



Annual Report 2017

TDC Group

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Shortcut to reading the Annual Report



Click on the tabs in the right-hand corner to navigate quickly to the tables of contents for the report and accounts, respectively.

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

Digital First page 17



Unique entertainment for YouSee's and Get's TV customers page 22



Beta test of hybrid broadband page 24



Secure digitalisation for everyone page 27





Did you know that ...

... TDC Group is Denmark's largest and Norway's second-largest flow TV operator with more than 1.7m TV customers across the two markets. This corresponds to a combined market share of 38%

In brief

Letter from the chairman & CEO / 2017 at a glance / Key events and product launches in 2017 / 2017 guidance follow-up / 2018 guidance / Five-year overview

Letter from the chairman & CEO

Dear stakeholders

We are digitalising our offerings and ways of working

With a strong trajectory in our digital transformation, we are moving towards developing a superior digital customer experience, innovative offerings for our customers and securing simplification

TDC Group met its 2017 financial guidance

As we embark on the final year of our current strategy period set out in early 2016, we can look back on 2017 and the benefits we have begun to reap from the major changes we have instigated. *Organic EBITDA* development has significantly improved from a negative 8.4% in 2016 to almost flat in 2017. Our cash flows returned to growth in 2017 up by 17.4% to DKK 2.4bn. We delivered on our 2017 financial guidance, and we therefore expect to distribute a dividend per share of DKK 1.05 as guided, growth of 5% since last year. With our financial guidance for 2018, we have reached an important milestone in our financial transformation, as we expect to deliver flat to slightly growing *organic EBITDA*, stable to growing cash flows, and 10% growth in dividends, up to DKK 1.15 per share for 2018.

New strong TV offering boosts relevance

The ambition for growth should be seen in the context of TV markets in Denmark and Norway that are not growing. In fact, Denmark is the EU country where the *flow TV* customer base has decreased most rapidly in recent years. This is due partly to changed regulation in 2016 allowing Danish households previously bound by association agreements (*MDUs*) to terminate their TV packages, and partly due to attractive opportunities for unbundling broadband from TV in Denmark which has also resulted in high Subscription Video on Demand (*SVoD*) penetration. In 2017, we launched our next generation TV

offering in Get (Norway), and in early 2018, a similar offer will be launched for our YouSee (Denmark) customers: *Flow TV* is integrated with leading streaming services – all available on all devices at home and on the go. Customers enjoy full flexibility across the content to personalise their entertainment experience. We have high ambitions for the new Danish offering, including the new 4K TV box, and believe that, on all parameters, it outperforms other competing products in the market.

Continued growth in mobility services

In the mobile market for residential customers and small and medium-sized businesses, we are proud to have accomplished revenue growth for the second year in a row. This is a remarkable result in a market that has experienced large declines for several years, and it was achieved despite EU regulation diminishing earnings from EU roaming. We retained a relatively low churn, not least due to our strong mobile network, which for the third year running was named Denmark's best mobile network.

Business market remains challenged

The business market remained challenging, with substantial decreases in earnings though development in mobile for the small and medium-sized business segment was positive. We have seen some improvements, although not at the pace we would have wished for. We have achieved solid growth in the cloud-based business market fuelled by acquisitions and have

simplified our platforms and customer approach. A clear highlight of 2017 was when we won the largest B2B contract in Denmark (public tender) with higher prices on mobile voice compared with previous contracts. In 2018, we expect continued growth in cloud solutions and generally improved trends in our Business division, and we are looking forward to welcoming about 100k new mobile customers from the public sector.

Digitalisation improves customer experience

Simplifying and digitalising our business while continuously improving coverage and quality in our networks form the basis for our continued ambition of delivering the best customer experiences across all our markets. In 2017, our customer score progressed and the percentage of customers who scored us 9 or 10 on a scale from 1-10 after being in contact with TDC Group increased from 49% to 52%. In 2017, we launched more initiatives to further improve our customer experience and customer loyalty to TDC Group. At both Business and YouSee, we chose to insource our customer support, which enables us to ensure higher quality whilst simplifying customer processes.

In late 2017, we also launched a converged offering in the form of the benefit programme 'YouSee More' for customers with two or more products. The benefit programme offers a broad catalogue of value added services. One of the benefits included is a security package. In an increasingly digitalised society, we see security as

a differentiator in the market, and our ambition is to be leaders within security in the Nordics.

We continued our simplification and digitalisation focus in 2017, and we have seen highly satisfactory results in both Denmark and Norway. By using an improved digital on-boarding flow, better self-service and generally higher quality processes, we have succeeded in reducing the number of calls to our support lines by 18%. We have also benefited from merging our two largest brands in the consumer market in Denmark in 2016. Altogether, we reduced organic operating costs by close to DKK 400m (5.5%).

On 1 February 2018 we implemented a new digital business line named 'Digital', formed with +500 developers working side-by-side with colleagues from Consumer and Business to develop superior digital customer experiences as well as innovative TV and B2B cloud offerings while driving further simplifications.

Overall, it is with satisfaction that we look back on both our financial performance and the progress of our strategic initiatives in 2017. These accomplishments were achieved through the highly competent and dedicated work of our 8,000 employees, and we believe that we can continue our success in 2018 as we prepare for the new strategy period from a much stronger basis.



“We are providing our customers with the best offerings and are on trajectory to have best-in-class customer experience”

Pernille Erenbjerg
Group CEO and President

“We are well positioned and well equipped to deliver on our ambitious financial transformation”

Pierre Danon
Chairman of the Board

2017 at a glance

TDC Group's purpose is to bring people closer together

Improvement in negative customer experiences at YouSee's online touchpoints:

11.4 % points 

Improvement in operating expenses¹:

5.5%

1. Organic opex adjusted for foreign exchange and acquisitions/divestments

Outbound data roaming traffic increased by

~500% 

EBITDA

DKKbn 8.2

Growth -2.9%

Revenue

DKKbn 20.3

Growth -3.6%

EFCF

DKKbn 2.4

Growth 17.4%

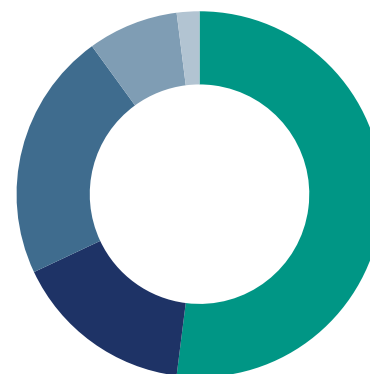
Capital expenditures

we invested DKKbn 4.5

Growth 3.1%

Share of revenue

- Consumer (DK): 52%
- Norway: 16%
- Business (DK): 22%
- Wholesale (DK): 8%
- Other operations (DK): 2%



Growth in Consumer mobility services revenue

5.1%



Key events and product launches in 2017

The key events and product launches in 2017 reflect our overall promise 'Always simpler and better'. This is delivered through three core customer promises: **better connectivity, better offerings and better customer experience** and our continuous goal of a **simplified digital operating model**



Divestment of TDC Hosting...

... completed on 31 March in continuation of our overall strategy and determination to focus on our core business



Best mobile network in Denmark for the third year

For the third year in a row, the Danish Technological Institute concluded that TDC Group has the best mobile network in Denmark



All customer support functions insourced to TDC Business Denmark...

... together with a new structured skills training programme driving significant 'first time right' improvements

Q1



Simplified digital operating model

Q2



Better connectivity



Better customer experience

Telmore and Get both won awards for the best customer service ...

... Telmore across industries in Denmark and Get among TV providers in Norway

Better customer experience



Next chapter of Get TV ...

... with the introduction of a completely new point-based channel selection menu, allowing customers to tailor their own TV packages, including integrating SVoD services with Get's TV offering

Better offerings



Roam Like at Home ...

... implemented on 15 June, and we are pleased that our customers have welcomed the option of using EU roaming at no extra charge on the best networks in the EU

Better customer experience



Key events and product launches in 2017



2017 guidance follow-up

TDC Group delivered on its 2017 financial guidance

	Guidance 2017 before sale of TDC Hosting	Updated guidance 2017 after sale of TDC Hosting	Actuals 2017
<p>TDC Group met its 2017 financial guidance on EBITDA and DPS. EFCF recorded strong growth. As shown below, this included an expected materialisation of most underlying assumptions, while the outcome of a few assumptions differed to those expected at the beginning of the year</p>	EBITDA DKKbn >8.3	EBITDA DKKbn >8.2	EBITDA DKKbn 8.24 ✓
	EFCF Stable or moderate growth	EFCF Stable or moderate growth	EFCF DKKbn 2.4 ✓ +17.4%
	DPS DKK 1.05 to be paid out in Q1 2018	DPS DKK 1.05 to be paid out in Q1 2018	DPS DKK 1.05 ✓ to be paid out in Q1 2018
Stronger than expected 	As expected 		Weaker than expected 
<ul style="list-style-type: none"> Operating expense savings across TDC Group driven by simplification initiatives as well as fewer calls to customer support Strong cash flow growth due to higher impact from <i>net working capital</i>, slightly lower tax including repayment from 2016 but partly offset by slightly higher cash flow <i>capex</i> than originally anticipated 	<ul style="list-style-type: none"> Reduced loss in Consumer landline voice gross profit following continued lower landline voice churn Negative impact from final implementation of the <i>Roam Like at Home</i> regulation Almost stable Consumer broadband gross profit Small growth in gross profit from Consumer mobility services due to higher mobile voice <i>ARPU</i> and growth in mobile broadband; Plenti acquired in 2017 with negative <i>EBITDA</i> impact in Q4 	<ul style="list-style-type: none"> Continued growth in Norway but at a lower level than in previous years due to the negative impact on Get TV from increased content costs and contained loss of customers deselecting <i>flow TV</i>. Growth in Get broadband penetration continued Intense price competition negatively impacted Business' earnings, however, underlying gross profit improved driven by a better trend in the small and medium-sized business segment. Negative impact from the sale of Hosting Minor Wholesale gross profit development with growth in primarily broadband, offset by reductions in other parts of the Group 	<ul style="list-style-type: none"> TV development weaker than expected with more customers deselecting <i>flow TV</i> than anticipated Adverse development in NOK/DKK exchange rate during 2017 negatively impacted <i>EBITDA</i>

2018 guidance

Our guidance includes expected impact from new IFRS requirements

TDC 2018 guidance is based on the assumptions listed below

EBITDA (organic development)

≥0%

(corresponding to reported DKK ~8.2bn assuming NOK/DKK exchange rate of 0.77)

EFCF

≥2.4
DKKbn

Dividend per share

1.15
DKK

(to be paid out in Q1 2019)

Group

- Organic operating expenses reduced by over DKK 300m across TDC Group driven by simplification initiatives and fewer calls to customer support
- YoY impact from *roaming* regulation fully phased in after H1 2018
- Reduced cash flow *capex* despite expected new mobile licences in 2018 with 20% upfront instalment
- Positive cash flow contribution from reduced payment to TDC Pension fund and from compensation regarding maritime services from the Danish state
- Continued *net working capital* improvement

Consumer

- TV gross profit affected by full-year impact of the higher net loss of customers during 2017 as well as a lower margin per customer
- Growth in mobility services from higher mobile voice *ARPU* and YoY organic impact from Plenti acquisition after migration to TDC Group's network
- New lower level of landline voice churn from 2017 to continue
- Increased broadband gross profit due to higher *ARPU*

Business

- Continued intense price competition in the large business segment negatively impacted earnings, but better development in the small and medium-sized business segment and positive impact from a new public contract
- New products and services, and improvement of the overall end-to-end processes assumed to have a positive impact on gross profit

Wholesale

- Gross profit increase compared with 2017 driven by higher broadband prices following *LRAIC* price increases

Norway

- Slight gross profit growth driven by broadband price increases and improvement in Business but offset by 2017 one-offs on TV
- Contained loss of TV customers

New accounting policies

- The new requirements for revenue recognition (IFRS 15) became effective from 1 January 2018. Under IFRS 15, *EBITDA* for 2017 amounted to DKK 8,228m, i.e. a negative impact of DKK 16m¹. The *EBITDA* impact for 2018 is expected to be of the same magnitude. The new standard will have no net impact on *EFCF*

¹ For further information, see note 6.7 to the consolidated financial statements

Five-year overview TDC Group

	2017	2016	2015	2014	2013
Income statements DKKm					
Revenue	20,270	21,031	21,935	21,078	21,559
Gross profit	14,969	15,627	16,458	16,062	16,365
EBITDA	8,244	8,488	9,488	9,477	9,634
Operating profit/(loss) (EBIT)	2,853	3,267	(688)	3,727	3,960
Profit/(loss) before income taxes	2,015	2,491	(1,792)	2,710	3,283
Profit/(loss) for the year from continuing operations	1,527	1,962	(2,452)	2,379	2,930
Profit/(loss) for the year	1,553	3,037	(2,384)	3,228	3,119
Income statements, excluding special items					
Operating profit (EBIT)	3,084	3,548	4,414	5,002	4,950
Profit before income taxes	2,246	2,771	3,310	3,984	4,273
Profit for the year from continuing operations	1,698	2,182	2,423	3,461	3,674
Profit for the year	1,698	2,284	2,502	3,551	3,780
Balance sheets DKKbn					
Total assets	63.2	64.3	64.6	74.4	60.4
Net interest-bearing debt	20.1	22.1	26.0	32.9	21.7
Hybrid capital	5.6	5.6	5.6	-	-
Total equity	25.2	24.2	20.4	18.6	20.4
Average number of shares outstanding (million)	802.6	802.0	801.7	800.2	798.9
Capital expenditure	(4,488)	(4,352)	(4,316)	(3,686)	(3,394)
Statements of cash flow DKKm					
Operating activities	7,213	6,828	7,547	6,980	6,674
Investing activities	(4,156)	(4,571)	(4,382)	(16,263)	(3,722)
Financing activities	(2,944)	(3,181)	(7,591)	11,896	(3,058)
Total cash flow from continuing operations	113	(924)	(4,426)	2,613	(106)
Total cash flow in discontinued operations ¹	6	2,243	37	961	305
Total cash flow	119	1,319	(4,389)	3,574	199
Equity free cash flow	2,445	2,082	3,187	3,309	3,175

		2017	2016	2015	2014	2013
Key financial ratios						
Earnings Per Share (EPS)	DKK	1.73	3.58	(2.87)	4.05	3.90
EPS from continuing operations, excl. special items	DKK	2.12	2.72	3.02	4.33	4.60
Adjusted EPS	DKK	2.56	3.27	3.76	5.23	5.23
Dividend per share for the financial year	DKK	1.05	1.00	1.00	2.50	3.70
Dividend payout (% of EFCF)	%	34.5	38.5	24.8	62.9	89.3
Gross margin	%	73.8	74.3	75.0	76.2	75.9
EBITDA margin	%	40.7	40.4	43.3	45.0	44.7
Adjusted NIBD/EBITDA ²	x	2.8	2.9	2.9	3.4	2.1
Retail RGU (Denmark)						
Mobile subscriptions	# ('000)	2,643	2,592	2,576	2,566	2,655
TV	# ('000)	1,307	1,388	1,386	1,420	1,393
Broadband	# ('000)	1,274	1,312	1,329	1,358	1,361
Landline voice	# ('000)	647	742	847	1,010	1,193
Employees						
FTE (end-of-year)	#	8,097	7,963	7,897	7,787	7,785
FTE and temps (end-of-year)	#	8,212	8,046	8,016	7,848	7,867
Customer satisfaction						
Recommend Score	Index ³	64	64	64	64	64
Other KPIs						
ESAT ⁴	Index	74	75	-	-	-
100 Mbps population coverage	%	70	67	66	65	49

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 were included for the full year 2014, the leverage ratio at year-end 2014 would be 3.1.

³ YTD average index.

⁴ Comparable figures are not available for the years 2013 to 2015 due to a change in a measurement parameter.

Did you know that ...

... TDC Business' cloud solutions offer customers unlimited access to tools such as Skype for Business and Office365, gaining 30 minutes of increased productivity a day per user

Who we are

Our business model / TDC Group and society / Our business lines and markets / Our People

Our business model

TDC Group's model comprises a range of resources and assets that enable us to develop and upgrade our infrastructure, offerings and customer service to a level from which we can consistently deliver high-quality integrated products and services to our customers and thereby create value for our stakeholders

1

Our resources and assets

Skilled employees

Our diverse and skilled workforce includes everything from technicians in the field to customer service staff and academics

Networks and brand stores

Mobile and landline networks in Denmark and Norway as well as both B2C and B2B brand stores

Partnership & suppliers

Content and IT service providers, network development and maintenance, and international connectivity

Financial capital

4

Our value creation

Best-in-class customer satisfaction

Easy access to digital integrated solutions and best entertainment in one place with the best connectivity everywhere and anytime. Including easy and user-friendly customer support

Best-in-class employee satisfaction

Motivated by attractive development opportunities, great teams and pride in working for TDC Group

Best in-class shareholder returns for capital owners



2

Our value adding activities

Better connectivity

Upgrade and build-out of landline and mobile networks in Denmark and Norway

Better offerings

Development of digital offerings, including aggregating communication solutions and entertainment

Better customer experience

Development of service and support for customers, including flexible digital self-service solutions

3

Our offerings



TDC Group and society

Our impact and contribution

TDC Group brings people closer together. We connect families and friends, and we help businesses, municipalities and the government to create value, thereby impacting on many areas of society.

We are committed to contributing to positive and sustainable development throughout society, and our most important impacts are linked to the UN's Sustainable Development Goals (SDGs).

→ Read our CSR report online ¹

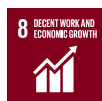


We have identified the following SDGs as the most important in relation to our impact



Digital skills

We join forces with civil society organisations to promote digital skills, digital citizenship and positive online communities, focusing especially on children and parents.



Productivity and innovation

We develop and deliver digital solutions that combined with our digital infrastructure, enable flexible work forms, higher levels of productivity and new forms of innovation.



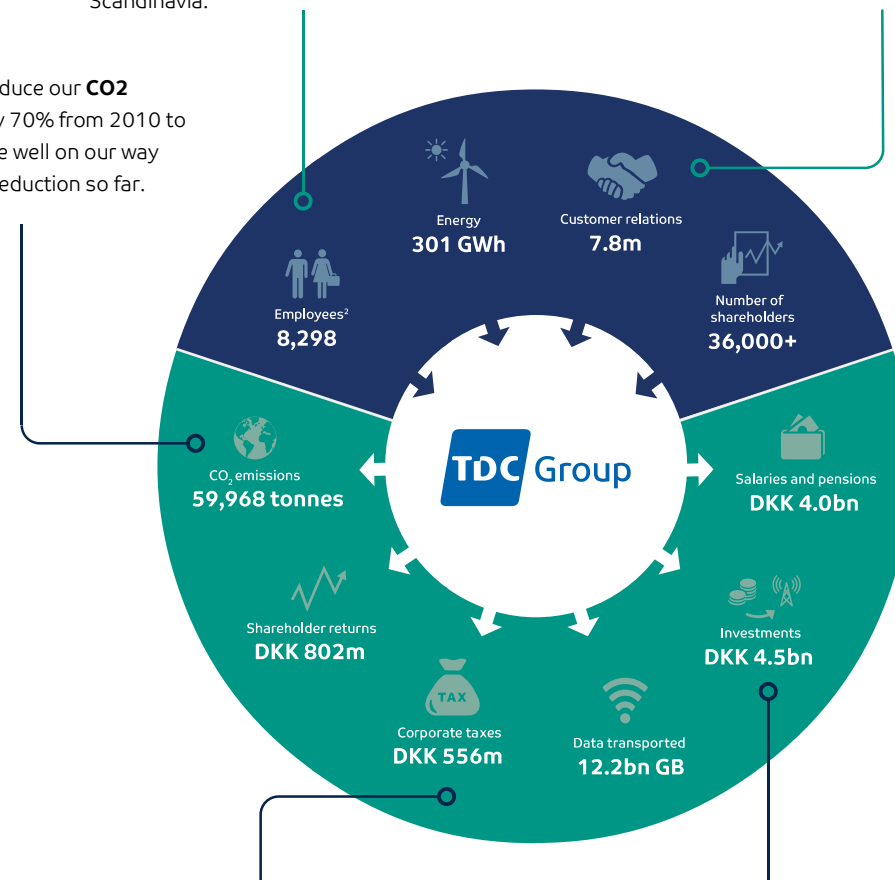
Digital infrastructure

We invest in digital infrastructure, also in rural areas, to provide access to connectivity. This supports economic development and possibilities with welfare technology in an increasingly digital world.

We are the **tenth-largest** private sector employer in Denmark and our employee job satisfaction is among the best in Scandinavia.

We have nearly **8 million** customer relations throughout society including families, businesses and the public sector.

We aim to reduce our **CO₂** emissions by 70% from 2010 to 2020 and are well on our way with a 60% reduction so far.



We are committed to responsible and transparent tax practices, and are the **tenth-largest** contributor of corporate taxes in Denmark.

We **invested DKK 4.5bn** in 2017, of which 56% was in our networks. We develop and maintain critical digital infrastructure and services on which our customers and society depend.

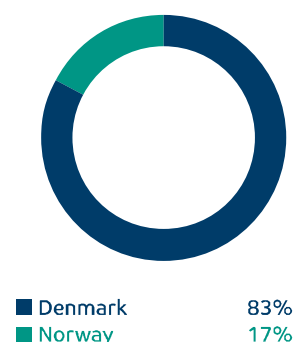
¹ Our online CSR Report constitutes TDC Group's statutory reporting on CSR in accordance with Sections 99a and 99b of the Danish Financial Statements Act.

² Number of permanent employees (headcount) as of 31 December 2017.

Our business lines and markets

TDC Group has six business lines and more than ten brands.
We operate in Denmark and Norway, where we are
no. 1 and no. 2 in the main markets¹, respectively

Share of EBITDA



Denmark

Total market shares and positions in Denmark

Mobile voice	41%
Position	no. 1
TV	56%
Position	no. 1
Internet & network	52%
Position	no. 1
Landline voice	60%
Position	no. 1

Norway

B2C market shares and positions in Norway

TV	19%
Position	no. 2
Internet & network	18%
Position	no. 2

TDC Norway

Delivers competitive pan-Nordic telecommunications solutions to business and public-sector customers



Get

Delivers TV, broadband, mobile, entertainment and smart home solutions mainly to residential customers



Consumer

Delivers mobile, TV, broadband, landline voice and entertainment through five different brands to residential customers



Business

Provides a range of telecommunications solutions, cloud-based services, IT solutions and end-to-end solutions for all types of business customers



Wholesale

Offers and resells landline voice, mobile and internet and network solutions to external partners. Wholesale also handles TDC Group's interconnect and roaming agreements



Other operations

IT development & infrastructure, networks, technicians and Headquarters managing vital support functions

Dansk Kabel TV

Headquarters



¹ Denmark within both the B2C and B2B market, and Norway with the B2C market

Our people

The best teams and relations

At TDC Group, our diverse and skilled workforce comprises everyone from technicians to customer service and academics – all creating value for our stakeholders

OurWay

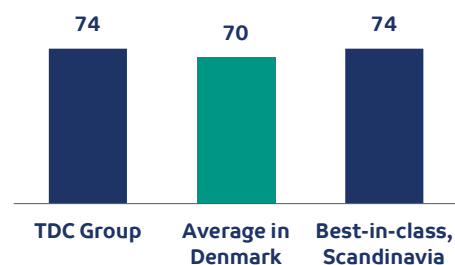
In 2017, the OurWay programme was implemented throughout TDC Group. OurWay is important for our strategy, and defines what characterises us as employees, managers and workplace. It is our guide for making the right choices when facing difficult decisions. OurWay encompasses four commitments concerning: How we think of customers first, how we work together, how we make and execute decisions. These all stem from our purpose: bringing people closer together.



The best teams and relations

In 2017, our employee satisfaction score was 74, which is 4 points above the average benchmark in Denmark and level with the best-in-class benchmark in Scandinavia. Our ambition is to remain among the best-in-class companies.

Employee satisfaction score in 2017



Diversity at TDC Group

We continue to focus on diversity by implementing several initiatives in areas such as gender diversity. In 2017, these initiatives included a network where female managers can meet and discuss the challenges they encounter.

Gender diversity in 2017



Digital skills

The digital transformation of TDC Group requires employees with more digital profiles. Ensuring digital competences is a challenge not only for TDC Group but also for many other companies. Therefore, we are actively working on strengthening our collaboration with educational institutions that teach digital competences, and remain in close dialogue with politicians regarding how to strengthen the relevant educations.

Leadership Pipeline

In 2017, we continued our focus on developing strong leaders through our 'Leadership Pipeline' programme. The next step in our leadership training will involve courses on leadership in agile organisations where the digital agenda is important.

200

leaders completed the Leadership Pipeline programme in 2017, which is ~30% of all TDC Group managers in Denmark. The target is for all our managers to complete the training by the end of 2018.

Close-up

Digital First

TDC Group invests heavily in digital development, bringing together digital talents in a new agile business line

Today, consumers expect everything to be available digitally, many consumers are shifting from flow TV to on-demand, while businesses are increasingly moving to cloud services. In 2017, TDC Group started the journey of responding to these trends by establishing a new agile operating model where cross-functional teams in joint ownership work together across the organisation. This has resulted in TDC Group significantly decreasing the time it takes to bring new innovative solutions to the market.

The new way of working has achieved such strong results that as of 1 February 2018, TDC Group has broadened the concept to accelerate the digital transformation by establishing a business line named 'Digital' with +500 developers working side-by-side with colleagues from other business lines and an investment budget in excess of DKK 700m.

"This budget is a vote of confidence and a mandate for our digital talents to develop a superior digital customer experience, and innovative offerings in TV and B2B cloud, which will keep TDC Group competitive in a fast-moving digital market," says Michael Moyell Juul, Senior Executive Vice President of TDC Group and acting

head of the new business line Digital. In parallel, our effort to simplify core systems will allow innovation to happen faster, and secure the necessary stability and quality to deliver the best offerings to customers.

With our new Digital business line, we want to promote knowledge sharing, but also retain and attract digital talents to TDC Group.

