment of intangible assets and property, plant and equipment. Special items also include gains and losses related to divestment of enterprises, as well as transaction costs and adjustments of purchase prices relating to acquisition of enterprises.

Special items as described above are disclosed on the face of the income statement. Items of a similar nature for non-consolidated enterprises and discontinued operations are recognised in profit from joint ventures and associates and profit for the year from discontinued operations, respectively.

Special items

DKKm

	Q1 2018	Q1 2017
Gain from divestments of enterprises and property	-	108
Costs related to redundancy programmes and vacant tenancies	(43)	(39)
Other restructuring costs, etc.	(7)	(3)
Income from rulings	85	-
Loss from rulings	-	(1)
Costs related to acquisition of enterprises	(18)	-
Special items before income taxes	**17**	**65**
Income taxes related to special items	(9)	10
Special items related to discontinued operations	-	-
Total special items	**8**	**75**

The negative development in special items before income taxes was due to the gain from divestment of TDC Hosting in Q1 2017 (DKK 108m) partly offset by compensation received in Q1 2018 from the Danish State for the costs of providing maritime distress and safety service in Denmark in 2008-2009 (DKK 85m).

Note 5 Financial income and expense

Financial income and expenses

DKKm

	Q1 2018	Q1 2017	Change in %
Interest income	2	4	(50.0)
Interest expenses	(149)	(162)	8.0
Net interest	**(147)**	**(158)**	**7.0**
Currency translation adjustments	93	(32)	-
Fair value adjustments	(3)	8	(137.5)
Interest, currency translation adjustments and fair value adjustments	**(57)**	**(182)**	**68.7**
Profit/(loss) from joint ventures and associates	(1)	(4)	75.0
Interest on pension assets	27	20	35.0
Total	**(31)**	**(166)**	**81.3**

Net financials recognised in other comprehensive income

DKKm

	Q1 2018	Q1 2017
Currency translation adjustment, foreign enterprises	129	(73)
Reversal of currency translation adjustment related to disposal of foreign enterprises	-	-
Exchange-rate adjustments of foreign enterprises	**129**	**(73)**
Change in fair value adjustments of cash flow hedges	(34)	64
Change in fair value adjustments of cash flow hedges transferred to financial expenses	(2)	(2)
Value adjustments of hedging instruments	**(36)**	**62**

Financial income and expenses represented an expense of DKK 31m in Q1 2018, an decrease of DKK 135m compared with Q1 2017 driven primarily by:

- Currency translation adjustments in Q1 2018, intercompany loans denominated in NOK resulted in a currency gain of DKK 85m, whereas these loans resulted in a currency loss of DKK 30m in Q1 2017.

Note 5 Financial income and expense (continued)

Specifications

DKKm

	Q1 2018				Q1 2017			
	Interest	Currency translation adjustments	Fair value adjustments	Total	Interest	Currency translation adjustments	Fair value adjustments	Total
Euro Medium Term Notes (EMTNs) incl. hedges (treated as hedge accounting)	(129)	(15)	2	**(142)**	(141)	(4)	2	**(143)**
European Investment Bank (EIB) and KfW bank loans incl. hedges (treated as hedge accounting)	(2)	(9)	-	**(11)**	(6)	(1)	-	**(7)**
Other hedges (not treated as hedge accounting)	-	-	(5)	**(5)**	-	-	6	**6**
Other	(16)	117	-	**101**	(11)	(27)	-	**(38)**
Total	**(147)**	**93**	**(3)**	**(57)**	**(158)**	**(32)**	**8**	**(182)**

Note 6 Pension assets and pension obligations

Pension (costs)/income

DKKm	Q1 2018	Q1 2017
Specification of plans:		
Denmark	(3)	(14)
Norway	-	-
Pension income/(costs) from defined benefit plans	**(3)**	**(14)**
Recognition in the income statement:		
Service cost[1]	(27)	(32)
Administrative expenses	(3)	(2)
Personnel expenses (included in EBITDA)	**(30)**	**(34)**
Interest on pension assets	27	20
Pension income/(costs) from defined benefit plans	**(3)**	**(14)**

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

Domestic defined benefit plan

DKKm	Q1 2018	Q1 2017
Pension (costs)/income		
Service cost	(27)	(32)
Administrative expenses	(3)	(2)
Personnel expenses (included in EBITDA)	**(30)**	**(34)**
Interest on pension assets	27	20
Pension (costs)/income	**(3)**	**(14)**
Domestic redundancy programmes recognised in special items	(6)	(33)
Total pension (costs)/income recognised in the income statement	**(9)**	**(47)**

The pension fund operates defined benefit plans via a separate legal entity supervised by the Danish Financial Supervisory Authority (FSA). In accordance with existing legislation, Articles of Association and the pension regulations, TDC is required to make contributions to meet the capital adequacy requirements.