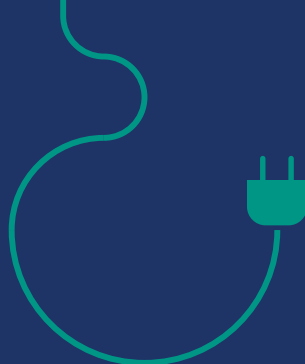
"We see this exercise as an effort to create a unique workspace where the best digital talents want to work," says Jens Aaløse, Senior Executive Vice President of TDC Group, continuing: "It's therefore also an important step in fulfilling our need to attract more IT talents."


The best solutions so far:

Onboarding solution: New customers are supported digitally from purchase to installation and the first invoice. Approximately 70-80% of our customers score the experience 5 out of 5 points.

Simplified mobile-first solution for online purchases of mobile phones and subscriptions has optimised our customer experience and sales flow.

The My YouSee (Mit YouSee) self-service app enables customers to see invoices, pay bills and buy additional products etc.





Did you know that ...

... the usage of the YouSee Film & TV app has increased by almost 50% during 2017

Our strategy

Our 2018 strategy and ambition / Strategic milestones in 2017 / Delivering on our strategy / Trends in our markets / Strategic focus in 2018

Our 2018 strategy and ambition






Our 2018 strategy 'Always simpler and better' launched in 2016, with the ambition of being the leading provider of integrated communications and entertainment solutions in our core markets

Two goals defining the success of our 2018 strategy




Best cash flow generation

EFCF
 DKKbn **≥2.4**
 2018 ambition

-  Growing mobility service and broadband in residential markets and containing TV and landline voice loss
-  Reduce cash flow capital expenditure
-  Increase digitalisation and simplification to reduce costs

Best-in-class customer satisfaction

On trajectory to be best-in-class
 2018 ambition

-  Improve reputation and brand image
-  Increase digital customer interactions and reduce incoming support and billing calls
-  Reduce negative customer experiences

Strategic milestones in 2017

Always simpler and better

Better connectivity



World-class infrastructure in our core markets is fundamental to deliver stable, high-quality and reliable services and solutions. We invest in upgrade and build-out of existing and new infrastructure while implementing new technologies and partnerships.

Strategic milestones in 2017

- Simpler and better delivery of optimal broadband infrastructure, including commercialisation of gigaspeed broadband for B2C and B2B customers in Denmark, and new partnerships with utility companies
- Again best-in-class mobile network in Denmark and launched WiFi / VoLTE calling in YouSee and TDC Business
- Increased stability and wireless user experience in Get and TDC Norway implemented through 'Broadband programme'

Better offerings



To meet our customers' different and changing need for communication and entertainment solutions, we continuously renew and innovate our offerings to stay relevant for our customers, today and tomorrow.

Strategic milestones in 2017

- Launched differentiated TV experience in YouSee and Get redefining how we watch TV
- Launched household benefit programme 'YouSee More' to benefit our most valuable YouSee customers
- Increased uptake of our standardised and integrated cloud-based collaboration offerings in TDC Business

Better customer experience



Our ambition is to deliver best-in-class customer experience by ensuring that our customers receive their services on their preferred platform driven by customer insights and digitalisation.

Strategic milestones in 2017

- Online push of customer interactions through digitalised and simplified journeys
- Differentiated self-service and app experiences with increased flexibility and transparency for our B2C and B2B customers
- Increased availability and quality in all customer service touchpoints
- All customer support functions insourced in TDC Business and YouSee

Simplified digital operating model



To deliver on our three customer promises, better connectivity, better offerings and better customer experience, stated above, we need a streamlined business and simplified digital operating model. This drives meaningful operational efficiency from our simplification processes and new ways of working across TDC Group.

Strategic milestones in 2017

- Achieved IT and platform simplification following the brand merger of TDC and YouSee and IT migrations
- Introduced digital transformation programme 'Digital First' to enhance customer experience and cost reductions
- Call reductions to Support and Billing from higher quality processes and enhanced digital customer interactions

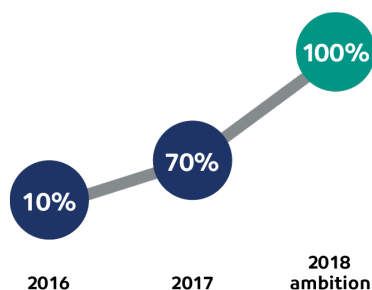
Delivering on our strategy

Better connectivity,

by continuing to deliver the best speed, quality and coverage by using our unique asset



Gigaspeed broadband upgrade in Denmark reached 70% of TDC Group's cable network in 2017, which corresponds to 19% of Danish households. The roll-out will be completed in 2018 and supports future capacity demands.



Installation of optimal broadband infrastructure at the address for broadband customers in Denmark, i.e. product sales that takes place on the access infrastructure offering the best broadband speed at the address.

82%

of broadband customers in Denmark

Best mobile network in Denmark for the third successive year underpinning our competitive advantageous position. We continue to build-out and upgrade our network to sustain our premium position in the market.



Higher broadband speeds in Norway for our customers implemented through a large-scale broadband programme to increase speed and stability, including new high-speed routers to enhance the user experience.

↑ 70%

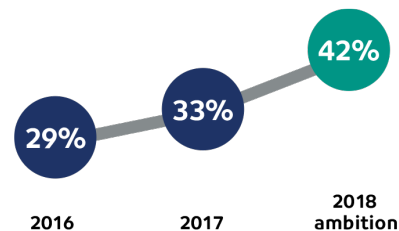
of Get customers upgraded to higher broadband speeds

Better offerings,

and entertainment by delivering relevant products and services, today and tomorrow



TV box penetration in Denmark increased to 33%, of which almost all are IP-enabled. On top +40k customers are solely using our TV app and web solutions. In 2018, YouSee will launch a 4K TV box enhancing the TV experience.

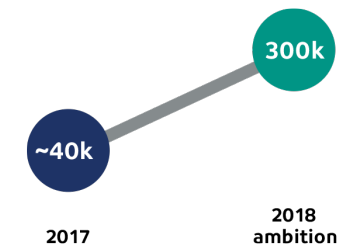


New flexible entertainment selection menu launched at Get combining traditional TV channels and SVoD services with the ability to customise TV packages as customers wish. YouSee to launch the same offering in early 2018.

>60%

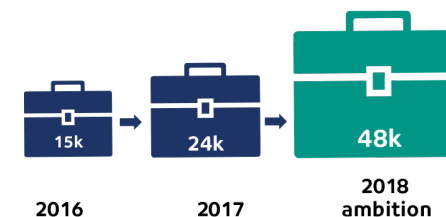
of Get TV customers used flexible selection menu

Benefit programme 'YouSee More' launched at the end of 2017 for customers with two or more products. The converged offering is expected to have a positive effect on our Danish household penetration¹.

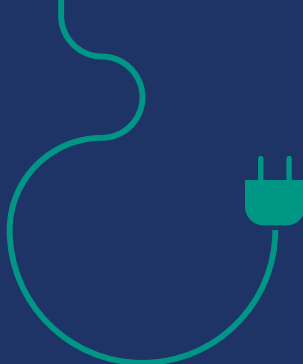


1. The number of YouSee More customers replaces the target of full households going forward

Cloud-based collaboration solution 'Skype for Business' with positive trend and TDC Business increased the number of Skype for Business seats / users by more than 70% in 2017.



Close-up – Better offerings



Unique entertainment for YouSee's and Get's TV customers

YouSee and Get have launched various measures in order to offer all TV customers much more unique and digital quality content. The plan is to introduce even more content for both Danish and Norwegian TV customers in 2018.

TDC Group will contribute to creating the content of the future, and YouSee and Get are therefore now taking on a more active role in relation to content. New partnerships, transformation of existing partnerships and completely new ways of accessing content are the way ahead for both YouSee and Get.

In spring 2017, Get launched the option of adding e.g. HBO, Premium Sport and Favourite Films (FilmFavoritter) to its TV product. From February 2018, YouSee also offers the option of mixing a unique TV product composed of both TV channels and streaming services such as HBO, Viasat Film and C More.

"Our customers are becoming increasingly digital, and we are therefore looking at how we can transform our content portfolio to offer customers many more digital options. We are doing this partly by entering into agreements with new partners, such as HBO and Netflix, but also by transforming and digitalising our existing partnerships. In the autumn, we entered into an agreement with Viacom, the owner of Paramount, so that our Danish and Norwegian TV customers can easily stream the latest films from Paramount, as well as a broad selection of classic films, and more than 800 episodes of popular TV programmes from MTV and Comedy Central," says Christian Morgan, Chief Content Officer of TDC Group.

In Denmark, YouSee has taken an extra step by introducing completely new original content productions through the recently launched YouSee Originals. The digital TV universe, ChriChriTV, is YouSee's first own content production.



One of the most popular programmes on ChriChriTV is Glamsquad, where we follow a group of Middle Eastern women challenging the traditional idea of beauty and liberating themselves from the stereotypical idea of how Muslim women in Denmark should look and behave.

Delivering on our strategy

Better customer experience,

driven by best customer insights and digitalisation



Digital customer interactions play an important role in delivering better customer experiences across all brands in TDC Group. Digitalisation is also embedded in our offerings through e.g. our future TV, entertainment and cloud offerings. Therefore, our digital channels are a key enabler for delivering better customer experiences, today and in the future.

YouSee website and self-service were popular in 2017. YouSee had more than 2 million unique website visitors and the 'Mit YouSee' self-service universe more than 500k users every month.

TELMORE self-service app makes it easy to check and top up balances, read news from Telmore, and find answers to questions.



13%
more users during 2017

Positive customer experiences increased by 3 percentage points in 2017, which was in line with our expectations. This resulted from several improvements in our customer touch points with a focus on availability, quality and the digital customer experience.

52%
scored us 9-10 on a scale
from 1-10 after being
in contact with TDC Group in 2017

Negative customer experiences decreased by 1 percentage point but did not meet our ambitions. Negative customer experiences on our digital channels in YouSee declined by 11.4 percentage points in 2017.

22%
scored us 1-5 on a scale
from 1-10 after being
in contact with TDC Group 2017

Simplified digital operating model,

to secure a streamlined business and meaningful operational efficiency



Transformation programme 'Digital First' initiated across TDC Group in 2017. The programme is centrally coordinated enabling our business lines to work in agile teams involving both IT development and business experts. The aim is to deliver customer centric experiences, while also delivering significant simplification and efficiency across the Group. 'Digital First' will be the cornerstone of our new Digital business line, which was established in early 2018.



Call reductions from improved digital on-boarding flow, better self-service and generally higher quality processes. We have succeeded in reducing the number of calls to Support and Billing.

18%
reduction in calls to Support
and Billing in 2017

Reduction in legacy IT systems through consolidating our IT platforms, where we continuously simplify and streamline our business in a meaningful way.

6%
reduction in legacy IT systems
in 2017

Close-up – Better connectivity

Denmark's largest test of hybrid broadband

By combining airborne 4G signals with the cables in the ground, YouSee is boosting broadband speeds for customers with weak connections. We call the combination of DSL and 4G hybrid broadband.

TDC Group covers most Danes with the fastest connections. But there are still places in Denmark where the broadband connection is not fast enough for the demands of a modern family. On 16 November, employees from all over TDC Group visited 250 YouSee customers to install hybrid modems and test whether hybrid broadband may solve the issue of deficient connections. An additional 250 modems were subsequently sent to customers who registered for a later test. The hybrid broadband test was carried out by employees from the entire TDC Group. One of the TDC Group employees who carried out the test was Malte Holm, Customer Experience Manager at YouSee:

"I visited a family of five. The father was busy working, and the mother was making dinner, so they had asked their teenage son to help me. The first measurement showed 4 Mbps download –

not much for a large family with several computers and TVs. The son complained about insufficient speed for gaming and schoolwork. We quickly switched modems and started up the internet. When we did the second test, it downloaded at 40 Mbps – so 10 times faster than before. The teenage son was very happy and thanked me for my help!"

The hybrid broadband test will be completed at the beginning of 2018, and YouSee expects to commercially launch hybrid broadband to customers in 2018.

"This was the biggest and most ambitious beta test we've ever held. It was a very positive day, and created great experiences for our customers"

Jaap Postma

Senior Executive Vice President at YouSee



Trends in our markets

Accelerated change in TV behaviour

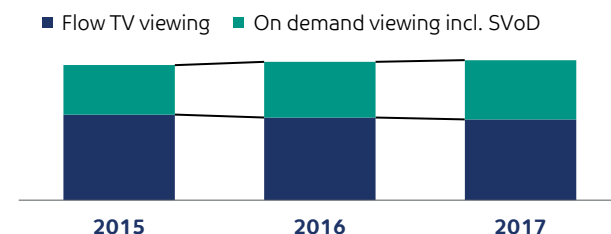


Traditional *flow TV* viewing, as we know it, is steadily declining and the deselecting of *flow TV* is happening at a faster pace than first anticipated. The trend is being pushed by new entertainment and streaming services, with *SVoD* penetration above 65% in Denmark and Norway¹, and new regulation gives the Danish individual collective home customer (*MDUs*) the option of deviating from a collective home contract.

Consumers, especially the younger generation, are switching to on-demand and internet-TV services, but traditional *flow TV* services still account for the majority of consumer spending². Consumers demand easy access to flexible entertainment solutions on the go and at home, across all platforms and devices, anywhere, anytime.

Development in on-demand and linear flow TV viewing

in active total weekly viewing hours in 2015 – 2017³



1. SVoD penetration defined as number of SVoD subscriptions per 100 homes; Ampere, January 2018
2. Agency for culture and palaces, Consumption and prices 2017, January 2018
3. Global entertainment market, Ericsson ConsumerLab TV & Media, 2017

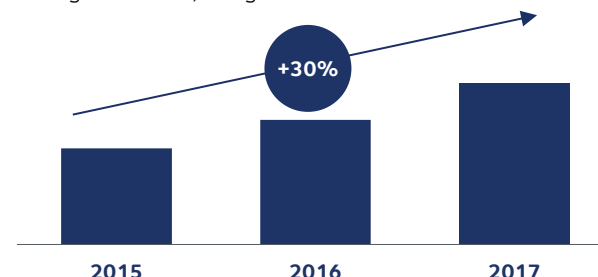
Cloud solutions and connectivity



We are experiencing increasing demand for digitalisation in businesses and public institutions to achieve productivity and efficiency gains as well as improved customer experiences. As a result, spending on cloud solutions in businesses in the Nordics is increasing, especially driven by communication, collaboration and customer engagement solutions. Businesses and public institutions are looking for partners who can help them on their digital journey in a market with diverse providers.

To deliver stable and high-quality cloud solutions, businesses are increasingly demanding stable and high-speed network. In Denmark, we have seen an increase of more than 30% in businesses with build to order high-speed *fibre* broadband from H1 2015 to H1 2017. We expect to see similar trends in the years ahead.

Spending on cloud solutions in the Nordics among businesses, YoY growth from 2015 to 2017⁴



4. IDC Semiannual Public Cloud Services Tracker, 1H 2017 Forecast Update, November 2017

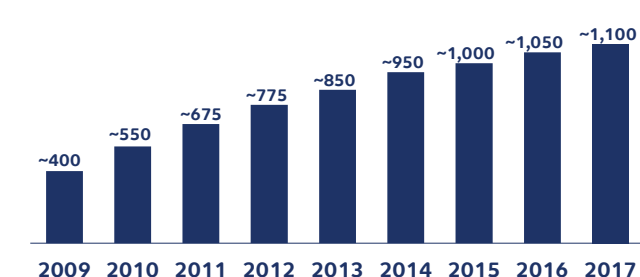
Changing broadband competitive dynamics



In the latter years we experienced a significant increase in utilities rolling out high-speed *fibre* broadband infrastructure, which has put pressure on TDC Group's DSL customer base where no high-speed *cable* infrastructure existed.

Recently, we have experienced the beginnings of a shift in the competitive dynamics in the market. The speed of *fibre* build-out from utilities has slowed down. More of our competitors, both utilities and traditional telco operators, are now also focusing on using a service-provider model on TDC Group's wholesale infrastructure, which is changing the competitive dynamics in two ways; first, delivering the best solutions on top of the infrastructure, e.g., TV is more important, and secondly, deploying 4G/hybrid solutions to DSL customers to secure a better and more future-proof broadband infrastructure for the 15% of Denmark without *fibre* or *cable*.

Development in utilities' homes passed in Denmark⁵



5. TDC Group estimate based on internal data from 2009 to Q3 2017

Strategic focus in 2018

As we embark on the third and final year of our 2018 strategy 'Always simpler and better', our strategic focus in 2018 builds on initiatives and milestones achieved in 2017. We are set up for accelerating our execution focus, continuously improving initiatives already implemented across TDC Group to deliver on our ambitions.

To meet the accelerating change in TV behaviour, we will continue to develop and improve our entertainment offerings across brands in TDC Group. In addition, we will increase household customer penetration, i.e. attract more customers with two or more products to the 'YouSee More' benefit programme as well as attracting more customers to Get Mobile and Get Smart Home in Norway. In TDC business, new cloud solutions will be launched to help digitalise businesses.

This will be supported by upgrading our landline and mobile networks to deliver best-in-class and high-quality experiences to our customers. A new 'Quality-up' network programme is expected to significantly reduce fault rates to a new low level in TDC Group.

To support simplification and digitalisation across the business, we will accelerate our digital transformation through a dedicated Digital business line to increase online interactions with our customers and launch new digital offerings while continuously improving customer satisfaction.

Always simpler and better

Better connectivity



- **Increase broadband stability and speed** in Denmark and Norway by upgrading our *cable* network, rolling out gigaspeed and utilising partnerships where relevant
- **Commercialisation of 4G/DSL hybrid broadband** to B2C DSL broadband customers in Denmark
- **Maintain best-in-class mobile network** through investments in upgrading and expanding our network in Denmark

Better offerings



- **Next generation entertainment offerings** by creating more seamless technical and commercial integrations of *flow TV* and *SVoD*
- **Increase penetration of benefit programme** 'YouSee More' in Denmark for customers with two or more products
- **Increase household penetration in Norway** by growing Get Mobile customers and launching new Get Smart Home offerings
- **Launch new cloud solutions for businesses** in Denmark and Norway, including third-party standardised cloud offerings and cloud-based connectivity solutions

Better customer experience



- **Accelerate our digital customer interactions** through simplified customer journeys via app- and web-based services
- **Launch new self-service solutions** to enhance the digital customer journey, through next generation mobile self-service apps and new personalised website in TDC Business
- **Improve availability and quality at all customer touchpoints** to enhance positive customer experiences and reduce negative experiences

Simplified digital operating model



- **Scale up and accelerate 'Digital First' across TDC Group** through new and dedicated business line to improve our customer experience, launch new digital offerings and drive simplifications
- **Expand and consolidate IT outsourcing scope** to increase flexibility and simplification while obtaining meaningful cost reductions
- **'Quality-up' network programme** to reduce fault rates to a new low level and increase the quality of customer experience

Close-up

Secure digitalisation for everyone

Digitalisation and communication technology has long been a part of our everyday lives, and enables us to work, communicate, and trade across geographical borders and boundaries. At the same time, it opens up to forces that want to harm individuals, businesses, and our critical infrastructures.

TDC Group has a security mission to protect our customers, employees, networks and the citizens of Denmark and Norway. Our ambition is to be number one within security in the Nordics and beyond, and become a trusted voice regarding this matter.

“We have the desire, ability, and obligation to be a pivotal player within cyber security. We have almost eight million customer relationships in Denmark and Norway, and we run a large part of the digital infrastructure. This gives us a responsibility and an ability to protect not only

TDC Group and our customers, but also the citizens in our markets,” says Louise Knauer, Senior Executive Vice President of Group Data, Security and Wholesale & Group Chief Data and Security Officer.

TDC Group will continue to provide the highest standards of security, and consequently, security investments and focus are top priority. As a responsible provider, TDC Group protects internet, telephony and television connections 24/7 to keep Danes and Norwegians safe. Although no organisation can guarantee it will not be breached, we can guarantee to reduce this risk to an absolute minimum as TDC Group strives to be the benchmark in the Nordics and beyond.

Some of our services

Safety is inherent in our products. For example, our central virus filters stop millions of unwanted and malicious e-mails from reaching our customers' inboxes every day.

In addition, we provide our B2C and B2B customers with a choice of products with extra security and safety features, e.g. security packages for broadband including parental controls, protection against DDoS attacks, event logging in customers' networks and servers, etc.

>700m

spam mails stopped on TDC Group's platform every month



A man with a beard, wearing a dark blue suit jacket over a light blue shirt and a grey tie, is looking down at a smartphone in his hands. He is standing on a city street at night, with blurred lights from buildings and cars in the background.

Did you know that ...

... the average mobile download on TDC Group's network is 65 Mbps – equivalent to more than 500,000 Instagram pictures every hour

Our performance

Group performance / Performance per business line / Consumer / Norway / Business / Wholesale / Other operations

Group performance

Improved EBITDA development



Stig Pastwa,
Senior Executive Vice President,
Chief Financial Officer

“

We are seeing the benefits from our efficiency initiatives and digital transformation, which has generated very strong cost savings

- Reported revenue declined due to Business and Consumer in Denmark
- Organic operating expenses decreased by DKK 394m or 5.5% driven by our efficiency initiatives and digital transformation
- Organic EBITDA declined by only 0.8% compared with 8.4% in 2016

Revenue

In 2017, TDC Group's reported revenue decreased by 3.6%, or DKK 761m, to DKK 20,270m. Adjusted for negative effects from acquisitions, divestments, regulations and foreign exchange rates (DKK 216m), organic revenue decreased by 2.6%, or DKK 545m, due mainly to intense competition facing Business and the TV and landline voice decline in Consumer in Denmark.

Gross profit

At TDC Group, reported gross profit decreased by 4.2%, or DKK 658m, to DKK 14,969m in 2017. Organic gross profit decreased by 3.0%,

or DKK 457m, driven mainly by declining revenue in Business and Consumer. The gross margin decreased from 74.3% in 2016 to 73.8% in 2017, caused by a lower margin in Get TV driven by content cost and a decline in the share of revenue from high-margin landline voice at Consumer.

Operating expenses¹

In 2017, reported operating expenses were reduced by 5.8%, or DKK 414m, to DKK 6,725m. Organic operating expenses decreased by 5.5%, or DKK 394m, stemming from the execution of strategic initiatives such as the TDC and YouSee brand merger in 2016, fewer calls to customer

Revenue
DKKm

20,270

EBITDA
DKKm

8,244

Profit for the year
DKKm

1,698

Revenue
Growth

-3.6%

EBITDA
Growth

-2.9%

Profit for
the year
Growth

-22.2%

support and process efficiency leading to *FTE* reductions across business lines with organic *FTEs* reduced by 6.7%.

EBITDA

Reported *EBITDA* declined by 2.9%, or DKK 244m, to DKK 8,244m. *Organic EBITDA* decreased by 0.8%, or DKK 64m, consisting of a DKK 129m decline in Denmark and a DKK 65m increase in Norway. Compared with the 2016 development, this improvement was driven mainly by improved *opex*.

Profit for the year

Excluding discontinued operations and special items, profit for the period decreased by 22.2% or DKK 484m reflecting higher amortisation and depreciation (DKK 220m) driven by the upgrading of the *cable* network to enable

1 gigabit broadband. Profit for the year (including discontinued operations and special items) decreased by DKK 1,484m, which was explained primarily by the gain in 2016 from the divestment of TDC Sweden (DKK 981m).

Comprehensive income

Total comprehensive income decreased by DKK 2,100m. In addition to the decline in profit for the period (DKK 1,484m), other comprehensive income decreased by DKK 616m. The DKK 616m decrease in other comprehensive income related primarily to a negative development in exchange rate adjustments of DKK 1,853m for foreign enterprises (primarily in Norway) partly offset by a positive development on defined benefit plans for Danish employees (DKK 1,249m after tax).

¹ Including other income

Group performance

Capital expenditure remained level but EFCF increased

- Capital expenditure remained level to support strategic initiatives
- Strong EFCF growth driven by improved net working capital performance and reduced interest payments
- Proceeds of DKK 491m from divesting TDC Hosting

Capex
DKKm

4,488

Capex
Growth

3.1%

EFCF
DKKm

2,445

EFCF
Growth

17.4%

Adjusted
NIBD/EBITDA

2.8x

Capital expenditure

In 2017, capital expenditure totalled DKK 4,488m, an increase of 3.1%, or DKK 136m, driven by IT development investments to digitalise the customer experience, innovate entertainment offerings and support a simplified digital operating model. Furthermore, the increase in investments was driven by the cable network upgrade to enable 1 gigabit broadband speeds for half of all Danish households and increased penetration with YouSee's TV set-top box. TDC Group is also continuing to invest in the Danish mobile network to ensure that TDC Group retains its best-in-class mobile network.

- Customer installations: 17%
- Network: 56%
- IT: 27%



Equity free cash flow

TDC Group's equity free cash flow grew by DKK 363m to DKK 2,445m in 2017 despite an EBITDA decline of DKK 244m. The positive development came from improved NWC (DKK 304m), due to the optimisation of net receivables in Get and different timing, and from reduced interest payments (DKK 255m), driven mainly by the repurchase of bonds at the end of 2016. Furthermore, cash flow related to special items (DKK 52m) contributed positively due mainly to compensation from the Danish State for the costs of providing a maritime distress and safety service in Denmark in 2010-2012. Finally, income tax paid (DKK 52m) was lower due to the EBITDA decline.




Net interest-bearing debt

Both net interest-bearing debt and adjusted net interest-bearing debt fell by DKK 2,035m during 2017 following the net cash flows from operating and investing activities including the proceeds¹ from divesting TDC Hosting (DKK 491m) partly offset by the payment of dividend (DKK 802m).

¹ After adjustment for cash and debt as well as transaction costs.

Group performance per business line in 2017

The illustration below reflects TDC Group's 2017 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 2017 performance of each business line is described on the following pages.

DKKmn/ Growth in local currency									
		Consumer	Business	Wholesale	Other operations	Denmark in total	Get	TDC Norway	Norway in total
Revenue ¹	20,270 -3.6%	10,533 -2.5%	4,521 -13.7%	1,753 +0.7%	500 +1.4%	17,185 -4.8%	2,568 +10.4%	648 -14.2%	3,202 +4.0%
Gross profit ¹	14,969 -4.2%	7,889 -3.0%	3,547 -13.0%	1,150 +1.9%	326 -1.5%	12,842 -5.0%	1,893 +2.2%	239 -4.2%	2,132 +1.4%
EBITDA	8,244 -2.9%	6,091 -2.1%	2,570 -13.2%	1,032 +6.5%	-2,828 +5.1%	6,861 -4.2%	1,292 +6.6%	91 -13.6%	1,383 +5.0%

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

Consumer

Improved EBITDA development due to mobility services and lower cost



Jaap Postma,
Senior Executive Vice President
of YouSee

“

We create loyal customers with our converged offering the ‘YouSee More’ benefit programme, where every customer can personalise their offering

Revenue
DKKm/Growth

10,533
-2.5%

Gross profit
DKKm/Growth

7,889
-3.0%

EBITDA
DKKm/Growth

6,091
-2.1%

Revenue
Share of TDC Group

52%

Employees
FTEs

2,688



- EBITDA decreased by 2.1% due to declining gross profit from landline voice and TV partly offset by cost savings
- Continued mobility services gross profit growth (3.3%). Acquisition of Plenti with 83,000 new customers for mobile services welcomed in late 2017
- All customer support functions are now anchored in TDC Group to make being a customer simpler and better
- Telmore won ‘Best customer service award 2017’

In 2017, Consumer’s EBITDA decreased by 2.1%, or DKK 130m, to DKK 6,091m. The EBITDA decline resulted primarily from customer losses in landline voice and TV, but was significantly better than in 2016 (6.8% decrease) due to a positive development in mobility services gross profit and cost savings. Operational expenses decreased by 6.0%,

or DKK 114m, triggered by the TDC and YouSee brand merger in 2016 leading to cost savings especially within marketing, and strategic initiatives driving e.g. more digital interactions with our customers, which has reduced call levels. The deconsolidation of Bet25 also reduced costs.

Our B2C brands and offerings in Denmark



Consumer

Mobility services gross profit continues to improve

Mobility services



- In 2017, we continued our revenue and gross profit growth with increases of 5.1% and 3.3%, respectively. In September, we welcomed 83k new customers from Plenti who have now been migrated to Denmark's best mobile network
- The mobile voice customer base increased by 46k in 2017, however, adjusted for Plenti, we saw a decline driven by intense competition, however this stabilised at the end of the year
- Mobile voice *ARPU* increased by DKK 4 in 2017. This improvement was driven by price increases across Consumer's brands partly offset by less billed *roaming* due to inclusion of EU *roaming* in subscriptions
- The mobile broadband customer base increased by 4k and *ARPU* increased by DKK 17 driven by the changed sales portfolio

Landline voice



- In 2017, reported revenue from landline voice decreased by 17.0%, or DKK 143m, to DKK 699m due to loss of customers and decreased *ARPU*
- The customer base decreased by 13.5%, or 67k, in 2017 and reflected a slightly smaller decline than in 2016 (-14.5%) driven by improved churn
- Landline voice *ARPU* decreased by only DKK 4 in 2017, which is a significant improvement vs. a decrease of DKK 10 in 2016. The decline was driven by lower invoiced traffic
- Gross profit decreased by only DKK 143m or 17.0% vs. DKK 233m or 21.7% in 2016 driven by improved *ARPU* development

Internet & network



- In 2017, reported revenue from internet & network decreased by 1.6%, or DKK 38m, to DKK 2,409m driven by price-aggressive competitors. Gross profit declined by DKK 34m, which is slightly more than the DKK 16m from 2016 due to a larger decrease in the customer base
- The broadband customer base decreased by 15k in 2017 due to a declining gross add level partly offset by improved churn
- Broadband *ARPU* increased by DKK 1 in 2017 due to a more favourable customer mix with more high-speed cable customers

TV



- In 2017, reported revenue from TV decreased by 3.0%, or DKK 126m, to DKK 4,131m. This development was driven mainly by loss of customers. Gross profit decreased by 3.1% driven by the revenue decrease
- The TV customer base decreased by 80k in 2017 due to customers deselecting flow TV, which is in line with the market. However, we saw an improved trend during the year from 22k in Q1 down to 17k in Q4
- TV *ARPU* increased by DKK 2 driven by growth in transactional TVoD (Blockbuster) and a flat development in subscription *ARPU* as price increases were offset by customers migrating to basic packages

Mobile voice ARPU

Mobile voice RGUs

in DKK per month

120

In 2016: 116

in ('000)

1,897

In 2016: 1,851

Landline voice ARPU

Landline voice RGUs

in DKK per month

127

In 2016: 131

in ('000)

430

In 2016: 497

Broadband ARPU

Broadband RGUs

in DKK per month

191

In 2016: 190

in ('000)

1,034

In 2016: 1,049

TV ARPU

TV RGUs

in DKK per month

258

In 2016: 256

in ('000)

1,299

In 2016: 1,379

Consumer

Strategy execution and plan going forward

Household benefit programme



By the end of 2017, YouSee introduced its converged offering; the 'YouSee More' benefit programme, which is available to all customers with a minimum of two core products and is expected to have a positive effect on our household penetration in Denmark.

The benefit programme offers a broad catalogue of value added services, including e.g. online magazines, YouSee Music and SVoD services. Customers in the programme have the flexibility to choose their own benefits and switch them if needed.

The goal is ambitious; YouSee wants to create one million happy households through increasing customer satisfaction and loyalty, ultimately driving down churn. Since the launch in Q3 2017, 22% of customers with the opportunity to enter the programme, have joined 'YouSee More'.



'YouSee More' customers ambition in 2018

Next chapter of YouSee TV



We have introduced several improvements to our TV offerings to proactively meet customers' changing TV viewing. Most importantly, we have ensured customers can reach content across platforms and provided new features and exclusive content.

In 2017, YouSee launched new exclusive content in partnership with a Danish lifestyle programme, ChriChri TV, and scripted series. This is part of our strategic focus on content and entertainment through which we will play an active role, today and in future. To deliver best-in-class digital TV experiences, in the latter part of 2017, YouSee tested a new TV box enabling 4K viewing and cloud recording, which integrates all entertainment services, including SVoD services like Netflix and HBO, in one place.

In early 2018, YouSee launches the new 4K TV box and a new flexible TV package selection menu, completely redefining how customers watch TV.



Watch high-quality 4K content including SVoD services on the new YouSee TV box

Digital customer interactions



Digitalisation plays a crucial role in our interactions with our customers, ultimately contributing to better customer service and lower call volumes.

In 2017, we introduced a new collaborative way of working across IT development and the business through our 'Digital First' transformation programme. YouSee launched a personal digital onboarding process for broadband and online booking of technician support. This reduced call volumes to customer support regarding onboarding by 22% and provided customers with more flexibility and transparency.

Telmore, once again, proved its strong digital customer focus by winning a 'Best customer service award 2017', demonstrating that digitalisation will help deliver a better customer experience and reduce churn.



Telmore was the winner of 'Best customer service award 2017'

Norway

EBITDA growth in Norway



Gunnar Evensen,
Chief Executive Officer of Norway

“

We will continue to drive innovation and deliver the best customer experience to households and businesses in the Norwegian market

- EBITDA growth of 6.6% recorded by Get in 2017
- 9k new Get broadband customers in 2017
- Successful launch of new flexible TV offering

Norway delivered *EBITDA* growth of 5.0%, or NOK 83m, to NOK 1,734m in 2017. Adjusting for different one-offs in 2016 and 2017, *EBITDA* increased by 1.6% or NOK 26m.

Get's *EBITDA* grew by 6.6%, or NOK 101m, in 2017 driven by broadband gross profit and cost savings from digitalisation and other efficiency measures. Get's broadband base increased by 9k customers leading to a stable market share development in a market where *fibre* is growing rapidly.

2017 saw the launch of a new well-received TV offering with a changed content structure to

allow premium content in basic offerings. As a first mover in the Norwegian market, HBO was included in a triple-play bundles and supported the B2C mobile customer ramp-up. We have now reached 15k mobile customers, with the base growing progressively during 2017.

On the other hand, 2017 was challenging for TDC Norway as *ARPU* pressure from price erosion in the market, and extra cost related to the separation of TDC Sweden, resulted in an *EBITDA* decline of 13.6%, or NOK 18m, to NOK 114m in 2017. Adjusted for separation cost, *EBITDA* remained relatively stable YoY.

Revenue
DKKm/Growth **3,202**
4.0%¹

Gross profit
DKKm/Growth **2,132**
1.4%¹

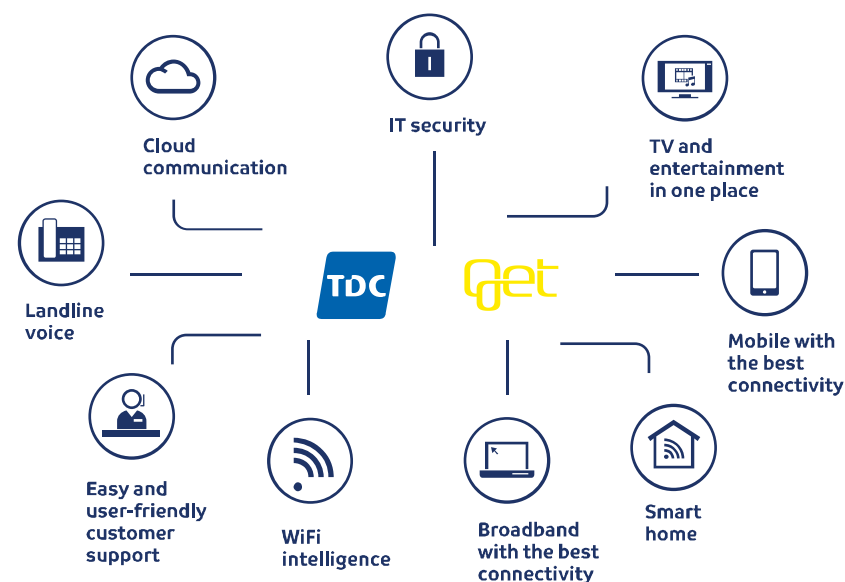
EBITDA
DKKm/Growth **1,383**
5.0%¹

Revenue
Share of TDC Group **16%**

Employees
FTEs **734**



Our B2C and B2B brands and offerings in Norway



¹ Growth rate is in local currency

Norway

Stable TV development and growth in broadband customers

TV in Get



- In 2017, Get's reported revenue from TV increased by 14.9%, or NOK 215m, to NOK 1,658m, driven by a NOK 48 *ARPU* increase following launch of major improvements to a new TV offering, but also increased content costs. The revenue increase was also affected by one-offs in 2017
- Residential TV *RGUs* decreased in 2017 as a result of increasing competition both in the *SDU* and *MDU* markets but were also affected by a contained unbundling effect of TV from broadband. The development was almost offset by increasing B2B TV subscribers resulting in a total net loss of 3k customers
- TV box penetration increased by 2 percentage points to 95% of TV subscribers

Broadband in Get



- Get's reported revenue from broadband increased by 4.2%, or NOK 46m, to NOK 1,129m in 2017 as Get successfully expanded its customer base and increased *ARPU*
- The broadband subscriber base grew by 9k with a 3-percentage-points increase in broadband penetration. Get attracted more customers with high-speed offerings and value-added services
- Broadband *ARPU* increased by NOK 2 driven by upsale to higher speeds. This was partly offset by a further increase in collective *MDU* agreements with lower *ARPU*, however, new long-term contracts have been secured.

Business



- Business in Norway comprises Get's B2B division and TDC Norway. Get targets small companies with basic broadband and TV solutions, while TDC Norway provides more advanced data communications solutions as well as mobile, TV and landline voice
- In 2017, reported revenue from Business decreased by 12.2%, or NOK 126m to NOK 904m. The revenue decline stemmed mainly from *ARPU* price pressure. This revenue decline resulted from a new strategy focusing on segment and product concepts that lead to healthier margins. Gross margins improved during 2017 in line with this strategy

TV ARPU

in NOK per month

330

In 2016: 282

TV RGUs

in ('000)

428

In 2016: 431

Broadband ARPU

in NOK per month

257

In 2016: 255

Broadband RGUs

in ('000)

371

In 2016: 362

Norway

Strategy execution and plan going forward

Broadband customer experience



In 2017, Get has improved the broadband customer experience through a significantly boosting speed and upgrading a large portion of customers' wireless routers to next generation equipment.

Due to higher demand for broadband speed and capacity, Get continued to upgrade its existing hybrid-fibre network in 2017. Get also initiated a test of gigaspeed broadband and raised a large portion of the customer base to higher broadband speeds through targeted campaigns. The average download speed in Get's customer base increased by 15% enabling high quality video consumption.

In 2018, Get will accelerate the upgrade of customers' wireless networks to further boost the overall customer experience, and will begin rolling out gigaspeed broadband commercially in Norway. Get will also improve its broadband portfolio of value added services.

New high-speed wireless router in Get

73k ↑

Get customers upgraded to new wireless router

Next chapter of Get TV



Get offers the best and most flexible TV and entertainment offering in the Norwegian market, and we are continuously improving our offerings to meet customers changing demand.

In 2017, we introduced a new TV offering with a highly flexible point-based selection menu, which allows customers to create their own TV package. The new TV offering has been well-received and more than 60% of Get's TV customers have used the flexible TV-selection menu.

In addition, we significantly improved the content in the basic TV package with new on-demand streaming services, such as HBO Nordic and Paramount+ as well as Premium sports. This gives our customers a unique opportunity to gather all TV and streaming services at Get, accessible across all platforms, both at home and on the go.

New flexible TV selection menu in Get



of Get TV customers used flexible TV selection menu in 2017

Get Mobile and Smart Home



Get's ambition is to give customers the best user experience by delivering a broad range of user-friendly and integrated digital services. In addition to broadband and entertainment services this will also include various smart-homes initiatives.

The 'Get Safe' fire alarm systems for collective homes is the first step on this journey. Going forward, we will expand to other relevant services to increase customer satisfaction, reduce churn and drive positive ARPU development.

In 2016, Get launched 'Get mobile', which is an important initiative to give customers a seamless and multi-product integrated user experience, both at home and on the go. In December 2017, Get's mobile product was recognised as the best product for customers in Norway with high-data usage.

Get Mobile customers



mobile voice subscribers after roll-out to existing Get customers in first phase

Business

Improved EBITDA development in 2017



Marina Lønning,
Senior Executive Vice President
of Business

“

We are determined to help Danish companies on their digitalisation journey through integrated and innovative solutions within communications and collaboration

- EBITDA decreased by 13.2% in 2017; organic EBITDA decreased 11.2%
- TDC Business was awarded the largest B2B contract in Denmark covering most of local authorities in Denmark and the central government with full financial effect from 2019
- Divestment of TDC Hosting completed on 31 March 2017
- Better customer experience with improvements in both positive and negative customer experiences

Business' financial performance in 2017 continued to decline with an *EBITDA* loss of 13.2%, or DKK 392m, to DKK 2,570m, driven by continued intense competition across segments and products. However, *organic EBITDA* declined by 11.2% showing a continued underlying improvement in Business.

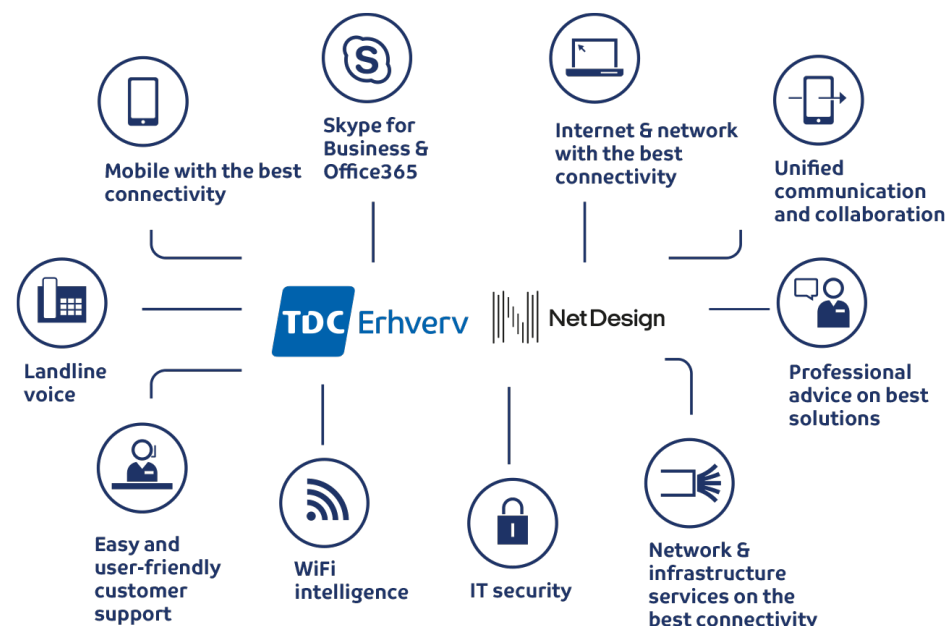
As a consequence of the decreased performance in Business, a new plan was introduced in 2017 including organisational changes as well as re-branding of NetDesign with a strong and differentiated profile with new updated services and concepts for our customers.

Revenue DKKm/Growth	4,521 -13.7%
Gross profit DKKm/Growth	3,547 -13.0%
EBITDA DKKm/Growth	2,570 -13.2%

Revenue Share of TDC Group	22%
Employees FTEs	1,077



Our B2B brands and offerings in Denmark



Business

Improved development across products despite continued intense competition

Mobility services



- In 2017, reported revenue from mobility services in Business declined by 7.1%, or DKK 89m, to DKK 1,165m driven by *ARPU*. However, this decrease in revenue is better than the 9.8% decrease in 2016
- Mobile voice *ARPU* decreased by DKK 10 or 8.4% YoY, driven mainly by increased EU *roaming* regulation and intense competition in the large business segment. The *ARPU* in the small and medium-sized business segment has, however, stabilised in 2017
- The mobile voice customer base increased by 5k YoY. The development reflects intake in the small and medium-sized business segment offsetting the loss of large business contracts in 2016 with customers churning in 2017

Landline voice



- Reported revenue from landline voice in Business declined by 11.8%, or DKK 101m, to DKK 753m in 2017. This was driven by a 10.7% decline in the customer base as well as a DKK 13 *ARPU* decline
- The *ARPU* decline was triggered by churn of high-*ARPU* legacy customers across segments. This reflects the declining market for landline voice

Internet & network



- In 2017, Business' reported revenue from internet & network decreased by 19.5%, or DKK 355m, to DKK 1,464m. This was driven mainly by the divestment of TDC Hosting (DKK 303m) and from transferring the alarm network business area from TDC Business to Other operations from Q3 2016
- Revenue from broadband was affected by a declining customer base with a net loss of 23k broadband customers YoY across segments. This was offset by an *ARPU* increase of DKK 12 or 4.6% YoY, driven by the large business segment due to loss of low-*ARPU* customers as well as conversion of customers to higher speeds
- The competitive market situation for *fibre* continued in 2017 resulting in a flat customer base development YoY, this put ongoing pressure on Business' market share in a growing market

Other services



- Reported revenue from other services declined by 13.3% or DKK 175m to DKK 1,139m. This was due mainly to a NetDesign revenue decline driven by lower service and product sales. This was partly offset by higher sales of mobile handsets

Mobile voice ARPU

Mobile voice RGUs

in DKK per month

109

In 2016: 119

in ('000)

746

In 2016: 741

Landline voice ARPU

Landline voice RGUs

in DKK per month

297

In 2016: 310

in ('000)

201

In 2016: 225

Broadband ARPU

Broadband RGUs

in DKK per month

271

In 2016: 259

in ('000)

161

In 2016: 184

Business

Strategy execution and plan going forward

Commercial steering stabilising prices

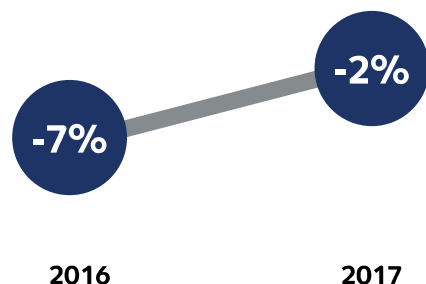


We are experiencing continued fierce competition in the Danish B2B market across all segments and products with intense price competition. In TDC Business, we are focusing on commercial goals to steer the business with strong intake management and on renegotiating *ARPU* to stabilise the development and enhance profitability.

In 2017, we started to see the first results from our strategy with a positive trend in *ARPU* in the small and medium-sized business segment compared with previous years. In addition, TDC Business was awarded the largest B2B contract in Denmark with higher prices on mobile voice compared with previous contracts.

To continue the positive trend, our ambition in the large business segment is to turnaround the negative trend in renegotiation *ARPU* through continuously developing and renewing our offerings to deliver best-in-class digital solutions to businesses and public institutions.

Improved mobile voice *ARPU* development in small and medium-sized business segment
with decrease in *ARPU* from ~7% in 2016 to ~2% in 2017



Cloud solutions



TDC Business is supporting the digitalisation journey in Danish businesses through innovative cloud communication and collaboration solutions. With a growing cloud-based business in Skype for Business and Office 365, we help companies become agile and flexible workplaces. TDC Business has been recognised for its efforts and was awarded the title of 'Microsoft Modern Workplace Partner' in 2017.

We focus on delivering end-to-end solutions to businesses, through integrated operator and cloud solutions that enable smarter functionalities and ease of use for our customers.

Further, we introduced a 'Cloud Academy' focused on adopting the services implemented among our business customers. This is expected to enhance stickiness, reduce churn and create new value streams in the future.

TDC Business cloud-based solutions

 Skype for Business

67% 

Development in 'Skype for Business' users in 2017

Digital customer journeys



Efficient and simple digital customer journeys are a key priority for delivering better customer experiences to our business customers. TDC Business has initiated its digitalisation journey with 'Digital First', which will ensure agile and customer-centric product and service development.

In 2017, TDC Business took the first steps on this journey by launching a new online sales flow of mobile subscriptions, including a customised online sales guide to help customers with the decision process.

We will continue to enhance digital customer journeys through in-house development of new customer self-service features and a new personalised TDC Business website to reduce service and sales related calls going forward. In 2018, the ambition is to increase self-service transactions by 20%.

Increase in positive experiences on digital customer channels in TDC Business

17   **%-points** 

from January 2017 to December 2017

Wholesale

EBITDA increase driven by broadband and cost reductions



Louise Knauer,
Senior Executive Vice President of Group
Data, Security and Wholesale & Group Chief
Data and Security Officer

“

We offer a comprehensive portfolio of innovative and scalable telecommunications solutions to our wholesale customers

- EBITDA increased by 6.5% or DKK 63m in 2017
- Operating expenses reduced by 26.3% or DKK 42m
- 21k new wholesale broadband customers

In 2017, reported *EBITDA* in Wholesale grew by DKK 63m, or 6.5%, to DKK 1,032m. This was driven mainly by gross profit growth on internet & network and landline voice but was to some degree offset by falling gross profit on mobility services. Further, significant cost reductions were achieved following renegotiation of supplier agreements and *FTE* reductions.

Wholesale's strategic focus is to move the portfolio from simple-access products to more value-based products. The internet & network product mix has successfully changed with more customers moving towards high-margin products, resulting in a gross profit increase of 2.4%, or DKK 15m.

Mobility services gross profit decreased by 1.9% or DKK 6m. This was driven by costs related to roaming, as the EU *roaming* regulation is now fully implemented.

In 2017, 35% of Wholesale's revenue fell under public regulation, which affected several products in terms of prices and services. In Denmark, internet, mobility services and landline voice is partly regulated by the authorities, through the *LRAIC* model. In the international wholesale business, *roaming* is regulated by the EU. In 2018, the *LRAIC* prices for broadband will increase, which is expected to positively affect broadband gross profit.