Distribution of funds from the pension fund to TDC is not possible until all pension obligations have been met. Since 1990, no new members have joined the pension fund plans, and the pension fund is prevented from admitting new members in the future due to the Articles of Association.

Note 6 Pension assets and pension obligations (continued)

Domestic defined benefit plan (continued)

DKKm

	31 March 2018	31 December 2017	31 March 2017
Assets and obligations			
Specification of pension assets			
Fair value of plan assets	30,982	30,959	30,394
Defined benefit obligation	(24,163)	(24,207)	(24,564)
Pension assets recognised in the balance sheet	**6,819**	**6,752**	**5,830**
Change in pension assets			
Pension assets recognised at 1 January	6,752	5,595	5,595
Pension (costs)/income	(9)	(118)	(47)
Remeasurement effects	72	1,172	258
TDC's contribution	4	103	24
Pension assets recognised in the balance sheet	**6,819**	**6,752**	**5,830**
Assumptions used to determine defined benefit obligations			
Discount rate	1.55	1.56	1.50
General price/wage inflation	1.66	1.73	1.60
Assumptions used to determine pension (costs)/income			
Discount rate	1.56	1.41	1.41
General price/wage inflation	1.73	1.69	1.69

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

The remeasurement effects in Q1 2018 (a net gain of DKK 72m) cover primarily a gain related to the plan assets (DKK 168m) as the actual return was higher than expected return[1]. The gain was partly offset by a loss related to the benefit obligation (DKK 96m) resulting from the decreasing discount rate (from 1.56% to 1.55%) and the decreasing inflation rate (from 1.73% to 1.66%).

Foreign defined benefit plans

TDC's foreign defined benefit plans concern employees in Norway. The difference between the actuarially determined pension obligations and the fair value of the pension funds' assets is recognised in the balance sheets under pension liabilities.

Pension contributions related to foreign defined benefit plans amounted to DKK 0m (Q1 2017: DKK 1m). Pension liabilities relating to foreign defined benefit plans amounted to DKK 30m (Q1 2017: DKK 38m).

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

Note 7 Loans and net interest-bearing debt

Euro Medium Term Notes (EMTNs) and bank loans[1]

DKKm

	2019	2020	2020	2022	2023	2024	2027	Total
Maturity	Dec 19	Feb 20	Dec 20	Mar 22	Feb 23	Feb 24	Feb 27	
Fixed/Floating rate	Floating	Floating	Floating	Fixed	Fixed	Floating	Fixed	
Coupon				3.750%	5.625%		1.750%	
Currency	EUR	EUR	EUR	EUR	GBP	EUR	EUR	
Type	Bank loan	Bank loan	Bank loan	Bond	Bond	Bank loan	Bond	
Nominal value (DKKm)	1,118	1,864	745	3,728	3,610	3,728	5,964	20,757
Nominal value (Currency)	150	250	100	500	425	500	800	
Hereof nominal value swapped to or with floating interest rate (EURm)	150	250	100	150	50	500	-	1,200
Hereof nominal value swapped from GBP to EUR (GBPm)[2]	-	-	-	-	425	-	-	425

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

The maturity analysis above does not include hybrid capital with a principal amount totalling DKK 5,588m due in 3015. For further details on hybrid capital, see note 8.

Net interest-bearing debt

DKKm

	31 March 2018	31 December 2017	31 March 2017
Long-term loans	21,248	21,933	19,417
Short-term loans	-	-	4,739
Interest-bearing payables	2	2	2
Derivatives	100	133	(86)
Interest-bearing receivables and investments	(201)	(203)	(219)
Cash	(1,365)	(1,767)	(2,013)
Net interest-bearing debt	**19,784**	**20,098**	**21,840**
50% of hybrid capital	2,776	2,776	2,776
Adjusted net interest-bearing debt	**22,560**	**22,874**	**24,616**

Both net interest-bearing debt and adjusted net interest-bearing debt fell by DKK 314m during Q1 2018 following the net cash flows from operating and investing activities as well as the coupon payments on hybrid capital.