Revenue
DKKm/Growth

1,753
0.7%

Gross profit
DKKm/Growth

1,150
1.9%

EBITDA
DKKm/Growth

1,032
6.5%

Revenue
Share of TDC Group

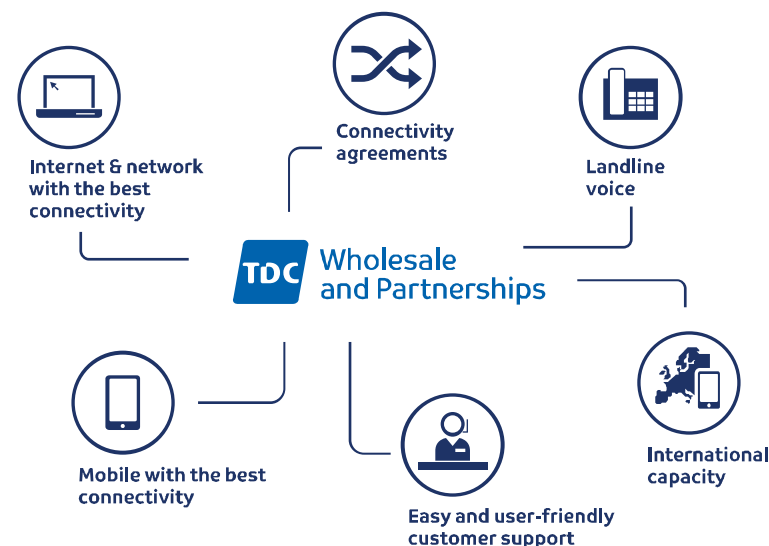
8%

Employees
FTEs

126



Our wholesale offerings



Wholesale

Customer progress on broadband

Mobility services



- Reported revenue from mobility services increased by 4.6%, or DKK 25m, to DKK 574m in 2017. This was driven partly by increasing revenue from new customers, growth in *ARPU* and partly by interconnect and *roaming*
- Reported gross profit from mobility services decreased by 1.9%, or DKK 6m, to DKK 318m in 2017. Gross profit from *interconnection* and *MVNO* increased. However, this was more than offset by expenses related to *roaming*
- Mobile voice *ARPU* increased by DKK 1 because of a favourable change in customer mix
- Mobile voice subscriptions increased by 16k driven by increased customer intake among existing wholesale customers

Landline voice



- Reported revenue from landline voice decreased by 19.4%, or DKK 48m, to DKK 200m in 2017, stemming primarily from falling *interconnection* and a decrease in *service provider* customers
- The 14k decrease in *service provider* customers was in line with the loss in 2016 and was due to the continuous decline in the overall landline voice market
- *ARPU* decreased by DKK 4 driven by regulation of subscriptions in H2 2017

Internet & network



- Reported revenue from internet & network increased by 4.8%, or DKK 36m, to DKK 786m in 2017. This stemmed from an increase in broadband and capacity revenue
- The broadband customer base increased by 21k driven by new wholesale customers' uptake of *cable* customers but at the expense of a similar loss of ULL customers
- *ARPU* decreased by DKK 1 due to a changed customer mix with fewer high-*ARPU* low-margin customers

Mobile voice ARPU

in DKK per month

69

In 2016: 68

Mobile voice RGUs

in ('000)

203

In 2016: 187

Landline voice ARPU

in DKK per month

69

In 2016: 73

Landline voice RGUs

in ('000)

124

In 2016: 138

Broadband ARPU

in DKK per month

103

In 2016: 104

Broadband RGUs

in ('000)

205

In 2016: 184

Other operations

EBITDA improved following cost reductions



Andreas Pfisterer,
Senior Executive Vice President of
Operations & Chief Technology and
Information Officer

“

We aim to deliver stable, high-quality and reliable services and solutions in a cost-effective manner that always exceeds customer expectations

- EBITDA improved by 5.1% following cost reductions stemming from higher efficiency and productivity improvements
- Transformational journey within IT and field force initiated to secure stable, high-quality and reliable services and solutions
- Our ambition is to be number one within security in Northern Europe and become a sustainable voice in this context

In 2017, the focus at Operations was to deliver stable, high-quality and reliable services and solutions while improving efficiency and optimising productivity. By these means, Operations improved *EBITDA* by 5.1%, or DKK 151m, to DKK -2,828m, with cost savings of 4.7% as the main driver. Cost savings were achieved through initiatives executed in late 2016 and during 2017, including renegotiation of several service contracts as well as *FTE* reductions of 4.5%. Reductions in *FTEs* were possible e.g. as time spent on fault handling at

customer premises was reduced by 9.2% providing customers with an improved experience. This improvement was achieved based on a continued high focus on optimising core processes, initiatives regarding planning and dispatch, and from intensive work on performance management. The positive development in costs was partly outweighed by centralising all finance departments in Q2 2017 (neutral at Group level) and the expansion of Group Security.

Revenue
DKKm/Growth

500
1.4%

Gross profit
DKKm/Growth

326
-1.5%

EBITDA
DKKm/Growth

-2,828
5.1%

Revenue
Share of TDC Group

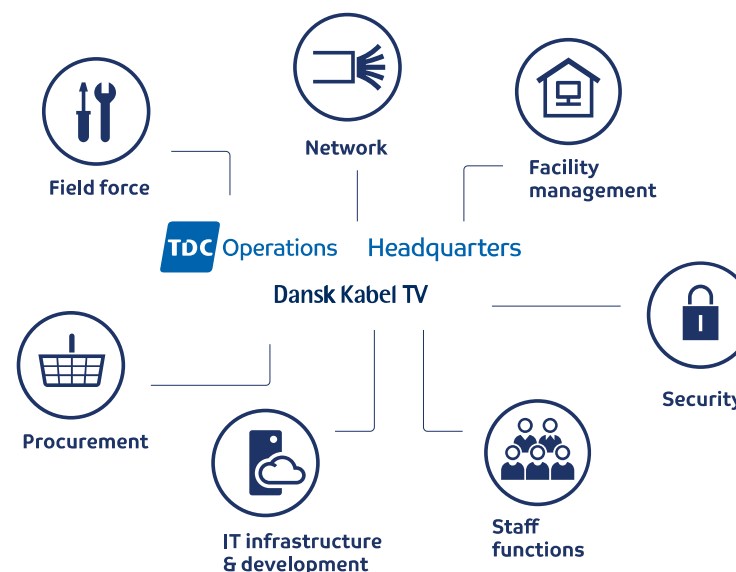
2%

Employees
FTEs

3,472



Support functions for the commercial business lines



Other operations

Strategy execution and plan going forward

Improving connectivity for all Danes

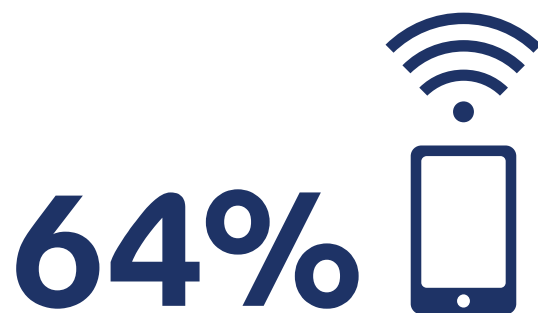


Operations plays a strategically important role in improving connectivity for both our B2C and B2B customers through upgrading existing infrastructure and deploying new technologies.

For the third successive year, TDC Group was awarded the title of best mobile network in Denmark, underpinning our competitive advantage in the mobile market. Further, we introduced VoLTE / WiFi calling to improve indoor connectivity. In 2018, the Danish Energy Agency will hold spectrum auctions for the 700, 900 and 2300 MHz bands and TDC Group will participate.

In 2017, we also took the first steps towards launching the next generation 4G/DSL hybrid broadband to ensure good broadband coverage in rural areas and to increase the lifetime of the DSL customer base. We expect to commercially launch the technology in YouSee in 2018.

VoLTE / WiFi calling to enhance indoor coverage



of mobile voice calls on VoLTE / WiFi network enabled devices year-end 2017

Field force supporting the business



Our field force supports our businesses with delivering on their goals and customer promises. Our ambition is to have the best and most efficient field force in Denmark.

With more than 900 specialised technicians, our field force handle everything from customer installations, to fault handling, network building and service. In 2017, altogether our technicians visited our customers in person a total of more than 1,200 times per day, and are an important asset to deliver on our customer promises.

To utilise our in-house field force and enhance the customer experience, in 2018 we will introduce a transformation programme for our technicians, which is focused on enhancing service, improving overall quality in our deliverables to the customers and driving efficiency in fulfilling the tasks.



handling everything from customer installations, fault handling to network building and service

Simplification and quality programmes



To secure a streamlined operating model, TDC Group is reducing the number of IT systems to simplify processes and reduce complexity throughout the organisation. In 2017, we reduced the number of legacy IT systems by 6%, and going forward we will expand and consolidate our IT outsourcing scope.

We saw the first results from dividing the IT operations into development of new platforms and day-to-day other operations. The development of new platforms is part of our 'Digital First' programme, which work across IT development and the business to increase agility, reduce time-to-market and drive down opex.

Further, Operations launched a new 'Quality-up' programme focused on bringing technical fault rates to a new low level in TDC Group. This is expected to further increase customer satisfaction and reduce opex.

'Quality-up' programme to reduce technical fault rates to a new low level and enhance the TDC Group's customer experience



technical fault rate reduction in 2018

Did you know that ...

... every day, more than 900
TDC Group branded cars drive the
equivalent of twice around the earth

Risk management

Risk assessment / Six key risks

Risk assessment

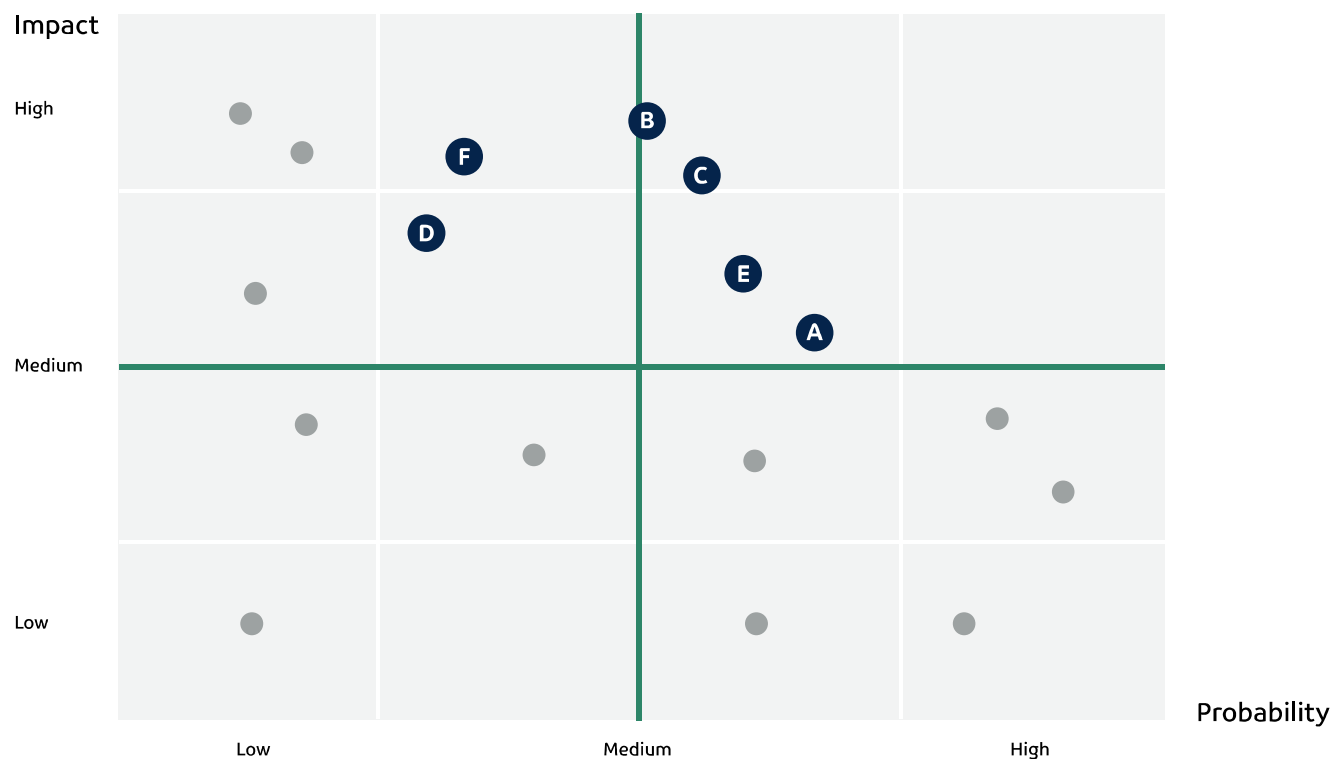
Risk assessment

TDC Group faces both internal risks such as operational risks and external risks such as market risks. Also, TDC Group focuses on risks in the short, medium as well as long term. The heat map and following pages describe short-term and medium-term risks. TDC Group has identified one risk that could influence long-term growth where 'TDC Group is reduced to only supplying infrastructure'. However, strategic initiatives focus on mitigating this risk.

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, 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.

See also the notes to the consolidated financial statements. Note 3.6 on provisions, note 3.8 on pension obligations, note 4.3 on financial risk disclosures and note 6.5 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.

Risks that may impact TDC Group's future cash flow



Key risks – detailed description on next page

- | | | |
|---------------------------------------|---|--|
| A Change in consumer behaviour | C Productivity & efficiency improvements | E Political & macro-economic impacts |
| B Competitor behaviour | D Network errors & cyber attacks | F Reputation & attracting the right competences |

Six key risks

Change in consumer behaviour



Description: TV consumer behaviour in our markets changes faster in favour of more flexible viewing leading to customers deselecting flow TV, migration to cheaper price plans, reduced *ARPU* and further pressure on profits. Content owners are changing their business models selling directly to the end customers and increasingly taking over the role of aggregating content and leaving TDC Group as a pure distribution company

Impact in 2017: Materialised. Accelerated trend during 2017 of customers deselecting flow TV, pressure on *ARPU* due to customers migrating to cheaper price plans and higher-than-expected content costs in Norway. This was partly compensated for by increased TV pricing and one-offs

Potential impact: Accelerating pressure from *OTT* suppliers and customers terminating TV subscriptions will exert pressure on *ARPU* levels and net adds

Mitigation initiatives

- Improving customer experience with Next Generation TV including flexible TV packages with *SVoD* services and exclusive content where the TV universe is expanded to entertainment in a broader perspective
- TV set-top box is more convenient for customers and improves the user experience
- Introduction of benefit programmes to reduce churn and continuously focus on household value

Competitor behaviour



Description: The competitive landscape accelerates with renewed irrational price competition within mobile. In the B2B and wholesale market, prices are set closer and closer to the marginal costs resulting in TDC Group failing to execute sustainable pricing. Further, the penetration of new competitors with convergent products increases competition more in the B2B segment. Aggressive bidding behaviour from competitors in the mobile spectrum auction could negatively affect TDC Group's cash flow

Impact in 2017: Partly materialised. TDC Group succeeded in improving the trend in the Danish mobile market (B2C) with increasing low-end prices. However, intense price competition continued in the B2B segment, which pressured *ARPU* downwards. *Roaming* volumes across B2C and B2B developed as expected

Potential impact: Increased competition with a continued price pressure including new competitors resulting in TDC Group failing to execute sustainable pricing in the B2C mobile and B2B markets. High mobile spectrum price pressure on cash flow

Mitigation initiatives

- Focus on premium mobile products including the best mobile network in Denmark to retain and attract customers
- Continued focus on household solutions including 'YouSee More' used as a closing offer to attract mobile customers
- Further B2B differentiation with a Nordic cloud position
- Comprehensive plan established for the 2018 multi-band spectrum auction

Productivity & efficiency improvements



Description: Challenged productivity and efficiency improvements due to TDC Group falling short of digital ambitions, lower utilisation of technicians, lack of productivity on field force tasks and unsuccessful automatisisation of tasks

Impact in 2017: Not materialised. Efficiency improvements with organic cost savings were better than expected (5.5% YoY) and the successful reduction in the number of calls to customer support (down by 18% YoY)

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

Mitigation initiatives

- Digital First execution driven through a future-proof digitalisation platform
- Optimisation programme initiated at call centre, including educating all managers in work processes
- Initiatives to transfer calls to self-services and removal of non-value calls through first-time-right policy
- Implementing a robust and fast field force change process with rigorous follow-up on implementation

Six key risks

Network errors & cyber attacks



Description: More frequent network breakdowns during live events, TDC Group's legacy IT systems cannot match the functionality or speed of newer IT software held by competitors. And continuously increasing threats of cyber attacks towards TDC Group

Impact in 2017: Partly materialised. Few network breakdowns during popular live sports events negatively affected our customer experience

Potential impact: Instability in TDC Group network and IT systems as well as effects from cyber attacks will negatively affect customer experience and reputation, which will put further pressure on profits

Mitigation initiatives

- Security as a differentiator by continuously providing the highest standards of security to keep Danes and Norwegians safe
- TDC Group's Security Operations Centre continues to receive threat intelligence through monitoring systems, research and proactive testing
- Stabilise and build out current IT foundation that enables IT of the future
- Ongoing and strict security processes with our IT vendors

Political & macro-economic impacts



Description: New or updated regulation or legislation that leads to reduced sector profit and reduced incentive to invest. Unfavourable development in NOK/DKK exchange rate and increasing yields on financing leading to higher financing costs when refinancing

Impact in 2017: Not materialised. In 2017, as expected TDC Group was negatively affected by regulation on roaming, which was partly outweighed by price increases. The NOK/DKK exchange rate was at the lowest level in 40 years, which insignificantly impacted on cash flow due to hedging

Potential impact: Increased level of regulation and slowdown in macro-economic development. Increased financing costs when refinancing and establishing new financing

Mitigation initiatives

- Proactive dialogue with stakeholders, politicians and regulators
- PR & relevant statements from CMT spokespersons about TDC Group's investments and community responsibility
- Hedging of the NOK/DKK exposure

Reputation & attracting the right competences



Description: Pressure on our reputation influences our ability to attract and retain customers and employees as well as our dialogue with political decision makers. Especially attracting or retaining the appropriate and qualified competences within IT and technology is challenged

Impact in 2017: Partly materialised. YouSee's reputation was negatively impacted in the beginning of 2017 due to the breach on New Year's Eve in 2016. However, reputation and brand perception has been recouped during the year

Potential impact: Negative effects on our reputation from instability and breakdowns in our network as well as payment structure and increased pressure on our customer service leading to negative customer experiences and difficulties in attracting and retaining customers and the right competences

Mitigation initiatives

- Continued focus on best customer experience and delivering stable, high-quality and reliable services and solutions
- Reputation strategy launched on 1 January 2018 with a digital focus on children, the elderly, and rural areas
- Strengthen our corporation with educational institutions within the critical competences
- Close dialogue with politicians to strengthen the relevant educations



Did you know that ...

... together with the children's charity Børns Vilkår, TDC Group provides parents with valuable advice on helping children to adopt a healthy approach to digital communities

Corporate matters

Shareholder information / Corporate governance / Management / Remuneration

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 36,000 shareholders at year-end 2017.

TDC has been informed by the T. Rowe Price Group that they hold 5.0%¹ of TDC A/S' ordinary shares and voting rights.

The TDC share

TDC's share price rose from DKK 36.26 at 31 December 2016 to DKK 38.13 at 31 December 2017, an increase of 5.16% or 8.06% if reinvested dividends are included. In comparison, the OMXC20 CAP index rose by 14.69%, while the Stoxx Europe 600 Telecommunication index (SXKP) rose by 0.67% both including reinvested dividends.

Dividend for 2017-2018

TDC's 2017 guidance reflects a dividend payment for the financial year 2017 of DKK 1.05 per share, which is expected to be distributed in March 2018 following approval at the Annual General Meeting.

For the financial year 2018, the Board of Directors expects to recommend a dividend of DKK 1.15 per outstanding share, which will be distributed in the first quarter of 2019.

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 buybacks.

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 2017, TDC held 9,299,380 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.

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 18 March 2019, 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 2017

- DK: 9%
- US: 39%
- UK: 17%
- Other: 35%



¹ I.e. more than 5%. See also announcement of 10 April 2017.

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
LEI code	529900N96EOVRB114D28

Investor Relations website

The Company's Investor Relations site investor.tdc.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
 Tegholmegade 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:

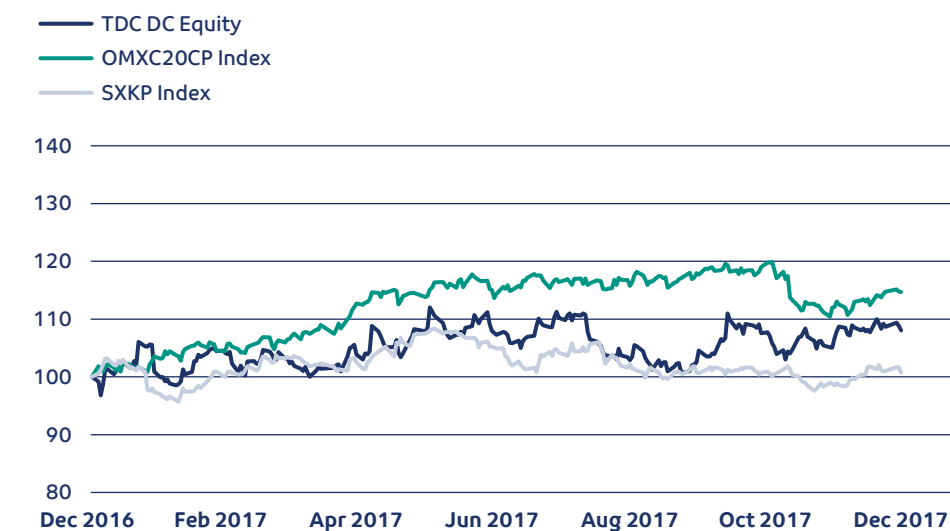
Computershare
 Kongevejen 418
 DK-2840 Holte
 Denmark
 Tel: +45 45 46 09 99
computershare.dk

Financial calendar 2018 (extract)

8 March	Annual General Meeting
3 May	Interim financial statements Q1 2018
18 July	Interim financial statements Q2 2018
31 October	Interim financial statements Q3 2018
31 December	End of financial year 2018

TDC Group share

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Corporate governance

We work proactively with corporate governance and aim to provide transparency for our stakeholders and ensure long term value creation

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 cf. section 107b of the Danish Financial Statements Act. TDC’s Corporate Governance 2017 statement is based on the CCG’s recommendations from May 2013 (updated in November 2014). Revised recommendations from the CCG were announced in November 2017, valid from financial years with effect from 1 January 2018 or later. The recommendations are available on the CCG website at www.corporategovernance.dk.

TDC’s focus on corporate governance compliance is clearly reflected in our compliance with 45 of the 47 numbered recommendations and partial compliance with the remaining two recommendations. The Corporate Governance statement further describes whether and how we comply with or derogate from the 47 recommendations and is available at tdcgroup.com/en/who-we-are/corporate-governance.

Our governance model

In accordance with Danish legislation, TDC has a two-tier management structure consisting of the Board of Directors and the Executive Committee, with no individual being a member of both. The Board of Directors is responsible for the overall management of the company and for appointing a competent Executive Committee. The Executive Committee is responsible for the day-to-day management of the company. The responsibilities and duties between the Board of Directors and the Executive Committee are clearly outlined and described in the Rules of Procedure for the Board of Directors and the Rules of Procedure for the Executive Committee.

TDC’s shareholders have ultimate authority for the company and exercise their rights at the Annual General Meeting, where they appoint the Board of Directors and independent auditor, and approve the annual report, for example.

Rules on governance, including share capital, general meetings, shareholder decisions, election of members to the Board of Directors, Board meetings etc. are described in the Article of Associations, which are available at <https://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 members elected by the General Meeting are up for election every year and may be re-elected.

Pursuant to Danish legislation, TDC employees are entitled to representation on the Company’s Board of Directors in the form of employee-elected board members equivalent to half of the total number of board members elected at the General Meeting. The employee-elected board members are elected for a four-year period, and have the same rights, obligations and responsibilities as the board members elected by the General Meeting. The current employee representatives were elected to the Board of Directors in 2016 and their period will expire in 2020.

TDC’s Board of Directors seeks to recruit board members with a diversified range of mutually complementary competences. The Board of Directors believes that diversity in general, including diversity in relation to age, nationality and professional background, strengthens the Board, thus this is reflected in TDC’s Board of Directors composition.

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, 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 43% and 57%, respectively, in 2017.

TDC has a “Policy for the under-represented gender” applicable at management levels below the Executive Committee, cf. our CSR Report 2017 which is available at tdcgroup.com/csr-report2017. By the end of 2017 female leaders amounted to 22% of all leaders (at management levels below the Board of Directors and the Executive Committee).

In 2017, as in recent years and with external assistance, the Board of Directors formally evaluated its performance. The purpose 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

Corporate governance

Company. 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.

In 2017, the Board of Directors held 7 ordinary meetings, with an overall attendance rate of 96%.

Board committees

The Board of Directors has established three committees to supervise certain fields and prepare cases to be decided on subsequently by the Board of Directors; Audit Committee, Nomination Committee and Compensation Committee. Further information about the Board committees and the committee mandates and charters are available at tdcgroup.com/en/who-we-are/corporate-governance/committees.

In 2017, the Audit Committee held 3 ordinary meetings, with an overall attendance rate of 89%.

In 2017 the Nomination Committee held 5 ordinary meetings, with an overall attendance rate of 100%.

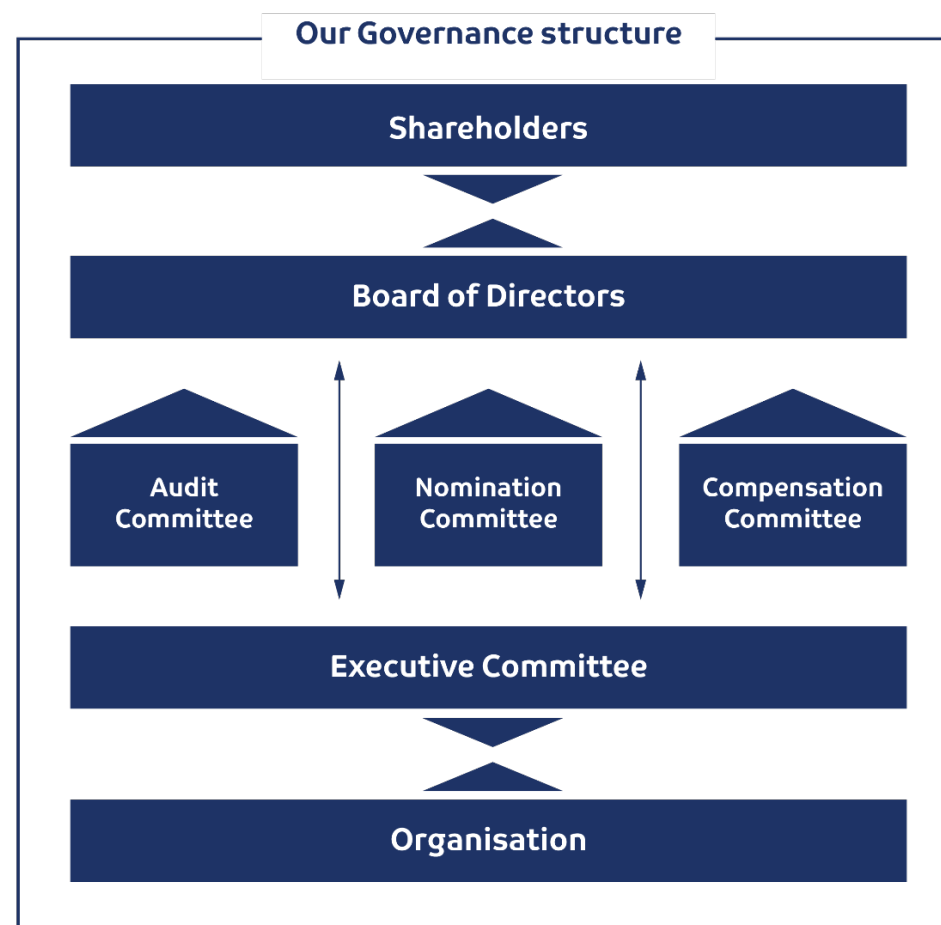
In 2017, the Compensation Committee held 5 ordinary meetings, with an overall attendance rate of 100%.

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 2017 on internal control and risk management systems for financial reporting is included as part of TDC's Corporate Governance Statement 2017 at tdcgroup.com/en/who-we-are/corporate-governance.

Whistleblower scheme

TDC adopted the Whistleblower scheme in July 2011 and since then our employees have had access to anonymously report possible or suspected wrongdoings in the Company. Financial notifications are a matter for the Audit Committee, which prepare a recommendation for decision by the Board of Directors. Other notifications of wrongdoings are a matter of the Chairman of the Board of Directors. In 2017, no reports were submitted to the whistleblower system.



Management

Board of Directors



Pierre Danon
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: Chairman of the Board of Directors of Solocal Group. Executive Chairman of the Board of Directors of Voila and AM Baltics. Vice Chairman of the Board of Directors of Agro-Generation. Non-executive Director of Ciel Investment Limited.



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. Member of the Board of Directors of Axel Mussfeldt Fond.



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

Education: Graduate Diploma in Business Administration (Financing) (1986), Copenhagen Business School
Management duties: Chief Executive Officer of the Lundbeck Foundation and member of management of the Lundbeck Foundation's two wholly-owned subsidiaries. Vice Chairman of the Board of Directors and member of the Audit and Risk Committee in Ørsted A/S. Vice Chairman of the Board of Directors and member of the Remuneration Committee and the Scientific Committee of H. Lundbeck A/S. Vice Chairman of the Board of Directors and member the Audit Committee and Nomination Committee of Alk-Abelló A/S. Vice-Chairman of the Board of Directors and member of the Compensation Committee of Falck A/S. Member of the Boards of Directors of Tryg A/S and Tryg Forsikring A/S and member of the Audit Committee and Risk Committee at Tryg A/S



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



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 and Bullitt Group. 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



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: Chairman of the Board of Directors of McColl's Retail Group Plc. Co-Chairman of Direct Wines Limited.



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

Board of Directors



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 Administration (Marketing Management, 2000), Storstrøms Handelshøjskolecenter. MBA (2014), AVT Business School.



Gert Winkelmann
 Consultant at TDC Group

Management duties: Chairman of the Association 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
Pierre Danon (m)	16 May 2008	9 March 2017	8 March 2018	French	1956	Dependent ¹
Lene Skole-Sørensen (f)	9 March 2017	-	8 March 2018	Danish	1959	Independent ²
Marianne Rørslev Bock (f)	10 March 2016	9 March 2017	8 March 2018	Danish	1963	Independent ²
Stine Bosse (f)	9 March 2011	9 March 2017	8 March 2018	Danish	1960	Independent ²
Pieter Knook (m)	7 March 2013	9 March 2017	8 March 2018	Dutch	1958	Independent ²
Angus Porter (m)	9 March 2011	9 March 2017	8 March 2018	British	1957	Independent ²
Benoit Scheen (m)	5 March 2015	9 March 2017	8 March 2018	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.

Management

Corporate management



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 the Audit Committee of Nordea Bank AB. 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 Boards of Directors of Chr. Olesen & Co. A/S. Member of the Board of Directors of Global Knowledge Inc., Apleona GmbH and Hedeselskabet.



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.



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 1967. Appointed to the Executive Committee in 2016.

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



Michael Moyell Juul

Senior Executive Vice President of Online Brands and acting Chief Digital Officer. Born 1974. Appointed to the Corporate Management Team in 2016.

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



Andreas Pfisterer

Senior Executive Vice President of Operations & Chief Technology and Information Officer. Born 1971. Appointed to the Executive Committee in 2017.

Education: MSc in Computer Science Engineering (1995), European Business School, Wiesbaden, London, San Diego and MSc in Economics /Business Administration (1995), Fernuniversität, Hagen/Germany.



Jens Aaløse

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

Education: BSc Business Administration, Copenhagen Business School. Management duties: Chairman of the Board of Directors of Omnicar Holding AB. Vice chairman of the Board of Directors at Dansk Erhverv. Member of the Boards of Directors of Topdanmark A/S and FDM Travel A/S. Member of the Central Board of the Danish ICT Industry Association (IT-branchen).



Louise Knauer

Senior Executive Vice President of Group Data, Security and Wholesale & Group Chief Data and Security 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 Solar A/S.

Remuneration policy

We want our executives to be aligned with our share-holders' interests, and the remuneration of our executive directors should support this.

The current remuneration policy was approved in 2017, and introduced changes that strengthened the alignment between shareholders and TDC group executive committee. At the Annual General Meeting 2018 the Board of Directors will recommend minor changes that will align the remuneration policy with the revised recommendations from the Danish Committee for Good Corporate Governance coming into effect in the year starting 1 January 2018.

Our approach to remuneration

TDC Group's remuneration is designed to enable us to recruit and retain individuals with the expertise and ability required to run a Nordic telecommunication company, and to do so in a way that drives our business success and rewards executives when plans are accomplished and shareholders gain. Levels of remuneration are set based on relevant benchmarks and the individuals' experience and contribution to the company.

The company's full remuneration policy for the board of directors and executive committee, and guidelines for incentive programmes as approved at the annual general meeting on 9 March 2017, are available on our website.

2017 main activities of the compensation committee

During 2017, the main activities of the compensation committee were:

- Discuss shareholders' feedback from the 2017 Annual General Meeting
- Review the Remuneration Policy for the executive committee and agreeing on changes to the policy
- Review fixed salary levels and bonus targets for 2018
- Evaluate the remuneration of the Board of Directors

2018 objectives of the compensation committee

- Monitor the functioning of the revised remuneration structure to support the Group's strategy
- Review the performance share programme for 2018 and beyond
- Consider further steps to align with expected outcomes of the European Shareholders Right Directive and revised Danish Corporate Governance recommendations

Remuneration composition

Remuneration of the board of directors & executive committee

The main elements of the board of directors & executive committees' remuneration arrangements are summarized in the table to the right and explained in more detail on the following page.

The remuneration packages for the board of directors and the executive committee reflects an alignment with Danish practice and shareholder interest and include:

Board of Directors

- Fixed base salary
- Fee for committee work
- Other benefits

Executive committee

- Fixed base salary
- Cash-based incentive
- Long-term share-based incentive
- Pension contribution
- Other benefits
- Specific incentives
- Severance payment

Fixed base salary

The fixed base salary is intended to attract and retain executives with professional and personal competences required to drive the company's performance.

Cash-based incentive

The 1-year short-term cash-based incentive is designed to incentivize group performance. The incentive is dependent on the achievement of predefined *Equity Free Cash Flow* and Recommend score.

The cash bonus is maximized to 12 months' fixed base salary.

Share-based incentive

The 3-year long-term share-based incentive programme is designed to promote the collective performance of executive committee and align the interests of the executive and shareholders. Share-based incentives are linked to financial targets and cannot exceed 30% of fixed base salary.

The long-term incentive programme is based on *Total Shareholder Return* performance compared to a predefined peer group consisting of 12 European telecommunication companies and *Equity Free Cash Flow* growth.

In addition to the above, TDC Group has entered into a Restricted Stock Units incentive program with the Norwegian management. This programmed vested end of 2017.

Pension

The Executive Committee is offered a defined contribution scheme with a maximum contribution of 20% of fixed base salary.

Other benefits

Other benefits are added to ensure that the overall remuneration package is competitive and aligned with Danish practices and could for the Executive committee members include items such as company car, phone, TV, newspapers, insurance etc.

Specific incentives

In addition to the above, the Board of Directors may, under special circumstances following recommendation from the Compensation committee approve specific incentives for Executive committee members on an ad hoc

basis, provided that such additional incentives do not exceed 20 per cent of the Executive committee member's fixed pay and that they only apply for a maximum of one financial year.

Severance payment

TDC Group may terminate employment by giving Executive committee members 12 months' notice. Executive committee members may terminate their employment by giving TDC Group 6 months' notice. In case of change of control of the company, the 12 months' notice will be prolonged to 24 months in the event of termination by the company.

Remuneration package components

Remuneration	Board of Directors	Executive Committee	Comments relating to remuneration of Board of Directors & Executive committee
Fixed fee/base salary	✓	✓	Accounts for approximately 50% of the total value of the remuneration packages
Fee for committee work	✓	-	
Specific incentives	-	✓	Executive committee members may receive additional incentives, which cannot exceed 20 per cent of base salary and may only apply for one financial year
Cash-based incentives	-	✓	Up to 12 months' fixed base salary per year
Share-based incentives	-	✓	Up to 30% of fixed base salary per year
Pension	-	✓	Maximum 20% of fixed base salary
Other benefits	✓	✓	Executive committee receives non-monetary benefits such as company car, phones, TV, newspaper, insurance etc.
Severance payment	-	✓	Maximum of 24 months' fixed base salary + pension contribution in severance payment and salary after termination

Board of directors

Remuneration

At the annual general meeting in March 2017 the remuneration composition for the board of directors for 2017 was approved. The fixed base fee was left unchanged for the board and the committees.

Remuneration composition

The remuneration of TDC Group's board of directors, Nomination committee, Compensation committee and Audit committee comprises a fixed base fee.

Travel and expenses

Expenses such as travel and accommodation in relation to board meetings as well as those associated with education are reimbursed.

Board and committee fee levels for 2017

DKK	Board	Audit Committee	Nomination Committee	Compensation Committee
Chair	1,100,000	250,000	50,000	150,000
Vice chair	700,000	N/A	N/A	N/A
Member	400,000	150,000	25,000	100,000

DKK	Position ¹	2017			2016		
		Fixed base fee	Fee for committee work	Total ²	Fixed base fee	Fee for committee work ³	Total ²
Pierre Danon ⁴	C, NCC, CCC	1,023,656	185,686	1,209,342	700,000	375,000	1,075,000
Lene Skole ⁴	VC, NC, CC	566,398	101,142	667,540	-	-	-
Marianne Rørslev Bock	ACC	400,000	250,000	650,000	323,656	202,186	525,842
Stine Bosse	AC	400,000	150,000	550,000	400,000	150,000	550,000
Pieter Knook	NC, CC	400,000	125,000	525,000	400,000	275,000	675,000
Angus Porter	NC, CC	400,000	125,000	525,000	400,000	125,000	525,000
Benoit Scheen	AC	400,000	150,000	550,000	400,000	300,000	700,000
Mogens Jensen		400,000	0	400,000	323,656	0	323,656
John Schwartzbach		400,000	0	400,000	400,000	0	400,000
Zanne Stensballe		400,000	0	400,000	323,656	0	323,656
Gert Winkelmann		400,000	0	400,000	400,000	0	400,000
Vagn Sørensen ⁴		209,946	38,172	248,118	1,100,000	200,000	1,300,000
Søren Thorup Sørensen		0	0	0	77,419	48,387	125,806
Jan Bardino		0	0	0	77,419	0	77,419
Christian A. Christensen		0	0	0	77,419	0	77,419
Steen M. Jacobsen		0	0	0	77,419	0	77,419
Total		5,400,000	1,125,000	6,525,000	5,480,644	1,675,573	7,156,217

¹ C = Chairman, VC = Vice Chairman, ACC = Audit committee chairman, AC = Audit committee member, NCC = Nomination committee chairman, NC = Nomination committee member, CCC = Compensation committee chairman and CC = Compensation committee member.

² In addition, TDC Group has paid social security contribution of DKK 435 thousand for members outside Denmark (2016: DKK 432 thousand) as well as certain of TDC Group products available for the members of the Board of Directors.

³ The fees for committee work in 2016 include fees to the members of a temporary Business Review and Development Committee.

⁴ Pierre Danon became Chairman, Vagn Sørensen resigned and Lene Skole became member of the Board of Directors on 9 March 2017. Previously, Pierre Danon was Vice Chairman

Board of directors

Shareholding

The board of directors are not subject to mandatory share ownership.

Number of shares in TDC A/S

	31-12-2015	31-12-2016 ¹	Additions	Divestments	31-12-2017	Market Value - DKKm
Present Board of Directors						
Pierre Danon	45,085	90,310	0	0	90,310	3.4
Marianne Rørslev Bock	6,116	6,116	0	0	6,116	0.2
Stine Bosse	2,310	2,310	0	0	2,310	0.1
Benoit Scheen	0	6,500	0	0	6,500	0.2
Mogens Jensen	255	255	0	0	255	0.0
John Schwartzbach	740	740	0	0	740	0.0
Zanne Stensballe	740	740	0	0	740	0.0
Gert Winkelmann	750	750	0	0	750	0.0
Lene Skole	-	12,100	0	0	12,100	0.5

¹ For new members: The shareholding at the time of appointment

Executive committee

Remuneration

TDC Group's remuneration policy provides the framework for the remuneration of the executive committee. Remuneration has been designed to align the interest of the executive committee with those of the shareholders.

Based on benchmark data, the board of directors decided to maintain the structure and level of remuneration packages for the executive committee in 2017. Remuneration packages for executives comprise a fixed base salary, a short-term cash-based incentive, a long-term share-based incentive, a pension contribution and other benefits.

The split between fixed and variable remuneration is intended to result in a reasonable part of the salary being linked to performance, while promoting sound, business decisions to meet the company's objectives.

All incentives are subject to claw-back, if it is subsequently determined that payment was based on information that was manifestly misstated.

Additional disclosure on the short & Long-term incentive programmes.

Short-term incentive programme

The short-term performance-related pay element will consist of an annual bonus which cannot exceed 100 percent of the fixed pay and which depends equally on the *Equity Free Cash*

Flow performance as well as performance of selected customer satisfaction metrics.

Long-term incentive

The long-term performance-related pay element is a share-based programme according to which the Executive Committee members are allocated a number of performance shares each year, corresponding to a fair market value of 30 percent of the fixed salary. After three years, the performance shares will vest into TDC shares, provided that, satisfactory performance has been achieved (measured using):

- Growth in *Equity Free Cash Flow* weighing 50 percent and
- *Total shareholder return (TSR)* compared with an appropriate peer group (cf. table) of other European telecommunication companies, weighing 50 percent.

Vesting scheme for growth in Cash Flow and *total shareholder return* is 0-200 percent and 0-150 percent of granted performance shares, respectively, depending on the results achieved.

2017 Performance

In 2017, the cash bonus for the CEO under the short-term incentive programme was 68 per cent of the maximum bonus. Furthermore, on the long-term incentive programme 0 per cent of granted performance shares vested.

TDC Group's TSR¹ peer group

- | | | |
|------------|--------------------|--------------------------|
| • BT | • Telekom Austria | • Proximus |
| • Elisa | • Telia | • Telefonica Deutschland |
| • Orange | • Deutsche Telekom | • Telenor |
| • Swisscom | • KPN | • Vodafone |

¹ Total shareholder return (TSR) is calculated as share price movements plus dividends received over a stated period divided by the share price at the beginning of such period.

Executive committee

Remuneration

The cash bonus for 2017 for the executive committee members under the short-term cash-based incentive program was 68% of the maximum cash bonus (2016: 63%). The payout for 2017 was a result of the company performing well on cash flow

while less favorable on some of the non-financial metrics. The members of the executive committee received 0% of the maximum share allocation under the long-term share-based incentive programme (2016: 0%).

During 2017, the remuneration to the Executive Committee (excluding redundancy compensation) comprises 6.6 members on average (7.1 members in 2016 and 7.7 members in 2015).

Remuneration for the Executive Committee - Cash remuneration and grant value of LTI

DKKm

The following sets out the full review of directors' emoluments, including cash bonus and deferred bonus, and grant value of the LTI incentive plans and pension arrangements.

	2017				2016				2015			
	CEO	CFO	Other members	Total	CEO	CFO ³	Other members	Total	CEO	CFO	Other members	Total
Base salary (incl. benefits)	7.4	4.2	19.0	30.6	7.3	2.5	19.8	29.6	7.5	2.8	19.9	30.2
Cash bonus	4.9	2.7	10.8	18.4	2.7	0.7	10.0	13.4	4.5	1.2	8.8	14.5
Deferred bonus	-	-	-	-	4.0	1.3	8.1	13.4	1.3	2.1	8.5	11.9
Pension	1.4	0.8	3.2	5.4	1.4	0.5	3.3	5.2	1.4	0.6	3.6	5.6
Performance share remuneration	2.6	1.2	3.9	7.7	2.2	0.0	4.5	6.7	2.1	1.3	1.7	5.1
Share-based incentive programme in Norway	-	-	27.3	27.3	-	-	20.7	20.7	-	-	7.7	7.7
Retention allowance ¹	0.7	0.0	0.0	0.7	1.4	0.0	0.0	1.4	0.0	0.0	0.0	0.0
One-off consideration ²	3.7	0.8	3.4	7.9	0.0	0.0	3.1	3.1	3.2	0.0	0.0	3.2
Employer social security contribution	-	-	4.9	4.9	-	-	6.4	6.4	-	-	2.9	2.9
Redundancy compensation	-	-	4.1	4.1	-	-	10.9	10.9	-	-	24.2	24.2
Total	20.7	9.7	76.6	107.0	19.0	5.0	86.8	110.8	20.0	8.0	77.3	105.3

¹ Remuneration that are not allocated on the basis of previously described recurring remuneration components but solely on the board's discretionary initiative – In 2016, DKK 1.4m was rewarded to CEO as a stay on bonus.
² Remuneration that are not allocated on the basis of previously described recurring remuneration components but solely on the board's discretionary initiative – In 2017, DKK 7.7m was paid in connection with the buy-out of the deferred bonus programme. In 2015, DKK 3.2m was rewarded to CEO due to dual position (CEO + CFO).
³ Remuneration for seven months.

Executive committee

Remuneration

Remuneration for the Executive Committee - Cash remuneration and cash value of vested LTI

DKKm

The following sets out the full review of directors' emoluments, including cash bonus and deferred bonus, and cash value of vested LTI incentive plans and pension arrangements.

	2017				2016				2015			
	CEO	CFO	Other members	Total	CEO	CFO ³	Other members	Total	CEO	CFO	Other members	Total
Base salary (incl. Benefits)	7.4	4.2	19.0	30.6	7.3	2.5	19.8	29.6	7.5	2.8	19.9	30.2
Cash bonus	4.9	2.7	10.8	18.4	2.7	0.7	10.0	13.4	4.5	1.2	8.8	14.5
Deferred bonus	-	-	-	-	1.3	0.0	1.4	2.7	0.8	0.0	0.9	1.7
Pension	1.4	0.8	3.2	5.4	1.4	0.5	3.3	5.2	1.4	0.6	3.6	5.6
Performance share remuneration	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share-based incentive programme in Norway	-	-	55.6	55.6	-	-	0.0	0.0	-	-	0.0	0.0
Retention allowance ¹	0.7	0.0	0.0	0.7	1.4	0.0	0.0	1.4	0.0	0.0	0.0	0.0
One-off consideration ²	3.7	0.8	3.4	7.9	0.0	0.0	3.1	3.1	3.2	0.0	0.0	3.2
Employer social security contribution	-	-	4.9	4.9	-	-	6.4	6.4	-	-	2.9	2.9
Redundancy compensation	-	-	4.1	4.1	-	-	10.8	10.8	-	-	21.8	21.8
Total	18.1	8.5	101.0	127.6	14.1	3.7	54.8	72.6	17.4	4.6	57.9	79.9
TSR ranking⁴	12				13				12			

¹ Remuneration that are not allocated on the basis of previously described recurring remuneration components but solely on the board's discretionary initiative – In 2016, DKK 1.4m was rewarded to CEO as a stay on bonus.

² Remuneration that are not allocated on the basis of previously described recurring remuneration components but solely on the board's discretionary initiative – In 2017, DKK 7.7m was paid in connection with the buy-out of the deferred bonus programme. In 2015, DKK 3.2m was rewarded to CEO due to dual position (CEO + CFO).

³ Remuneration for seven months.

⁴ The ranking is measured on total shareholder return compared to a predefined peer group of 13 major European telcos (including TDC).

Executive committee

Shareholding

The Executive committee are subject to mandatory share ownership representing a value equivalent to two years' annual base salary, net of taxes, which was implemented 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.

The Executive committee members share ownership should reflect an increasing shareholding, hence the minimum shareholding is 20%, 40%, 60%, 80% and 100% after respectively 1, 2, 3, 4 and 5 years of Executive Committee service. The shareholding requirement over years 1-5 was changed at the Annual General Meeting in March 2017.

Number of shares in TDC A/S

Present Executive Committee	31-12-2015 ¹	31-12-2016 ¹	Additions	Divestments	31-12-2017	Market Value - DKKm
Pernille Erenbjerg	170,790	194,823	116,961	0	311,784	11.9
Stig Pastwa	20,000	25,000	17,379	0	42,379	1.6
Jaap Postma	30	30	16,294	0	16,324	0.6
Gunnar Evensen	699,600	699,600	11,445	0	711,045	27.1
Marina Lønning	0	0	58,279	0	58,279	2.2
Jens Aaløse	9,299	9,299	61,423	0	70,722	2.7
Andreas Pfisterer	0	0	20,000	0	20,000	0.8

¹ For new members: The shareholding at the time of appointment



Did you know that ...

... TDC Group secured mobile coverage for more than 5 million customers at more than 200 events in 2017

Financial statements

Consolidated financial statements / Parent Company financial statements

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Management statement

Today, the Board of Directors and the Executive Committee considered and approved the Annual Report of TDC A/S for 2017.

The Annual Report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and Parent Company financial statements give a true and fair view of the financial position at 31 December 2017 of the Group and the Parent Company and of the results of the Group and Parent Company operations and cash flows for 2017.

In our opinion, the management's review includes a true and fair account of the developments in the operations and financial circumstances of the Group and the Parent Company, of the results for the year and of the financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 1 February 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 Pfisterer

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

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 2017 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 2017 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited

The Consolidated Financial Statements and Parent Company Financial Statements of TDC A/S for the financial year 1 January to 31 December 2017 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 the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code. To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

Following the admission of the shares of TDC A/S for listing on Nasdaq Copenhagen, we were first appointed auditors of TDC A/S on 4 May 1992 for the financial year 1992. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 26 years including the financial year 2017.

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 2017. 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.

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.

Key audit matters

Goodwill impairment

Goodwill comprises a significant portion of TDC's total assets.

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 responsibilities 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 scepticism 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.

Copenhagen, 1 February 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
 CVR No 33 77 12 31

Lars Baungaard

State Authorised Public Accountant
 mme 23331

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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.