Note 8 Hybrid capital

TDC Group 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

The Group 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 18m as of 31 March 2018.

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

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

Note 9 Events after the balance sheet date

On 9 April 2018, DK Telekommunikation ApS announced that it holds acceptances for shares representing more than 90 percent of the entire share capital and voting rights in TDC excluding treasury shares. For more information see 'Corporate matters'. The expected change of control will impact TDC's future results and cash flows due to refinancing, settlement of granted rights related to the Performance Share Program, advisory costs, etc.

Selected financial and operational data

TDC Group

		Q1 2018	Q1 2017	2017	2016	2015	2014
Income statement	DKKm						
Revenue		5,096	5,239	20,478	21,176	22,046	21,111
Gross profit		3,653	3,809	14,750	15,438	16,221	15,838
EBITDA		**2,076**	**2,133**	**8,228**	**8,526**	**9,486**	**9,402**
Operating profit/(loss) (EBIT)		**870**	**935**	**2,837**	**3,305**	**(690)**	**3,652**
Profit/(loss) before income taxes		839	769	1,999	2,529	(1,794)	2,635
Profit/(loss) for the period from continuing operations		643	615	1,515	1,992	(2,454)	2,320
Profit/(loss) for the period		**643**	**615**	**1,541**	**3,067**	**(2,386)**	**3,169**
Income statement, excluding special items							
Operating profit (EBIT)		**853**	**870**	**3,068**	**3,586**	**4,412**	**4,927**
Profit before income taxes		822	704	2,230	2,809	3,308	3,909
Profit for the period from continuing operations		**635**	**540**	**1,686**	**2,212**	**2,421**	**3,402**
Profit for the period		635	540	1,686	2,314	2,500	3,492
Balance sheet	DKKbn						
Total assets		62.5	63.5	63.1	64.3	64.5	74.2
Net interest-bearing debt		19.8	21.8	20.1	22.1	26.0	32.9
Hybrid capital		5.6	5.6	5.6	5.6	5.6	-
Total equity		26.2	24.5	25.6	24.6	20.7	19.0
Average number of shares outstanding (million)		805.4	802.4	802.6	802.0	801.7	800.2
Capital expenditure		**(200)**	**(178)**	**(916)**	**(680)**	**-**	**-**
Statement of cash flow	DKKm						
Operating activities		1,593	1,675	7,213	6,828	7,547	6,980
Investing activities		(1,055)	(531)	(4,156)	(4,571)	(4,382)	(16,263)
Financing activities		(950)	(818)	(2,944)	(3,181)	(7,591)	11,896
Total cash flow from continuing operations		**(412)**	**326**	**113**	**(924)**	**(4,426)**	**2,613**
Total cash flow in discontinued operations[1]		-	-	6	2,243	37	961
Total cash flow		**(412)**	**326**	**119**	**1,319**	**(4,389)**	**3,574**
Equity free cash flow		**361**	**452**	**2,445**	**2,082**	**3,187**	**3,309**

TDC Group

		Q1 2018	Q1 2017	2017	2016	2015	2014
Key financial ratios							
Earnings Per Share (EPS)	DKK	0.58	0.56	1.72	3.61	(2.87)	3.97
EPS from continuing operations, excl. special items	DKK	0.79	0.67	2.10	2.76	3.02	4.25
Adjusted EPS	DKK	0.89	0.79	2.55	3.31	3.76	5.15
Dividend per share for the financial year	DKK	-	-	-	1.00	1.00	2.50
Dividend payout (% of EFCF)	%	-	-	-	38.5	24.8	62.9
Gross margin	%	71.7	72.7	72.0	72.9	73.6	75.0
EBITDA margin	%	40.7	40.7	40.2	40.3	43.0	44.5
Adjusted NIBD/EBITDA[2]	x	2.8	2.9	2.8	2.9	2.9	3.4
Retail RGUs (Denmark)							
Mobile subscriptions	# ('000)	2,674	2,576	2,636	2,592	2,576	2,566
TV	# ('000)	1,289	1,366	1,307	1,388	1,386	1,420
Broadband	# ('000)	1,265	1,300	1,274	1,312	1,329	1,358
Landline voice	# ('000)	623	711	647	742	847	1,010
Employees							
FTEs (end-of-period)	#	7,953	7,784	8,097	7,963	7,897	7,787
FTEs and temps (end-of-period)	#	8,026	7,847	8,212	8,046	8,016	7,848

[1] TDC Finland (divested in 2014) and Sweden (divested in Q2 2016) are presented as discontinued operations. Other divestments are included in the respective accounting items during the ownership.
[2] EBITDA for Get is included from November 2014. On a pro-forma basis, if EBITDA for Get had been included for the full year 2014, the leverage ratio at year-end 2014 would have been 3.1.
[3] YTD average index.