Tue Stensgård Sørensen

State Authorised Public Accountant
 mme 32200

Consolidated income statement

DKKm

	Note	2017	2016
Revenue	2.1,2.2	20,270	21,031
Cost of sales	2.3	(5,301)	(5,404)
Gross profit		14,969	15,627
External expenses	2.4	(3,163)	(3,434)
Personnel expenses	2.5	(3,664)	(3,805)
Other income	2.2	102	100
Operating profit before depreciation, amortisation and special items (EBITDA)		8,244	8,488
Depreciation, amortisation and impairment losses	2.6	(5,160)	(4,940)
Special items	2.7	(231)	(281)
Operating profit (EBIT)		2,853	3,267
Financial income and expenses	4.5	(838)	(776)
Profit before income taxes		2,015	2,491
Income taxes	2.8	(488)	(529)
Profit for the year from continuing operations		1,527	1,962
Profit from discontinued operations	2.9	26	1,075
Profit for the year		1,553	3,037
Attributable to:			
Shareholders of TDC A/S		1,389	2,868
Coupon payments on hybrid capital, net of tax		164	175
Non-controlling interests		0	(6)
Profit/(loss) for the year		1,553	3,037
Earnings per share (EPS) (DKK)	2.10		
EPS, basic		1.73	3.58
EPS, diluted		1.72	3.56
EPS from continuing operations, basic		1.70	2.24
EPS from continuing operations, diluted		1.69	2.22

Consolidated statement of comprehensive income

DKKm

	Note	2017	2016
Profit for the year		1,553	3,037
Items that may subsequently be reclassified to the income statement:			
Exchange-rate adjustments of foreign enterprises	4.5	(669)	1,184
Value adjustments of hedging instruments	4.5	30	42
Items that cannot subsequently be reclassified to the income statement:			
Remeasurement of defined benefit pension plans	3.8	1,172	(430)
Income tax relating to remeasurement of defined benefit pension plans	2.8	(258)	95
Other comprehensive income/(loss)		275	891
Total comprehensive income/(loss)		1,828	3,928
Attributable to:			
Shareholders of TDC A/S		1,664	3,759
Coupon payments on hybrid capital, net of tax		164	175
Non-controlling interests		0	(6)
Total comprehensive income/(loss)		1,828	3,928
Total comprehensive income attributable to shareholders of TDC A/S arises from:			
Continuing operations		1,638	2,006
Discontinuing operations		26	1,753
Total		1,664	3,759

Consolidated balance sheet

Assets		DKKm	
	Note	2017	2016
Non-current assets			
Intangible assets	3.1	32,606	34,208
Property, plant and equipment	3.2	17,840	18,041
Joint ventures, associates and other investments		80	87
Pension assets	3.8	6,752	5,595
Receivables	3.3	197	256
Derivative financial instruments	4.6	50	88
Prepaid expenses	3.4	301	314
Total non-current assets		57,826	58,589
Current assets			
Inventories		246	243
Receivables	3.3	2,312	2,495
Income tax receivable	2.8	9	25
Derivative financial instruments	4.6	455	612
Prepaid expenses	3.4	553	681
Cash		1,767	1,687
Total current assets		5,342	5,743
Total assets		63,168	64,332

Equity and liabilities		DKKm	
	Note	2017	2016
Equity			
Share capital	4.1	812	812
Other reserves		(1,679)	(1,040)
Retained earnings		20,491	18,882
Equity attributable to shareholders of TDC A/S		19,624	18,654
Hybrid capital	4.1	5,552	5,552
Non-controlling interests		1	1
Total equity		25,177	24,207
Non-current liabilities			
Deferred tax liabilities	2.8	4,231	4,133
Provisions	3.6	983	935
Pension liabilities	3.8	29	39
Loans	4.2,4.6	17,282	23,966
Derivative financial instruments	4.6	406	290
Deferred income	3.5	375	372
Total non-current liabilities		23,306	29,735
Current liabilities			
Loans	4.2,4.6	4,651	220
Trade and other payables	3.7	6,160	6,186
Derivative financial instruments	4.6	485	659
Deferred income	3.5	3,262	3,132
Provisions	3.6	127	193
Total current liabilities		14,685	10,390
Total liabilities		37,991	40,125
Total equity and liabilities		63,168	64,332

Consolidated statement of cash flow

	Note	2017	2016
Operating profit before depreciation, amortisation and special items (EBITDA)		8,244	8,488
Adjustment for non-cash items	5.1	233	267
Pension contributions	3.8	(95)	(106)
Payments related to provisions	3.6	(15)	(5)
Special items	2.7	(394)	(446)
Change in working capital	5.2	455	151
Interest received	4.5	425	557
Interest paid	4.5	(1,084)	(1,470)
Income tax paid	2.8	(556)	(608)
Operating activities in continuing operations		7,213	6,828
Operating activities in discontinued operations		0	430
Total cash flow from operating activities		7,213	7,258
Investment in enterprises	5.3	(197)	(145)
Investment in property, plant and equipment	3.2	(3,213)	(3,303)
Investment in intangible assets	3.1	(1,278)	(1,151)
Investment in other non-current assets		(19)	(25)
Divestment of enterprises		491	0
Sale of other non-current assets		59	43
Dividends received from joint ventures and associates		1	10
Investing activities in continuing operations		(4,156)	(4,571)
Investing activities in discontinued operations	5.4	6	1,814
Total cash flow from investing activities		(4,150)	(2,757)

DKKk

	Note	2017	2016
Repayment of long-term loans		(1,860)	(2,897)
Finance lease repayments		(82)	(96)
Change in short-term loans		(5)	1
Coupon payments on hybrid capital		(195)	(196)
Dividend paid		(802)	0
Capital contributions from non-controlling interests		0	7
Financing activities in continuing operations		(2,944)	(3,181)
Financing activities in discontinuing operations		0	(1)
Total cash flow from financing activities		(2,944)	(3,182)
Total cash flow		119	1,319
Cash and cash equivalents at 1 January		1,687	363
Effect of exchange-rate changes on cash and cash equivalents		(39)	5
Cash and cash equivalents at 31 December		1,767	1,687

Equity free cash flow

DKKk

	Note	2017	2016
Cash flow from operating activities in continuing operations		7,213	6,828
Cash flow used for capital expenditure:			
Investment in property, plant and equipment		(3,213)	(3,303)
Investment in intangible assets		(1,278)	(1,151)
Finance lease repayments		(82)	(96)
Coupon payments on hybrid capital		(195)	(196)
Equity free cash flow		2,445	2,082

Consolidated statement of changes in equity

DKK m

	Attributable to shareholders of TDC A/S ¹							
	Share capital	Reserve for currency translation adjustments	Reserve for cash flow hedges	Retained earnings	Total	Hybrid capital	Non-controlling interests	Total
Equity at 1 January 2016	812	(2,019)	(247)	16,229	14,775	5,552	27	20,354
Profit for the year	-	-	-	2,868	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	2,553	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)	18,882	18,654	5,552	1	24,207
Profit for the year	-	-	-	1,389	1,389	164	0	1,553
Exchange-rate adjustments of foreign enterprises, cf. note 4.5	-	(669)	-	-	(669)	-	0	(669)
Value adjustments of hedging instruments, cf. note 4.5	-	-	30	-	30	-	0	30
Remeasurement of defined benefit pension plans	-	-	-	1,172	1,172	-	0	1,172
Income tax relating to remeasurement of defined benefit pension plans	-	-	-	(258)	(258)	-	0	(258)
Total comprehensive income	-	(669)	30	2,303	1,664	164	0	1,828
Share-based remuneration	-	-	-	108	108	-	-	108
Coupon payments on hybrid capital	-	-	-	-	-	(195)	-	(195)
Income tax relating to coupon payments on hybrid capital	-	-	-	-	-	31	-	31
Distributed dividend	-	-	-	(802)	(802)	-	-	(802)
Total transactions with shareholders	-	-	-	(694)	(694)	(164)	-	(858)
Equity at 31 December 2017	812	(1,504)	(175)	20,491	19,624	5,552	1	25,177

¹See 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.

1.1 Accounting policies

TDC Group's consolidated financial statements for 2017 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 2017. 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 in 2016, these activities are classified as discontinued operations in TDC Group's consolidated financial statements.

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.

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.

1.2 Critical accounting estimates and judgements

The preparation of TDC Group'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)
- special items (note 2.7)
- 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.

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 'Our business lines and markets' on page 15.

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.

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, *roaming* revenue and costs for Consumer and Business' customers are included in the revenue and expenses of consumer and business. In addition, *interconnection* 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.

2.1 Segment reporting (continued)

Activities

DKKm

	Consumer ¹		Business		Wholesale	
	2017	2016	2017	2016	2017	2016
Mobility services	2,880	2,739	1,165	1,254	574	549
Landline voice	699	842	753	854	200	248
Internet & network	2,409	2,447	1,464	1,819	786	750
TV	4,131	4,257	33	37	52	55
Other services	414	522	1,106	1,277	141	139
Revenue	10,533	10,807	4,521	5,241	1,753	1,741
Total operating expenses	(4,442)	(4,590)	(1,951)	(2,280)	(721)	(773)
Other income and expenses	0	4	0	1	0	1
EBITDA	6,091	6,221	2,570	2,962	1,032	969
Specification of revenue:						
External revenue	10,523	10,804	4,431	5,067	1,688	1,658
Revenue across segments	10	3	90	174	65	83

	Other operations ²		Norway ³		Eliminations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Mobility services	2	2	-	-	(14)	(9)	4,607	4,535
Landline voice	12	14	-	-	1	(1)	1,665	1,957
Internet & network	173	135	-	-	(43)	(114)	4,789	5,037
TV	1	4	-	-	(1)	(1)	4,216	4,352
Other services	312	338	-	-	(65)	(102)	1,908	2,174
Norway	-	-	3,202	3,092	(117)	(116)	3,085	2,976
Revenue	500	493	3,202	3,092	(239)	(343)	20,270	21,031
Total operating expenses	(3,464)	(3,602)	(1,822)	(1,773)	272	375	(12,128)	(12,643)
Other income and expenses	136	130	3	4	(37)	(40)	102	100
EBITDA	(2,828)	(2,979)	1,383	1,323	(4)	(8)	8,244	8,488
Specification of revenue:								
External revenue	483	463	3,145	3,039	-	-	20,270	21,031
Revenue across segments	17	30	57	53	(239)	(343)	0	0

¹ The two operating segments YouSee and Online Brands are aggregated to the reportable segment Consumer as 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 456m (2016: DKK 434m), revenue across segments amounted to DKK 5m (2016: DKK 14m) and EBITDA amounted to DKK (1,514)m (2016: DKK (1,661)m). At Headquarters, external revenue amounted to DKK 27m (2016: DKK 29m), revenue across segments amounted to DKK 12m (2016: DKK 16m) and EBITDA amounted to DKK (1,314m) (2016: DKK (1,318m)).

Some service functions and the related costs have been transferred from Operations to Headquarters with effect from 1 January 2017. The comparative figures have been restated accordingly.

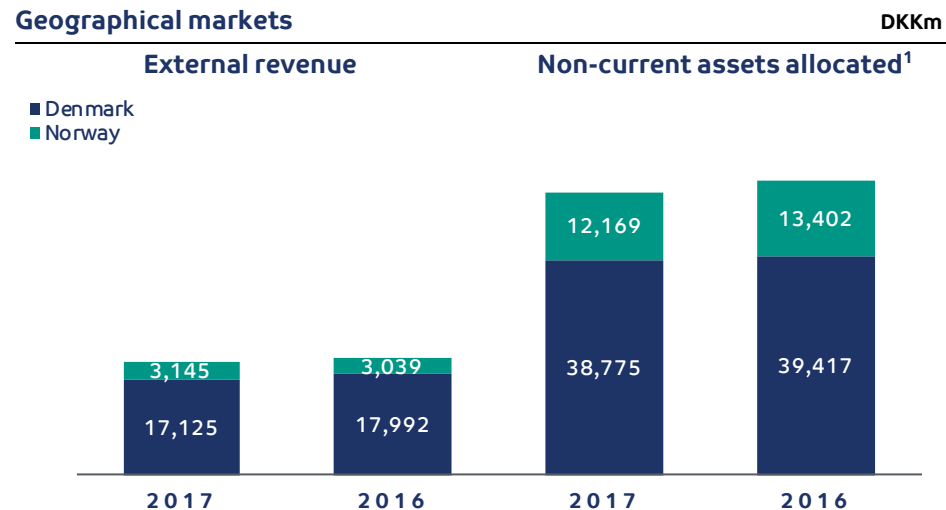
³ Consists of the two operating segments Get and TDC Norway. At Get, external revenue amounted to DKK 2,567m (2016: DKK 2,337m), revenue across segments amounted to DKK 0m (2016: DKK 0m) and EBITDA amounted to DKK 1,292m (2016: DKK 1,217m). At TDC Norway AS, external revenue amounted to DKK 578m (2016: DKK 702m), revenue across segments amounted to DKK 57m (2016: DKK 53m) and EBITDA amounted to DKK 91m (2016: DKK 106m).

2.1 Segment reporting (continued)

Reconciliation of EBITDA to profit before income taxes

	DKKm	
	2017	2016
Total EBITDA from reportable segments	8,244	8,488
Unallocated:		
Depreciation, amortisation and impairment losses	(5,160)	(4,940)
Special items	(231)	(281)
Financial income and expenses	(838)	(776)
Consolidated profit before income taxes	2,015	2,491

Geographical markets



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

2.2 Revenue

	DKKm	
	2017	2016
Sales of goods	940	1,042
Sales of services	19,330	19,989
Total	20,270	21,031



Critical accounting estimates and judgements

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

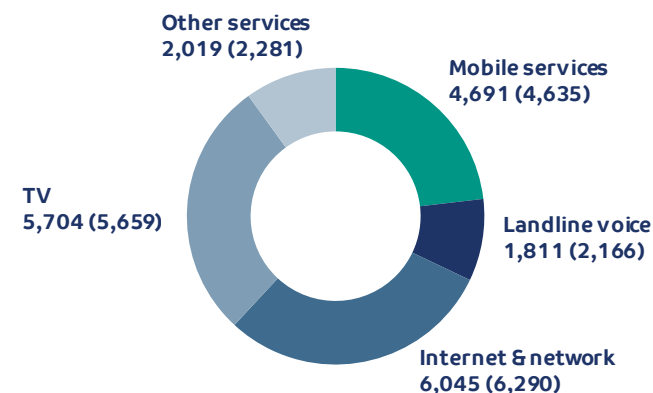
Recognition of revenue depends on whether the Group acts as a principal in a transaction or an agent representing another company. Whether the Group is considered to be the principal or agent in a transaction depends on an analysis of both the form and substance of the customer agreement. When the Group acts as the principal, revenue is recognised at the agreed value, whereas revenue is recognised as the commission the Group receives for arranging the agreement when the Group acts as an agent. Judgements of whether the Group acts as a principal or as an agent impact the amounts of recognised revenue and operating expenses, but do not impact net profit for the year or cash flows. Judgements of whether the Group acts as a principal are used primarily in transactions covering content.

When the Group concludes contracts involving sale of complex products and services, management estimates are required to determine whether complex products or services shall be recognised together or as separate products and services. Management estimates are also used for distributing the transaction price on the individual elements based on the fair value, if judged to be recognised separately. Business customer contracts e.g. can comprise several elements related to mobile phones, subscriptions, leases, etc.

Revenues from non-refundable up-front connection fees are recognised as income over the expected term of the related customer relationship, as the establishment of the customer relationship is not judged to constitute a separate service. Management estimates the term of the expected customer relationship 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.

External revenue¹ from products and services

DKKm



¹ 2016 figures in brackets.

2.2 Revenue (continued)

§ 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, *interconnection* 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 Group acts as the principal in a transaction. For content-based services and the resale of services from content providers where TDC Group 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.

2.3 Cost of sales

	DKK ^m	
	2017	2016
Mobile services	(646)	(603)
Landline voice	(258)	(349)
Internet & network	(592)	(693)
TV	(2,683)	(2,544)
Other services	(1,122)	(1,215)
Total	(5,301)	(5,404)

§ Accounting policies

Cost of sales includes transmission costs and cost of goods sold. Transmission costs include external 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.

2.4 External expenses

	DKK ^m	
	2017	2016
Marketing and advertising expenses	(257)	(284)
Subscriber acquisition and retention expenses	(448)	(460)
Property expenses	(686)	(721)
IT expenses	(407)	(410)
Temps and personnel-related expenses	(235)	(228)
Other expenses	(1,130)	(1,331)
Total	(3,163)	(3,434)

Rental expenses for the year for all operating leases

	DKK ^m	
	2017	2016
Lease payments	(798)	(837)
Sublease payments	148	119
Total	(650)	(718)

§ Accounting policies

External expenses include expenses related to marketing and advertising, IT, property, expenses 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.

2.5 Personnel expenses

	DKKm	
	2017	2016
Wages and salaries (including short-term bonuses)	(3,746)	(3,829)
Pensions:		
• defined benefit plans	(135)	(132)
• defined contribution plans	(298)	(314)
Share-based remuneration	(106)	(135)
Social security	(150)	(160)
Total	(4,435)	(4,570)
Of which capitalised as non-current assets	771	765
Total personnel expenses recognised in the income statement¹	(3,664)	(3,805)

¹ The figures cover only continuing operations. Calculated including discontinued operations, personnel expenses totalled DKK 3,664m (2016: DKK 4,283m).

Remuneration for the Executive Committee and the Board of Directors

	DKKm	
	2017	2016
Base salary (incl. benefits)	30.6	29.6
Cash bonus	18.4	13.4
Deferred bonus	0.0	13.4
Pensions	5.4	5.2
Performance share remuneration	7.7	6.7
One-off consideration	8.6	4.5
Share-based incentive programme in Norway	27.3	20.7
Employer social security contribution	4.9	6.4
Redundancy compensation	4.1	10.9
Executive committee in total	107.0	110.8
Fee to the Board of Directors	6.5	7.2
Total	113.5	118.0

The amounts for deferred bonus and performance share remuneration included in the table (see bottom left) are the fair values of instruments granted during the year.

The fair values are expensed over the vesting period. The expense for 2017 amounted to DKK 4.4m (2016: DKK 27.6m). Total remuneration expenses for the Executive Committee amounted to DKK 104.9m (2016: DKK 104.8m). For further information, see the section Remuneration in the Management's review.

Number of full-time employee equivalents

	2017	2016
1 January	7,963	7,897
Redundancy programmes	(476)	(225)
Acquisitions and divestments	(205)	82
Insourcing	869	0
Hirings and resignations	(54)	209
31 December	8,097	7,963
Former Danish civil servants	88	98
Employees entitled to pension from TDC Group's pension fund	935	1,056
Other employees	7,074	6,809
31 December	8,097	7,963
Of which in Denmark	7,242	7,025
Average number of full-time employee equivalents, TDC Group^{1,2}	7,555	7,983

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 (98 in 2017 and 106 in 2016).

² The figures cover only continuing operations. Calculated including discontinued operations, the average number of full-time employee equivalents amounted to 7,555 in 2017 (2016: 8,675).

2.5 Personnel expenses (continued)

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.

2.6 Depreciation, amortisation and impairment losses

	DKKm	
	2017	2016
Depreciation of property, plant and equipment, cf. note 3.2	(3,166)	(2,976)
Amortisation of intangible assets, cf. note 3.1	(1,930)	(1,906)
Impairment losses, cf. notes 3.1 and 3.2	(64)	(58)
Total	(5,160)	(4,940)



Comments

The increase in depreciation from 2016 to 2017 was driven primarily by a reduction of the useful lives of various network equipment and an increased depreciation base. Both effects related to the upgrading of the *cable* network to enable 1 gigabit broadband.

The increase in amortisation was driven by increased customer churn partly offset by lower amortisation due to the diminishing-balance method.

2.7 Special items

	DKKm	
	2017	2016
Costs related to redundancy programmes and vacant tenancies	(316)	(221)
Other restructuring costs, etc.	(91)	(53)
Gain on sale of enterprises	137	0
Loss on sale of enterprises	0	(2)
Income from rulings	54	0
Loss from rulings	(4)	(5)
Costs related to acquisition of enterprises	(11)	0
Special items before income taxes	(231)	(281)
Income taxes related to special items	60	60
Special items related to joint ventures and associates	0	1
Special items related to discontinued operations	26	973
Total special items	(145)	753

Cash flow from special items (excl. discontinued operations)

	DKKm	
	2017	2016
Redundancy programmes and vacant tenancies	(244)	(243)
Other	(150)	(203)
Total	(394)	(446)

2.7 Special items (continued)



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.



Comments

The positive development in special items was due primarily to the gain from the divestment of TDC Hosting in March 2017 (DKK 137m), partly offset by increased costs related to redundancy programmes and vacant tenancies.

Reconciliation of special items

DKK m

	2017			2016		
	Reported income statement	Special items	Adjusted income statement	Reported income statement	Special items	Adjusted income statement
Revenue	20,270	-	20,270	21,031	-	21,031
Cost of sales	(5,301)	-	(5,301)	(5,404)	(27)	(5,431)
Gross profit	14,969	-	14,969	15,627	(27)	15,600
External expenses	(3,163)	(288)	(3,451)	(3,434)	(106)	(3,540)
Personnel expenses	(3,664)	(149)	(3,813)	(3,805)	(146)	(3,951)
Other income	102	206	308	100	-	100
Other expenses	0	0	0	-	(2)	(2)
Operating profit before depreciation and amortisation	8,244	(231)	8,013	8,488	(281)	8,207
Depreciation, amortisation and impairment losses	(5,160)	-	(5,160)	(4,940)	-	(4,940)
Special items	(231)	231	0	(281)	281	-
Operating profit	2,853	0	2,853	3,267	0	3,267
Financial income and expenses	(838)	-	(838)	(776)	-	(776)
Profit before income taxes	2,015	0	2,015	2,491	0	2,491



Critical accounting estimates and judgements

In the Group's income statement, special items are presented as a separate item. Special items include income or costs that in Management's judgement shall 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 of

the transaction or event, including whether the event or transaction is recurrent. 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.



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.

2.8 Income taxes



Worth noting

A large part of TDC Group's deferred tax liabilities relates 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 A/S and the former parent company NTC ApS in 2009 and the resulting adoption of NTC's purchase price allocation.



Comments

Reconciliation of income taxes

In 2017, the change in tax rate related to a reduction of the Norwegian corporate income tax rate from 24% to 23% with effect from 2018.

DKK 556m of the income tax paid was paid in Denmark (2016: DKK 607m). DKK 0m was paid in Norway (2016: DKK 1m). In 2016, the Group received a refund of income tax of DKK 3m related to the discontinued operations in Sweden.

Reconciliation of income taxes

DKKm

	Income taxes cf. the income statement	2017 Income tax payable/ (receivable)	Deferred tax liabilities/ (assets)	Income taxes cf. the income statement	2016 Income tax payable/ (receivable)	Deferred tax liabilities/ (assets)
At 1 January	-	(25)	4,133	-	(5)	4,218
Transferred to discontinued operations	-	0	0	-	22	7
Additions relating to acquisition of enterprises	-	0	8	-	1	19
Disposal relating to divestment of enterprise	-	1	(5)	-	0	0
Disposals relating to loss of control	-	0	0	-	9	0
Income taxes for the year	(512)	605	(93)	(602)	634	(32)
Adjustment of tax for previous years	(2)	(34)	36	47	(78)	31
Change in tax rate	26	0	(26)	26	0	(26)
Tax relating to remeasurement effects from defined benefit pension plans	-	-	258	-	-	(95)
Tax relating to coupon payments on hybrid capital	-	0	(31)	-	0	(21)
Income tax paid	-	(556)	-	-	(608)	-
Currency translation adjustment	-	-	(49)	-	0	32
Total	(488)	(9)	4,231	(529)	(25)	4,133
Shown in the balance sheet as:						
Tax payable/deferred tax liabilities	-	-	4,231	-	0	4,133
Tax receivable/deferred tax assets	-	(9)	0	-	(25)	0
Total	-	(9)	4,231	-	(25)	4,133
Income taxes are specified as follows:						
Income excluding special items	(548)	-	-	(589)	-	-
Special items	60	-	-	60	-	-
Total	(488)	-	-	(529)	-	-

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

In Sweden, the Group has a non-recognised tax loss of DKK 11m (2016: DKK 11m).

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.

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

2.8 Income taxes (continued)

Specification of deferred tax

DKKm

	2017			2016
	Deferred tax assets	Deferred tax liabilities	Total ¹	
Receivables, inventories, etc.	(1)	0	(1)	(7)
Other	(37)	0	(37)	(35)
Current	(38)	0	(38)	(42)
Intangible assets	0	3,175	3,175	3,457
Property, plant and equipment	(39)	24	(15)	46
Pension assets and pension liabilities	0	1,486	1,486	1,229
Tax value of tax-loss carryforwards	(181)	0	(181)	(401)
Other	(196)	0	(196)	(156)
Non-current	(416)	4,685	4,269	4,175
Deferred tax at 31 December	(454)	4,733	4,231	4,133

¹The total net deferred tax is recognised as a liability in the balance sheets.

Reconciliation of effective tax rate

	2017		2016	
	DKKm	%	DKKm	%
Danish corporate income tax rate	494	22.0	610	22.0
Limitation on the tax deductibility of interest expenses	77	3.4	49	1.7
Other non-taxable income and non-tax deductible expenses	1	0.1	1	0.0
Tax value of non-capitalised tax losses and utilised tax losses, net	0	0.0	1	0.0
Deviation in foreign subsidiaries' tax rates compared with the Danish tax rate	6	0.3	7	0.3
Change in the Norwegian corporate income tax rate	(26)	(1.2)	(26)	(0.9)
Adjustment of tax for previous years	2	0.1	(47)	(1.6)
Other	(6)	(0.3)	(6)	(0.2)
Effective tax excluding special items	548	24.4	589	21.3
Other special items	(60)	(0.2)	(60)	(0.0)
Effective tax including special items	488	24.2	529	(21.3)

Reconciliation of effective tax rate

The increasing effective tax rate (excluding special items) was due primarily to the increased impact from the Danish limitation on the deductibility of interest due to foreign exchange losses on receivables as well as the reduction of adjustment of tax for previous years.

2.8 Income taxes (continued)

§ 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 Group 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.

2.9 Discontinued operations

	DKKk	
	2017	2016
Revenue	0	2,256
Total operating costs	0	(1,999)
Income taxes	0	(25)
Results from discontinued operations excluding gain from divestment	0	102
Gain from divestment of discontinued operations (special items) cf. note 2.7	26	981
Other special items relating to discontinued operations cf. note 2.7	0	(8)
Profit for the year from discontinued operations	26	1,075

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

§ 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.

2.10 Earnings per share (EPS)

	DKKk	
	2017	2016
Profit/(loss) for the year (DKKk)	1,553	3,037
Average number of shares	812,000,000	812,000,000
Average number of treasury shares	(9,383,553)	(9,997,028)
Average number of outstanding shares	802,616,447	802,002,972
Average dilutive effect of outstanding share-based instruments (number)	3,774,863	2,763,128
Average number of diluted outstanding shares	806,391,310	804,766,100
EPS (DKK)		
EPS, basic	1.73	3.58
EPS, diluted	1.72	3.56
EPS from continuing operations, basic	1.70	2.24
EPS from continuing operations, diluted	1.69	2.22
EPS from discontinued operations, basic	0.03	1.34
EPS from discontinued operations, diluted	0.03	1.34
Profit/(loss) for the year from continuing operations	1,527	1,962
Reversal of special items before income taxes (cf. note 2.7)	231	281
Reversal of income taxes related to special items (cf. note 2.7)	(60)	(60)
Reversal of special items related to joint ventures and associates (cf. note 2.7)	0	(1)
Reversal of amortisation of brands and customer relationships stemming from the merger of TDC A/S and NTC ApS (net of tax)	360	441
Adjusted profit for the year (DKKk)	2,058	2,623
Adjusted EPS (from continuing operations)	2.56	3.27

§ 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 reflects how the business is managed. Adjustments are made for special items, discontinued operations, amortisation stemming from the merger of TDC A/S and NTC ApS in 2009, and the related tax amounts.

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.

3.1 Intangible assets

DKK m

	2017					2016				
	Goodwill	Customer relationships	Brands	Other rights, software, etc.	Total	Goodwill	Customer relationships	Brands	Other rights, software, etc.	Total
Accumulated cost at 1 January	21,675	18,927	6,104	11,909	58,615	22,556	19,178	6,116	11,299	59,149
Transferred to discontinued operations	0	0	0	0	0	(1,053)	(478)	0	(490)	(2,021)
Additions relating to the acquisition of enterprises	171	60	11	3	245	76	43	8	37	164
Disposal relating to loss of control	0	0	0	0	0	(202)	0	0	(21)	(223)
Disposal relating to the divestment of enterprises	(449)	(109)	0	(143)	(701)	0	0	0	0	0
Additions	0	0	0	1,152	1,152	0	0	0	1,289	1,289
Assets disposed of or fully amortised	0	(52)	0	(607)	(659)	0	(46)	(54)	(206)	(306)
Currency translation adjustments	(435)	(336)	(50)	0	(821)	298	230	34	1	563
Accumulated cost at 31 December	20,962	18,490	6,065	12,314	57,831	21,675	18,927	6,104	11,909	58,615
Accumulated amortisation and write-downs for impairment at 1 January	(3,900)	(11,528)	(159)	(8,820)	(24,407)	(5,062)	(10,980)	(203)	(8,449)	(24,694)
Transferred to discontinued operations	0	0	0	0	0	1,016	424	0	344	1,784
Amortisation	0	(889)	(4)	(1,037)	(1,930)	0	(973)	(3)	(930)	(1,906)
Write-downs for impairment	0	(3)	0	(9)	(12)	0	(23)	(4)	(8)	(35)
Disposal relating to loss of control	0	0	0	0	0	146	0	0	18	164
Disposal relating to the divestment of enterprises	208	89	0	99	396	0	0	0	0	0
Assets disposed of or fully amortised	0	52	0	607	659	0	46	54	206	306
Currency translation adjustments	0	65	4	0	69	0	(22)	(3)	(1)	(26)
Accumulated amortisation and write-downs for impairment at 31 December	(3,692)	(12,214)	(159)	(9,160)	(25,225)	(3,900)	(11,528)	(159)	(8,820)	(24,407)
Carrying amount at 31 December	17,270	6,276	5,906	3,154	32,606	17,775	7,399	5,945	3,089	34,208

3.1 Intangible assets (continued)

Worth noting

TDC Group's intangible assets relate largely to goodwill, customer relations and brands stemming from the merger between TDC A/S and the former parent company NTC ApS in 2009 and the resulting adoption of NTC's purchase price allocation. These items amounted to DKK 19,046m (2016: DKK 19,756m).

Comments

Write-downs for impairment of intangible assets, etc. totalled DKK 12m (2016: DKK 35m). These write-downs related to termination of various software projects in Denmark.

Assets with indefinite useful lives other than goodwill amounted to DKK 5,893m (2016: DKK 5,938m). The decrease in carrying amount related to currency translation adjustments. DKK 5,339m (2016: DKK 5,339m) related to the TDC brand in Denmark, DKK 97m (2016: DKK 105m) related to the TDC Norway brand and DKK 457m (2016: DKK 494m) related to the Get brand in Norway.

The carrying amount of software amounted to DKK 1,781m (2016: DKK 1,588m). The addition of internally developed software totalled DKK 310m (2016: DKK 289m).

The carrying amount of individually material Danish mobile licences included in other rights, software etc., amounted to DKK 1,197m (2016: DKK 1,325m) and is shown in the next table.

Critical accounting estimates and judgements

Useful lives

Management estimates useful lives for intangible assets 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 may have the potential to impact the determination of the useful life of the asset, i.e. when events or circumstances occur that indicate that the carrying amount of the asset may not be recoverable and should therefore be tested for impairment. Any change in customer churn or the expected useful lives of these assets is recognised in the financial statements, as soon as any such change has been ascertained, as a change of a critical accounting estimate.

Impairment testing of intangible assets

Intangible assets comprise a significant portion of TDC Group's total assets. The measurement of the recoverable amount of intangible assets is a complex process that requires significant Management judgements in determining various assumptions to be used in the calculation of cash-flow projections, discount rates and terminal growth rates. In addition, Management estimates the cost drivers, etc. in the activity-based costing model that is used for allocation of the carrying amount and value in use of the cash-generating units.

The sensitivity of changes in the assumptions used to determine the recoverable amount may be significant. Furthermore, the use of other estimates or assumptions when determining the recoverable amount of the assets may result in other values and could result in required impairment of intangible assets in future periods. The assumptions used for the impairment testing of goodwill are shown in the section Impairment testing of goodwill and intangible assets with indefinite useful lives.

Spectrum licences in Denmark

DKK m

Spectrum (MHz)	Bandwidth (MHz)	Type/Technology	Licence expiration	Carrying amount
800	2 x 20	Technology neutral	2034	431
900	2 x 9	Technology neutral	2019	179
1800	2 x 20	Technology neutral	2032	287
2100	2 x 15 + 1 x 5	Technology neutral	2021	99
2600	2 x 20	Technology neutral	2030	201

Cash flow

DKK m

	2017	2016
Additions, cf. table above	(1,152)	(1,289)
Instalments regarding mobile licences	(126)	(156)
Non-cash part of acquisition of mobile licence	0	294
Cash flow from investment in intangible assets	(1,278)	(1,151)

3.1 Intangible assets (continued)

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 2017 and at 1 October 2016, 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, but is tested for potential impairment against the combined value of the Danish business lines.

Projections for the terminal period are based on general expectations and risks, taking into account the general growth expectations for the telecoms industry in Denmark and Norway. The growth rates applied reflect expectations of relatively saturated markets.

The three-year business plans are based on current trends. The budget period includes cash flow effects from completed restructurings combined with effects of strategic initiatives aimed at improving or maintaining trend lines.

For the impairment testing of goodwill, TDC Group 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.

Key assumptions for calculating the value in use for the significant¹ goodwill amounts

	DKKkm			
	YouSee	Online Brands	Business	Get
Carrying amount of goodwill at 31 December 2017 (DKKkm)	6,733	1,110	4,236	4,925
Carrying amount of goodwill at 31 December 2016 (DKKkm)	6,756	1,114	4,436	5,326
Market-based growth rate applied to extrapolated projected future cash flows for the period following 2020	0.0%	0.0%	0.0%	1.0%
Market-based growth rate applied at 1 October 2016	0.0%	0.0%	0.0%	2.0%
Applied pre-tax discount rate at 1 October 2017	7.2%	6.9%	7.9%	8.0%
Applied pre-tax discount rate at 1 October 2016	7.6%	7.3%	8.2%	8.2%

¹ Representing 98 % of the total carrying amount in 2017 (2016: 99 %).

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 from continuation of lower churn and improved product mix
- Growth in mobility services and broadband from higher *ARPU*s partly offset by increased *roaming* costs on mobile voice, reduced churn driven by new loyalty programme, YouSee More, and the ambition to continue to have superior networks as well as new offerings (e.g. hybrid broadband)
- TV gross profit decline due to customer loss and expected erosion of gross profit margin in line with uptake of new flexible TV packages with *SVoD* services, partly offset by price increases. Churn will improve after revitalisation of the TV offering, leading to a stable-to-increasing TV market share
- *Opex* savings driven by optimisation of call centre productivity KPIs, focus on moving customers to a digital universe and call reductions

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 *EBITDA* level in the planning period. A sensitivity analysis indicates that *EBITDA* each year in the planning period may be up to DKK 660m lower 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 the assumption of moderate *EBITDA* growth in the three-year business plan, however with higher growth in 2018 due to the YoY impact from the acquisition of Plenti. Adjusted for Plenti, growth is driven mainly by mobility services from higher *ARPU* partly offset by higher content costs related to growth in the Telmore Play customer base as well as modest growth in TV driven 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 *EBITDA* level shows that *EBITDA* each year in the planning period may be up to DKK 240m lower before a write-down would have to be recognised.

Business

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 improved *EBITDA* development based on the following assumptions:

- Continued intense price competition in the enterprise segment is expected to negatively impact earnings, however offset by better development in the SME segment and a positive impact from a new public contract
- New products and services and improvement of the overall end-to-end processes are expected to have a positive impact on gross profit
- *Opex* savings driven by *FTE* reductions, partly offset by implementation costs in 2018 and 2019 related to the new public contract

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 *EBITDA* level in the planning period. A sensitivity analysis indicates that *EBITDA* each year in the planning period may be up to DKK 300m lower 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 1.3 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. Small growth in gross profit is expected driven mainly by broadband, but offset by a TV gross profit decline. Broadband growth stems mainly from price increases and upgrading to higher speeds at higher prices. The TV gross profit decline is driven by increased content costs, contained loss of TV customers and, in 2018, will be affected by negative effects from TV one-offs in 2017.

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 2020. A sensitivity analysis indicates that this growth rate may decrease from 1% to 0.1% before a write-down will have to be recognised. The sensitivity of the *EBITDA* level indicates that *EBITDA* each year in the planning period may be up to NOK 150m lower before a write-down would have to be recognised.

3.1 Intangible assets (continued)

§ 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	2-10 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.

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.

3.2 Property, plant and equipment

DKK m

	2017					2016				
	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	599	36,849	2,305	1,310	41,063	589	34,288	2,493	1,489	38,859
Transferred to discontinued operations	0	0	0	0	0	0	(681)	(305)	(89)	(1,075)
Transfers (to)/from other items	0	1,056	31	(1,087)	0	1	1,386	(22)	(1,365)	0
Additions relating to the acquisition of enterprises	0	0	12	0	12	0	0	3	0	3
Disposals relating to the divestment of enterprises	0	0	(364)	0	(364)	0	0	0	0	0
Additions	4	1,828	169	1,334	3,335	8	1,894	235	1,225	3,362
Assets disposed of	(2)	(268)	(123)	0	(393)	(1)	(232)	(100)	0	(333)
Currency translation adjustments	(3)	(366)	0	(56)	(425)	2	194	1	50	247
Accumulated cost at 31 December	598	39,099	2,030	1,501	43,228	599	36,849	2,305	1,310	41,063
Accumulated depreciation and write-downs for impairment at 1 January	(129)	(20,777)	(1,804)	(312)	(23,022)	(115)	(18,504)	(1,906)	(371)	(20,896)
Transferred to discontinued operations	0	0	0	0	0	0	393	206	33	632
Transfers to/(from) other items	0	0	0	0	0	0	(75)	35	40	0
Depreciation	(13)	(2,973)	(180)	0	(3,166)	(12)	(2,727)	(237)	0	(2,976)
Write-downs for impairment	(9)	(25)	0	(18)	(52)	0	(9)	0	(14)	(23)
Disposal relating to the divestment of enterprises	0	0	277	0	277	0	0	0	0	0
Assets disposed of	2	268	122	0	392	0	232	98	0	330
Currency translation adjustments	1	182	0	0	183	(2)	(87)	0	0	(89)
Accumulated depreciation and write-downs for impairment at 31 December	(148)	(23,325)	(1,585)	(330)	(25,388)	(129)	(20,777)	(1,804)	(312)	(23,022)
Carrying amount at 31 December	450	15,774	445	1,171	17,840	470	16,072	501	998	18,041
Carrying amount of finance leases at 31 December	49	37	0	-	86	52	148	0	-	200



Comments

In 2017, write-downs for impairment totalled DKK 52m. Of this, DKK 45m related to assets in Denmark operated by Operations and DKK 7m related to Norway.

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.

3.2 Property, plant and equipment (continued)

Cash flow

	DKK m	
	2017	2016
Additions, cf. table above	(3,335)	(3,362)
Non-cash additions regarding finance leases	0	12
Non-cash additions regarding decommissioning obligations	4	22
Additions not yet paid	118	25
Cash flow from investment in property, plant and equipment	(3,213)	(3,303)

§ 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.

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 shown in the next table.

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.

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

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.

3.3 Receivables

	DKKm	
	2017	2016
Trade receivables	2,379	2,577
Allowances for doubtful debts	(260)	(259)
Trade receivables, net	2,119	2,318
Contract work in progress	123	89
Receivables from joint ventures and associates	3	0
Other receivables	264	344
Total	2,509	2,751
Recognised as follows in the balance sheet:		
Non-current assets	197	256
Current assets	2,312	2,495
Total	2,509	2,751
Allowances for doubtful debts at 1 January	(259)	(270)
Transferred to discontinued operations	0	1
Deduction relating to divestment of subsidiaries	1	0
Additions	(103)	(111)
Realised losses	52	80
Reversed allowances	49	41
Allowances for doubtful debts at 31 December	(260)	(259)

Trade receivables

	DKKm				
	Not past due	Past due and impaired	Past due and not impaired		Total
			Less than six months	More than six months	
2017:	1,366	731	246	36	2,379
2016:	1,390	813	331	43	2,577



Comments

Write-down for impairment of other receivables was DKK 0m (2016: DKK 15m).

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

Of the receivables classified as current assets, DKK 15m falls due after more than one year (2016: DKK 13m).



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.

3.4 Prepaid expenses

	DKKm	
	2017	2016
Prepaid expenses related to service contracts	101	113
Expenses related to non-refundable up-front connection fees	368	369
Other prepaid expenses	385	513
Total	854	995
Recognised as follows in the balance sheet:		
Non-current assets	301	314
Current assets	553	681
Total	854	995



Accounting policies

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

3.5 Deferred income

	DKKkM	
	2017	2016
Deferred income from non-refundable up-front connection fees	630	660
Deferred subscription revenue	2,923	2,627
Other deferred income	84	217
Total	3,637	3,504
Recognised as follows in the balance sheet:		
Non-current liabilities	375	372
Current liabilities	3,262	3,132
Total	3,637	3,504

§ Accounting policies

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

3.6 Provisions

	DKKkM			
	2017			
	Decommis- sioning obligations	Restructur- ing obliga- tions	Other provisions	Total
Provisions at 1 January	233	709	186	1,128
Transferred to discontinued operations	-	-	-	-
Disposal related to the divestment of enterprises	0	(3)	(1)	(4)
Additions relating to the acquisition of enterprises	1	0	0	1
Provisions made	5	259	1	265
Change in present value	8	7	0	15
Provisions used (payments)	(5)	(238)	(31)	(274)
Reversal of unused provisions	(1)	0	(19)	(20)
Currency translation adjustments	0	(1)	0	(1)
Provisions at 31 December	241	733	136	1,110
Of which recognised through special items in the income statement	0	728	49	777
Recognised as follows in the balance sheet:				
Non-current liabilities	241	624	118	983
Current liabilities	0	109	18	127
Total	241	733	136	1,110

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

	DKKkM	
	2017	2016
Payments related to provisions	(15)	(5)
Cash flow related to special items	(254)	(251)
Investment in property, plant and equipment	(5)	(2)
Total	(274)	(258)

3.6 Provisions (continued)



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.

The Danish part of the Group has 150,002 square metres of leased tenancies no longer used by the Group (2016: 181,083). Of this 90,802 (2016: 77,643) square metres were subleased. The leases terminate in 2041 at the latest. See also note 6.4. 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 the 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).

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 outplacement 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 below.

Average redundancy cost per full-time employee equivalent

	DKK thousands	
	2017	2016
Non-civil servants	198	412
Former Danish civil servants	1,198	1,350
Employees with civil-servant status	699	771
Weighted average per full-time employee equivalent	457	504



Critical accounting estimates and judgements

The Group has engaged, and may in the future need to engage, in new restructuring activities, which require Management to make significant estimates on provisions for e.g. onerous contracts and employee layoffs. Such estimates are based on expectations concerning timing and scope, the future cost level for the restructuring, etc. In connection with former large restructurings, Management has estimated the cost of onerous contracts for vacant tenancies, including rent costs 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 obtaining income from sublease and expected sublet rent rates is judged. The most critical assumptions used in determining the provision relate to the probability of sublease and expected sublet rent rates. The provision is estimated at DKK 630m (2016: DKK 551m). The actual amounts may differ from this estimate, and may therefore materially impact on future results.

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

3.6 Provisions (continued)

§ 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.

3.7 Trade and other payables

	DKKm	
	2017	2016
Trade payables	4,091	4,164
Prepayments from customers	170	161
Accrued interest	547	554
Holiday allowance provision	601	631
VAT and other taxes	286	283
Personnel expense payables	260	265
Other payables	205	128
Total	6,160	6,186

Of the current liabilities, DKK 215m falls due after more than one year (2016: DKK 164m).

3.8 Pension assets and pension obligations



Worth noting

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

TDC Group 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 Group's pension assets and pension obligations are outlined in more detail in the following.

Pension income/(costs) from defined benefit plans

DKK m

	2017	2016
Specification of plans		
Denmark	(59)	(8)
Norway	2	(6)
Pension income/(costs) from defined benefit plans	(57)	(14)
Recognition in the income statement		
Service cost ¹	(125)	(123)
Administrative expenses	(10)	(9)
Personnel expenses (included in EBITDA)	(135)	(132)
Interest on pension assets	78	118
Pension income/(costs) from defined benefit plans	(57)	(14)

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

	2017	2016
Pension contributions (ordinary contributions)		
Denmark	(90)	(96)
Norway	(5)	(10)
Total	(95)	(106)
Special items (extraordinary contributions)		
Denmark	(13)	(12)
Norway	0	0
Total	(13)	(12)

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, 1,062 of TDC Group's employees (2016: 1,104) were entitled to pensions from the pension fund related to the Group. Of these, 94 (2016: 96) employees were seconded to external parties in connection with outsourcing tasks or divesting operations. In addition, 8,005 (2016: 8,068) 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, The Group is required to make contributions to meet the capital adequacy requirements. When all pension obligations have been met, the remaining funds will be distributed from the pension fund to TDC Group.

Ordinary monthly contributions to the pension fund are made corresponding to a percentage of wages. The ordinary contributions have been reduced from 1 January 2018. This decision was made due to the positive funding situation of the pension fund. 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 Group'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 the Group does not have full control.

The surplus under the Danish FSA pension regulation amounted to approx. DKK 2.7bn (2016: DKK 3.1bn). The equity of the pension fund amounted to approx. DKK 3.7bn (2016:

DKK 4.0bn). The equity differs from the pension assets recognised in accordance with IFRS (DKK 6.8bn) due to specific FSA pension regulation requirements resulting in a higher pension obligation for regulatory purposes. 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 (2016: DKK 39m).

Pension (costs)/income

	DKKm		
	Expected 2018	2017	2016
Service cost	(108)	(127)	(119)
Administrative expenses	(13)	(10)	(9)
Personnel expenses (included in EBITDA)	(121)	(137)	(128)
Interest on pension assets	107	78	120
Pension (costs)/income	(14)	(59)	(8)
Domestic redundancy programmes recognised in special items	-	(59)	(26)
Total pension (costs)/income recognised in the income statement	-	(118)	(34)

3.8 Pension assets and pension obligations (continued)

Assets and obligations

	DKKkm	
	2017	2016
Specification of pension assets		
Fair value of plan assets	30,959	30,836
Defined benefit obligation	(24,207)	(25,241)
Pension assets recognised in the balance sheet	6,752	5,595
Change in defined benefit obligation		
Defined benefit obligation at 1 January	(25,241)	(23,238)
Service cost	(127)	(119)
Administrative expenses	(10)	(9)
Interest cost on the defined benefit obligation	(349)	(454)
Termination benefits	(59)	(26)
Remeasurement effect:		
Demographic experience	136	232
Financial assumptions	377	(2,683)
Benefit paid	1,066	1,056
Projected benefit obligations at 31 December	(24,207)	(25,241)
Change in fair value of plan assets		
Fair value of plan assets at 1 January	30,836	29,185
Interest income on plan assets	427	574
Actual return on plan assets greater/(less) than discount rate (remeasurement effect)	659	2,025
TDC's contribution	103	108
Benefit paid	(1,066)	(1,056)
Fair value of plan assets at 31 December	30,959	30,836
Change in pension assets		
Pension assets at 1 January	5,595	5,947
Pension (costs)/income	(118)	(34)
Remeasurement effects	1,172	(426)
TDC's contribution (see also table below)	103	108
Pension assets recognised in the balance sheet at 31 December	6,752	5,595

Asset allocation by asset categories at 31 December

	DKKkm	
	2017	2016
Assets with quoted prices:		
Government and mortgage bonds (incl. hedges and repos)	15,473	13,720
High-yield bonds	3,584	3,502
Investment grade bonds	2,007	2,927
Emerging markets-debt	3,262	3,248
Property	2,201	1,947
Equities	403	413
Cash	13	(115)
Other	(52)	(334)
Assets without quoted prices:		
High-yield bonds	1,179	1,917
Investment grade bonds	1,242	2,042
Property	1,480	1,154
Alternatives	85	246
Equities	82	169
Fair value of plan assets	30,959	30,836

Assumptions used to determine defined benefit obligations (balance sheet)

	%	
	2017	2016
Discount rate	1.56	1.41
General price/wage inflation	1.73	1.69

Assumptions used to determine pension (costs)/income

	2018	2017	2016
Discount rate	1.56	1.41	2.00
General price/wage inflation	1.73	1.69	1.50

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 14 years, taking into account that the pension liability is in Danish kroner. For purposes of determining TDC Group's pension costs, the assumed discount rate was 1.41% (2.00% in 2016) and inflation was 1.69% (1.50% in 2016). The assumptions for 2018 reflect a discount rate increase to 1.56% and an increase of the assumed inflation rate to 1.73%.

The increased discount rate during 2017 resulted in a decreased pension benefit obligation compared with year-end 2016.

In 2018, with these changed assumptions, pension costs from the domestic defined benefit plan are expected to amount to DKK 14m (2017: DKK 59m), assuming all other factors remain unchanged.

The remeasurement effects of DKK 1,172m covered primarily a gain related to the plan assets (DKK 659m) as the actual return was higher than the expected return¹ and a gain related to the benefit obligation (DKK 513m) resulting from the increasing discount rate (from 1.41% to 1.56%), partly offset by an increasing inflation rate (from 1.69% to 1.73%).

In 2016, the remeasuring effects of DKK (426)m covered a loss related to the pension obligation (DKK 2,452m) resulting from the decreasing discount rate (from 2.00% to 1.41%), partly offset by the increasing inflation rate (from 1.50% to 1.69%). This loss was partly offset by a gain related to plan assets (DKK 2,026m) as the actual return was higher than the expected return¹.

The mortality assumptions are based on regular mortality studies. 2017 saw the completion of the latest study for IAS 19 purposes, which analysed the actual mortality experience of the TDC Group pension fund plan. The mortality assumptions provide the best estimate for the Group's recent experience plus an allowance for future improvement. The allowance for future improvement is in accordance with the Danish FSAs guidelines.

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

3.8 Pension assets and pension obligations (continued)

The table below shows the estimated impact of some of the risks to which TDC Group is exposed. The Group 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.

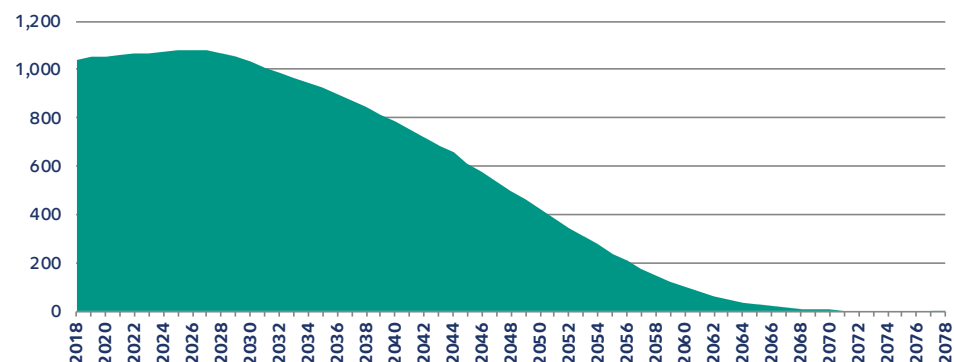
Projected defined benefit obligations

DKKkm

	2017	2016
Reported defined benefit obligation	24,207	25,241
Discount rate sensitivity	1.56%	1.41%
Assumption -0.5%	26,025	27,216
Assumption +0.5%	22,582	23,484
General price/wage inflation sensitivity	1.73%	1.69%
Assumption +0.25%	25,121	26,231
Assumption -0.25%	23,339	24,304
Mortality sensitivity		
Assumption +1 year longevity	25,285	26,316
Assumption -1 year longevity	23,142	24,113

Projected benefit payments¹

DKKkm



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

3.8 Pension assets and pension obligations (continued)

TDC Group's contributions

	Expected 2018	2017	2016
Ordinary contributions	3	90	96
Extraordinary contributions in connection with retirements	11	13	12
Capital contributions	0	0	0
Total	14	103	108

Other information

Ultimately, 522 members of the defined benefit plans will have part of their pension payment reimbursed by the Danish government.

The related benefit obligations of DKK 432m (2016: DKK 466m) have been deducted in the projected benefit obligation.

Defined benefit plans in Norway

TDC Group'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 under pension liabilities in the balance sheet.

Pension contributions related to foreign defined benefit plans amounted to DKK 5m (2016: DKK 10m). Pension liabilities relating to foreign defined benefit plans amounted to DKK 29m (2016: DKK 39m). The actuarially determined pension obligations amounted to DKK 167m (2016: DKK 250m) and the fair value of the pension funds' assets amounted to DKK 138m (2016: DKK 211m). The remeasurement effects amounted to DKK 0m (2016: DKK (4)m).



Critical accounting estimates and judgements

Defined benefit plans

The pension liability regarding defined benefit plans is estimated based on certain actuarial assumptions, the most significant of which relate to discount rates, wage inflation and mortality. The discount rate applied is based on the yield of corporate bonds and may change over the years depending on interest rate developments. Management estimates of actuarial assumptions illustrate current market conditions. TDC Group's pension costs related to the Danish defined benefit plan are expected to amount to DKK 14m in 2018 compared with DKK 59m in 2017, assuming all other factors remain unchanged. See the separate section Sensitivity analysis for a statement on the sensitivity of the defined benefit obligation to the discount rate, inflation and mortality.



Accounting policies

In a defined benefit plan, TDC Group 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.

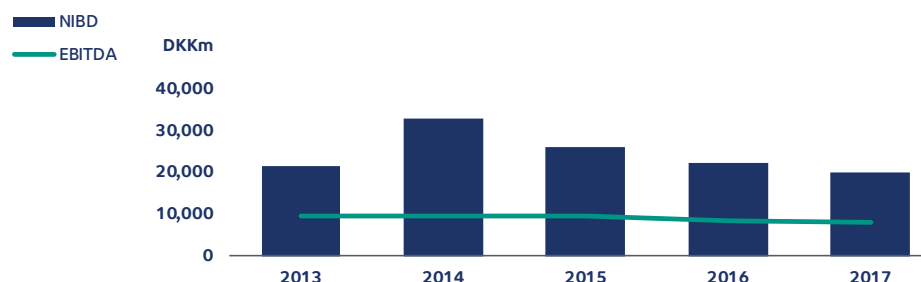
Pension assets are recognised to the extent that they represent future repayments from the pension plan.

Pension income/costs from defined benefit plans comprises 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.