Corporate matters

New business unit
On 22 January 2018, TDC A/S announced that a new business unit named 'Digital' would be formed as of 1 February 2018. The business unit comprise certain IT and development activities and employees from Operations. All in all, more than 500 employees including supporting employees from YouSee and Business will be working in 'Digital'.

The new organization does not change TDC Group's financial reporting. The reporting segments are unchanged and Digital will be part of the reporting segment Other operations.

Takeover offer
On 12 February 2018, TDC A/S announced that it has been informed that DK Telekommunikation ApS acting on behalf of a consortium comprised of PFA Pension, PKA, ATP and Macquarie Infrastructure and Real Assets Europe Limited acting on behalf of funds or entities managed or advised by it, had decided to make a voluntary recommended tender offer on the entire share capital of the company.

On 28 February 2018, TDC A/S announced that DK Telekommunikation ApS had submitted a voluntary recommended public takeover offer to buy the entire share capital of TDC A/S for an all-cash consideration of DKK 50.25 per share.

On 9 April 2018, DK Telekommunikation ApS announced that it holds acceptances for shares representing more than 90 percent of the entire share capital and voting rights in TDC excluding treasury shares.

Risk factors
TDC Group's Annual Report describes certain risks that could materially and adversely affect TDC Group's business, financial condition, results of operations and/or cash flows. At the end of Q1 2018, TDC expects no significant changes in the risks.

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

Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this financial report. Key factors that may have a direct bearing on TDC Group's results include: the competitive environment and the industry in which TDC operates; contractual obligations in TDC Group's financing arrangements; developments in competition within the domestic and international communications industry; information technology and operational risks including TDC Group's responses to change and new technologies; introduction of and demand for new services and products; developments in demand, product mix and prices in the mobile and multimedia services market; research regarding the impact of mobile phones on health; changes in applicable legislation, including but not limited to tax and telecommunications legislation and anti-terror measures; decisions made by the Danish Business Authority; the possibility of being awarded licences; increased interest rates; the status of important intellectual property rights; exchange-rate fluctuations; global and local economic conditions; investments in and divestment of domestic and foreign companies; and supplier relationships.

As any risk factors referred to in this report could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made in this report, undue reliance is not to be placed on any of these forward-looking statements. New factors will emerge in the future that TDC Group cannot predict. In addition, TDC Group cannot assess the impact of each factor on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those described in any forward-looking statements.

Management statement

Management statement
Today, the Board of Directors and the Executive Committee considered and approved the Interim Financial Statements of TDC Group for Q1 2018.

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

In our opinion, the Financial Report gives a true and fair view of the Group's assets, liabilities and financial position at 31 March 2018 as well as the results of operations and cash flows for Q1 2018. Furthermore, in our opinion, the management's review provides a fair review of the developments in the Group's activities and financial position, and describes the significant risks and uncertainties that may affect the Group.

Copenhagen, 3 May 2018

Executive Committee

Pernille Erenbjerg
Group Chief Executive Officer and President

Stig Pastwa
Senior Executive Vice President, Group Chief Financial Officer

Jaap Postma
Senior Executive Vice President of YouSee

Gunnar Evensen
Chief Executive Officer of Norway

Marina Lønning
Senior Executive Vice President of Business

Andreas Pfister
Senior Executive Vice President of Operations and Chief Technology and Information Officer

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

Board of Directors

Pierre Danon
Chairman

Lene Skole
Vice Chairman

Marianne Rørslev Bock

Stine Bosse

Pieter Knook

Angus Porter

Benoit Scheen

Mogens Jensen

John Schwartzbach

Zanne Stensballe

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Listing

Shares: NASDAQ OMX Copenhagen
Reuters TDC.CO
Bloomberg TDC DC
Nominal value DKK 1
ISIN DK0060228559