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. The bar chart on the right shows the development in *net interest-bearing debt (NIBD)* and *operating profit before depreciation, amortisation and special items (EBITDA)* over the last five years.



4.1 Equity

Worth noting

In February 2015, TDC Group 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.

Comments

The total authorised number of shares is 812,000,000 with a par value of DKK 1 per share (unchanged in 2017 and 2016). All issued shares have been fully paid up.

During 2017, total equity increased by DKK 1.0bn to DKK 25.2bn due mainly to the positive

total comprehensive income (DKK 1.8bn), partly offset by distributed dividends (DKK 0.8bn).

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

The Parent Company statement of changes in equity specifies which reserves are available for distribution. The distributable reserves amounted to DKK 17,659m at 31 December 2017 before proposed dividend (2016: DKK 17,224m before proposed dividend). At the Annual General Meeting on 8 March 2018, the Board of Directors will propose a dividend of DKK 1.05 per share. For the financial year 2016, a dividend of DKK 1.00 per share was distributed.

Dividend payments during the financial year 2017 amounted to DKK 1 per share (2016: DKK 0 per share).

Treasury shares

	Shares (number)	Nominal value (DKKm)	% of share capital
Holding at 1 January 2016	10,281,931	10	1.27
Used to settle share-based incentive programmes	(325,858)	0	(0.04)
Holding at 1 January 2017	9,956,073	10	1.23
Used to settle share-based incentive programmes	(656,693)	(1)	(0.08)
Holding at 31 December 2017	9,299,380	9	1.15

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.

4.1 Equity (continued)

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 Group'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 at 31 December 2017 (2016: DKK 166m).

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*.

§ 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 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

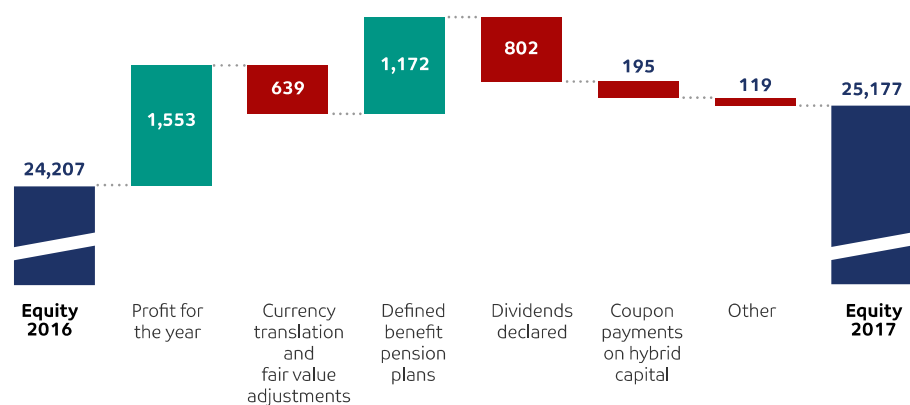
Currency translation reserve comprises exchange-rate differences arising from translation of the functional currency of foreign enterprises' financial statements into Danish kroner. Translation adjustments are recognised in the income statement when the net investment is realised.

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.

Equity

DKKm



4.2 Loans and derivatives



Worth noting

TDC Group is financed through the European bond market and bank loans.

The next upcoming maturity is the EUR 600m bond that will mature in February 2018 and is expected to be refinanced with cash and with either a bank loan or a new EMTN bond.

The Group'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 2017, TDC Group had a floating-rate share of debt of 31%, which is within the maximum of 60% as defined in TDC Group's Financial Strategy.

Hedges used for hedge accounting purposes comprise both cash flow hedges (GBP to EUR) and fair value hedges (fixed-to-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.

Debts relating to finance leases

DKKkM

	Minimum payments		Present value	
	2017	2016	2017	2016
Maturing within 1 year	37	83	36	81
Maturing between 1 and 3 years	18	45	17	44
Maturing between 3 and 5 years	12	11	10	11
Maturing after 5 years	80	85	39	37
Total	147	224	102	173

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

4.2 Loans and derivatives (continued)

Euro Medium Term Notes (EMTNs) and Bank loans¹

	2018	2019	2020	2020	2022	2023	2027	Total
Maturity	Feb 2018	Dec 2019	Feb 2020	Dec 2020	Mar 2022	Feb 2023	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)	4,466	1,117	1,861	744	3,722	3,556	5,955	21,421
Nominal value (Currency)	600	150	250	100	500	425	800	-
Of which nominal value swapped to or with floating interest rate (EURm)	200	150	250	100	150	50	0	900
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.

§ 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.

4.3 Financial risks



Worth noting

TDC Group 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 Group's capital structure and financing, the Group 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 Group's current financial strategy was approved in June 2017 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 Group 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 2017, the Group monitored and managed its interest-rate risks using several variables in accordance with TDC Group's financial strategy to protect primarily the Group'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 Group'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 Group 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 Group's financial assets shall not exceed 0.25 years.

Monitored interest-rate risk variables (average)

	Maxima/minima	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Interval 2017	Average 2017	Average 2016
Share of floating interest-rate debt	Max. 60%	24%	34%	38%	36%	31%	25%-38%	35%	23%
Actual financial portfolio BPV (DKKm)		14.1	12.5	11.9	11.5	11.4	11.3-12.6	11.8	15.9
Max. BPV of the financial portfolio (DKKm) ¹		15.7	14.7	13.9	13.0	12.2	11.9-14.9	13.4	17.7
Duration of financial assets (years)	Max. 0.25	0	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%	15%	0%	0%	0%	0%	0%-0%	0%	17%
The maximum share of fixed interest-rate gross debt to be reset within one year in year three ²	Max. 30%	0%	0%	0%	0%	0%	0%-0%	0%	0%

¹ At 31 December 2017, a +/- 1 percentage point parallel shift in the interest-rate curve would impact profit for the year by approx. DKK +111,7/-123,7m due to changes in fair value adjustments and paid interest (2016: +50,0/- 57,1m). The impact on equity is estimated to be immaterial in both years.

² Average figures for reset risk in 2017 and 2016 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.

4.3 Financial risks (continued)

Exchange-rate risks

TDC Group is exposed primarily to exchange-rate risks from NOK, USD and EUR. The exchange-rate exposure from the Group'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 Group'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 Group does not consider its positions in EUR to constitute a significant risk. The Group's EUR exposure was DKK 27.2bn in 2017 (2016: DKK 29.0bn).

Throughout 2017, TDC Group monitored and managed its exchange-rate risks using several variables in accordance with the Group's financial strategy to protect primarily the Group'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.
- forecasted 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 1.75% (1.25% until June 2017) 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 Group 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 A/S subject to maintaining an appropriate capitalisation and liquidity position for the subsidiary.

As a guiding rule, TDC A/S 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	
	2017 Carrying amount	2016 Carrying amount
SEK	569	1,350
EUR	2	1
NOK	7,121	8,932
Total at 31 December	7,692	10,283

The change in the carrying amounts was due primarily to dividend payments and the decreasing NOK/DKK currency rate.

4.3 Financial risks (continued)

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

	Maxima	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Interval 2017	Average 2017	Average 2016
Total open gross position in other currencies than DKK and EUR ^{1,2}	500	315	335	256	173	54	54-375	233	324

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

² At 31 December 2017, foreign currencies constituted a maximum translation risk of approx. DKK 35m in relation to EFCF (2016: approx. DKK 8m, with 90% certainty within a time frame of one year).

Credit risks

TDC Group is exposed to credit risks principally as a provider 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 Group 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 the Group's counterparties default, the Group might incur a loss. Credit risks are monitored on a monthly basis.

TDC Group's maximum credit risks, including both commercial and financial contracts, amounted to DKK 4,212m at 31 December 2017 (2016: DKK 4,364m).

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 5,211m) and cash generated by the business activities are deemed sufficient to handle upcoming redemption of debt.

Based on TDC Group'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 2017, TDC Group had undrawn committed credit lines totalling DKK 8,933m, of which DKK 3,722m was syndicated.

4.4 Credit ratings and net interest-bearing debt



Worth noting

Credit rating

TDC Group 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 the Group is downgraded, the funding costs will increase.

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

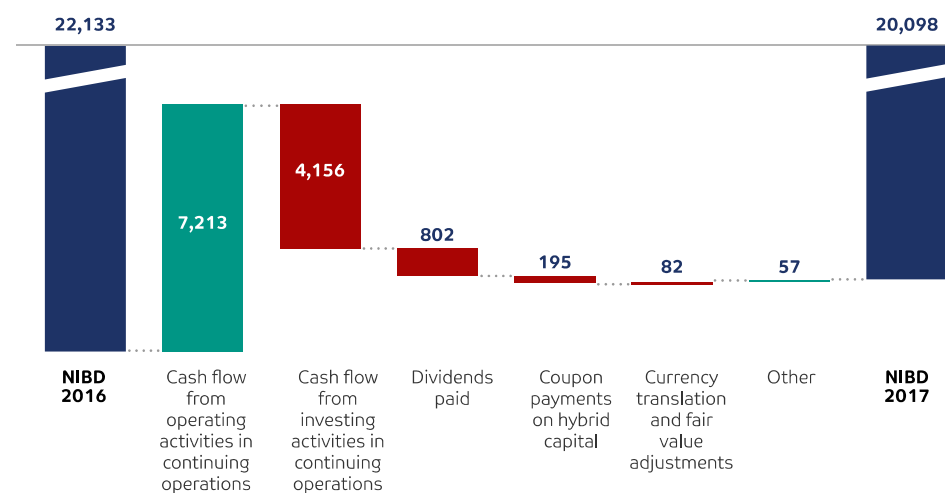
The Group's rating agencies took no action in relation to the rating of the Group in 2017.

TDC Group's company ratings at 31 December 2017

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

NIBD

DKKm



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

Net interest-bearing debt

DKKm

	At 1 January, 2017	Included in cash flows from		2017 Non-cash changes				At 31 December, 2017
		Investing activities	Financing activities	Acquisitions /disposals	New leases	Currency translation adjustment	Fair value adjustments	
Long-term loans incl. short-term part	24,186	(126)	(1,942)	(13)	0	(117)	(55)	21,933
Short-term loans	0	0	(5)	5	0	0	0	0
Interest-bearing payables	2	0	0	0	0	0	0	2
Corrections for hedge accounting effects ¹	(109)	0	0	0	0	144	98	133
Total interest-bearing debt	24,079	(126)	(1,947)	(8)	0	27	43	22,068
Interest-bearing receivables and investments	(259)							(203)
Cash	(1,687)							(1,767)
Net interest-bearing debt	22,133							20,098
50% of hybrid capital	2,776							2,776
Adjusted net interest-bearing debt	24,909							22,874

¹ Effect from hedge accounting, which has impacted financial income and expenses in 2017 and earlier periods.

	At 1 January, 2016	Included in cash flows from		2016 Non-cash changes				At 31 December, 2016
		Investing activities	Financing activities	Acquisitions	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
Corrections for hedge accounting effects ¹	(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

¹ Effect from hedge accounting, which has impacted financial income and expenses in 2016 and earlier periods.



Comments

In 2017, both *net interest-bearing debt* and adjusted *net interest-bearing debt* fell by DKK 2,035m following the net cash flows from operating and investing activities including the proceeds from divesting TDC Hosting of DKK 491m (after adjustment for cash and debt as well as transaction costs) partly offset by the payment of dividend of DKK 802m.

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.).

4.5 Financial income and expenses

	DKK m	
	2017	2016
Interest income	15	17
Interest expenses	(656)	(782)
Net interest	(641)	(765)
Currency translation adjustments	(265)	98
Fair value adjustments	(2)	(223)
Interest, currency translation adjustments and fair value adjustments	(908)	(890)
Profit/(loss) from joint ventures and associates	(8)	(4)
Interest on pension assets	78	118
Total	(838)	(776)

Interest, currency translation adjustments and fair value adjustments

	DKK m			
	2017			
	Net interest	Currency translation adjustments	Fair value adjustments	Total
Euro Medium Term Notes (EMTNs) incl. hedges (treated as hedge accounting)	(572)	(18)	8	(582)
European Investment Bank (EIB) and bank loans	(19)	(6)	(1)	(26)
Other hedges (not treated as hedge accounting)	0	0	(9)	(9)
Other	(50)	(241)	0	(291)
Total	(641)	(265)	(2)	(908)

	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)



Comments

Financial income and expenses represented an expense of DKK 838m in 2017, an increase of DKK 62m compared with 2016 (DKK 776m), driven primarily by:

Net interest

The EMTN bond buy back in December 2016 resulted in a DKK 120m reduction in interest expenses in 2017.

Currency translation adjustments

In 2017, intercompany loans denominated in NOK resulted in a currency loss of DKK 281m, whereas these loans resulted in a currency gain of DKK 177m in 2016, however partly offset by losses from intercompany loans denominated in SEK.

Fair value adjustments

2016 was primarily impacted by the EMTN bond buy back 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 lower interest on pension assets was attributable to a decreasing 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.

4.5 Financial income and expenses (continued)

Net financials recognised in other comprehensive income

DKKm

	2017	2016
Currency translation adjustment, foreign enterprises	(669)	530
Reversal of currency translation adjustment related to disposal of foreign enterprises	0	654
Exchange-rate adjustments of foreign enterprises	(669)	1,184
Change in fair value adjustments of cash flow hedges	38	(7)
Change in fair value adjustments of cash flow hedges transferred to financial expenses	(8)	49
Value adjustments of hedging instruments	30	42



Comments

The decreasing NOK/DKK currency rate impacted negatively on other comprehensive income in 2017. In 2016, the increasing NOK/DKK currency rate impacted positively on other comprehensive income and the divestment of TDC Sweden also had a positive effect.

Cash flow from net interest

DKKm

	2017	2016
Interest received	425	557
Interest paid	(1,084)	(1,470)
Net interest paid	(659)	(913)
Specified as follows:		
Euro Medium Term Notes (EMTNs) incl. hedges (treated as hedge accounting)	(603)	(830)
European Investment Bank (EIB) and KfW bank loans	(16)	(21)
Other hedges (not treated as hedge accounting)	(22)	(50)
Other	(18)	(12)
Net interest paid	(659)	(913)



Comments

Net interest of DKK 659m paid in 2017, represented a DKK 254m decrease compared with 2016 (DKK 913m), driven primarily by:

The EMTN bond buy back in December 2016, which resulted in higher interest paid in 2016 and lower interest paid in 2017.

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	51	28	23	0	102		
Outflow	0	(1)	(2)	0	(3)		
Total fair value hedges, assets	51	27	21	0	99	98	98
Derivatives, other derivatives							
Inflow	1,620	183	128	69	2,000		
Outflow	(1,464)	(29)	(53)	(45)	(1,591)		
Total other derivatives assets	156	154	75	24	409	407	407
Liabilities: derivatives, cash flow hedges							
Inflow	200	400	400	3,756	4,756		
Outflow	(199)	(398)	(397)	(3,982)	(4,976)		
Total cash flow hedges	1	2	3	(226)	(220)	(406)	(406)
Derivatives, other derivatives							
Inflow	341	12	47	43	443		
Outflow	(496)	(225)	(164)	(44)	(929)		
Total other derivatives	(155)	(213)	(117)	(1)	(486)	(485)	(485)
Total derivatives	53	(30)	(18)	(203)	(198)	(386)	(386)
Financial liabilities measured at amortised cost							
Euro Medium Term Notes (EMTNs)	(4,466)	0	(3,722)	(9,511)	(17,699)	(18,882)	(17,669)
European Investment Bank loan (EIB)	0	(1,861)	0	0	(1,861)	(1,861)	(1,860)
Other bank loans	0	(1,861)	0	0	(1,861)	(1,861)	(1,859)
Debt relating to finance leases	(37)	(18)	(12)	(80)	(147)	(102)	(102)
Other loans	(141)	(201)	(60)	(60)	(462)	(443)	(443)
Total loans	(4,644)	(3,941)	(3,794)	(9,651)	(22,030)	(23,149)	(21,933)
Euro Medium Term Notes (EMTNs) and bank loans, interest ³	(647)	(911)	(888)	(721)	(3,167)	(547)	(547)
Trade and other payables ⁴	(3,095)	0	0	0	(3,095)	(3,095)	(3,095)
Total financial liabilities measured at amortised cost	(8,386)	(4,852)	(4,682)	(10,372)	(28,292)	(26,791)	(25,575)
Total 2017	(8,333)	(4,882)	(4,700)	(10,575)	(28,490)	(27,177)	(25,961)
Total 2016	(3,470)	(8,825)	(3,654)	(14,787)	(30,736)	(28,701)	(27,616)

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.

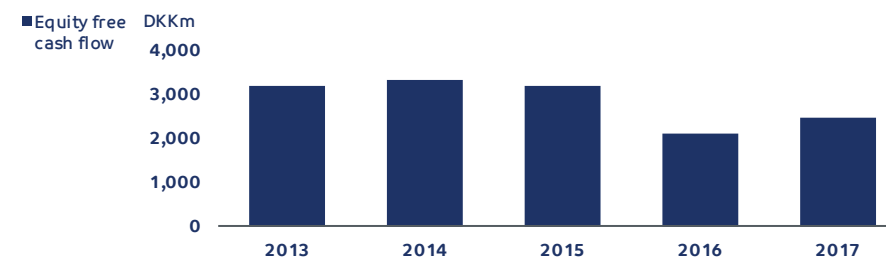
² Both assets and liabilities measured at fair value through profit or loss are disclosed in the above table because some of the derivatives are used for hedging financial liabilities measured at amortised cost, see table.

³ Fair value and carrying amount value consist of accrued interest on EMTNs, EIB and bank loans at 31 December 2017.

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. More 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. The development in Equity free cash flow over the last five years is shown in the bar chart on the right. A detailed review of Equity free cash flow is provided in the section Our performance in the Management's review.



5.1 Adjustment for non-cash items

	DKKm	
	2017	2016
Pension costs regarding defined benefit plans	135	132
Share-based remuneration	106	135
(Gain)/loss on disposal of property, plant and equipment, net	(8)	(11)
Other adjustments	0	11
Total	233	267

5.2 Change in working capital

	DKKm	
	2017	2016
Change in inventories	(3)	7
Change in receivables	220	176
Change in trade payables	(116)	(26)
Change in deferred income	121	(87)
Change in prepaid expenses	121	139
Change in other items, net	112	(58)
Total	455	151

§ Accounting policies

Cash flow from operating activities is presented using 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, financial lease instalments, 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.

The cash flow statement cannot be derived solely from the financial statements.

5.3 Investment in enterprises

Acquisitions in 2017

Enterprises and activities acquired	Segment	Date of recognition	Proportion acquired
Plenti ApS	Consumer	11 September 2017	100%
Kjærgaard Net	Consumer	15 December 2017	100%
TDC Erhvervscenter TS Kommunikation ApS	Business	20 December 2017	100%
COOP Mobil	Wholesale	31 December 2017	100%

At the date of acquisition, the cost of the assets and liabilities acquired was DKK 36m. Following adjustment of net assets to fair value, goodwill was measured at DKK 171m. 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 and change in unpaid acquisition costs of DKK (24)m, the cash flow related to investment in enterprises amounted to DKK 182m.

In addition, DKK 15m was paid in relation to acquisitions in prior years.

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%.

The acquisitions had no significant impact on the income statement for 2017.

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.

§ 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 goodwill is 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.

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.

5.4 Divestment of enterprise

The carrying amounts of assets and liabilities at the time of divestment

	DKKkM	
	2017	2016
Intangible assets	305	0
Property, plant and equipment	87	0
Other non-current assets	40	0
Receivables	41	0
Income tax	1	0
Cash	23	0
Deferred tax	(5)	0
Provisions	(4)	0
Trade and other payables	(113)	0
Net assets	375	0
Profit/(loss) relating to divestment of enterprise	137	0
Of which share-based remuneration recognised in equity	1	0
Sales cost not yet paid	1	0
Cash and bank deposit in divested enterprise	(23)	0
Net cash flow on divestment	491	0

In 2017 TDC Group divested TDC Hosting A/S

5.5 Cash flow from investing activities in discontinued operations

In 2016, TDC Group divested TDC Sweden AB. This divestment has been presented as a discontinued operation.

At the time of divestment, the carrying amount of assets and liabilities in discontinued operations consisted of the following:

The carrying amounts of assets and liabilities in discontinued operations at the time of divestment

	DKKkM	
	2017	2016
Intangible assets	0	224
Property, plant and equipment	0	463
Other non-current assets	0	54
Inventories	0	71
Receivables	0	644
Cash	0	98
Provisions	0	(58)
Deferred income	0	(203)
Trade and other payables	0	(865)
Net assets	0	428
Profit/(loss) relating to divestment of discontinued operations including tax	26	981
Reversal of provision relating to divestment	(14)	0
Reversal of non-cash taxes	0	26
Reversal of currency adjustments recognised in equity	0	654
Sales costs not paid yet/(reversal of provision for sales costs)	(6)	6
Cash and bank deposit in discontinued operations	0	(98)
Net cash flow on divestment	6	1,997
Cash flow from investing activities in discontinued operations excluding divestment	0	(183)
Net cash flow from investing activities in discontinued operations	6	1,814

Other disclosures

This section contains statutory notes or notes that are presumed to be less important for understanding the Group's financial performance.

6.1 Incentive programmes

Bonus programmes

Approximately 400 TDC Group top managers participate in a short-term bonus programme called the Top Managers' Compensation Programme, and approximately 300 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

In the years 2011-2016, a deferral element applied for the Executive Committee. The Executive Committee members were 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 also 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. At the Annual General Meeting on 9 March 2017, it was decided to discontinue the programme for the Executive Committee as well. These decisions were handled with a buyout of

deferred bonus share units in the 2015 and 2016 programmes and a lump sum for future opportunities.

Deferred bonuses were immediately converted into deferred bonus share units in TDC A/S with a corresponding value. Deferred bonus share units vest and are converted into shares in TDC A/S 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.

Bonus programmes

	Approx. participants	Award level		Performance criteria
		Max. bonus of basic salary	On-target triggers	
Executive Committee	7	100	50	EFCF, Customer satisfaction
Top Managers	400	20-66	10-33	EFCF, Customer satisfaction
Managers and specialists	300	-	Somewhat lower	EFCF, Customer satisfaction

6.1 Incentive programmes (continued)

Performance Share Programme

Approximately 200 TDC Group managers, including the Executive Committee, participate in a Performance Share Programme that rewards long-term performance.

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. For the Executive Committee, the number of performance share units granted corresponds to 30% of base salary and, for other TDC Group managers, up to 25% of their base salary.

After three years, the performance share units will vest into TDC A/S shares, provided that satisfactory performance has been achieved. For the executive committee, performance is measured by:

- Growth in *equity free cash flow (EFCF)* weighted 50%
- *Total Shareholder Return (TSR)* weighted 50%

For other TDC Group managers, the performance is measured solely by growth in *equity free cash flow*.

Growth in *EFCF* is measured relative to the target *EFCF* annual growth over a three-year period. The vesting can be in the range 0-200%.

TSR is 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 13 telecommunications companies (BT, Deutsche Telekom, Elisa, KPN, Orange, Proximus, Swisscom, TDC, Telefonica Deutschland, Telekom Austria, Telenor, Telia and Vodafone), cf. the table on the right.

The number of *TSR*-based performance share units is determined by the fair value per unit on the basis of a Monte Carlo simulation.

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	25%	9.8
2016	2016-2018	-	-
2017	2017-2019	-	-

TSR performance relative to peer group	Vesting share units ^{1,2} 2016 and 2015 grants	Vesting share units ^{1,2} 2017 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 2017 grant also applies to the 2016 and 2015 grants.

6.1 Incentive programmes (continued)

Share-based incentive programme for the management of TDC Group's Norwegian business

In July 2015, TDC Group launched a share-based incentive programme for the management of Get and TDC Norway ("TDC Group'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 Group'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 A/S 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 A/S share upon vesting. At the time of vesting, TDC group may choose to make a cash settlement, in full or in part, of RSUs instead of delivering TDC A/S 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 2017 relating to the programme amounted to DKK 60m (2016: DKK 37m).

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 A/S at a certain time for a certain amount at market value at the relevant time. The total investment in TDC A/S shares amounted to NOK 100 million. The shares purchased were subject to certain lock-up restrictions until 31 December 2017.

The share-based incentive programme for the management of TDC Group's Norwegian business was amended in 2016. The amendment implies that the managers are guaranteed a minimum return on their TDC A/S share investment of 0.8% per year (corresponding to the 3-year Norwegian risk-free interest rate) in the form of compensation paid in TDC A/S shares or cash in 2018. The expenses for 2017 relating to the amendment amounted to DKK 8m (2016: DKK 16m).

6.1 Incentive programmes (continued)

Share units

	2017				2016			
	Performance share units (EFCF-based)		Performance share units (TSR-based)		Deferred bonus share units		Performance share units (TSR based)	
	Executive Committee	Other managers ¹	Executive Committee	Other managers ¹	Executive Committee	Other managers ¹	Executive Committee	Other managers ¹
Outstanding at 1 January	0	0	281,797	3,457,294	151,100	336,283	297,505	3,461,665
Granted	139,179	1,513,728	114,494	75,448	185,613	67,219	208,235	1,509,375
Vested	0	0	(63,109)	(948,594)	(20,581)	(142,160)	(83,478)	(1,311,871)
Settled	0	0	0	0	(13,934)	(58,719)	(52,190)	(124,737)
Forfeited	0	(29,029)	(56,450)	(86,666)	0	0	0	(165,413)
Transferred	0	0	0	0	(84,272)	84,272	(88,275)	88,275
Outstanding at 31 December	139,179	1,484,699	276,732	2,497,482	217,926	286,895	281,797	3,457,294

¹ Incl. retired Executive Committee members.

Due to the buyout of the deferred bonus programme mentioned above, there were only 203,590 outstanding deferred bonus share units at 31 December 2017. They all belonged to retired employees.

None of the outstanding performance share units at 31 December 2017 were exercisable.

The fair value at grant date for the *EFCF*-based units was DKK 27.47 per unit for the 2017 grant. The fair value of the grant is calculated using a probability distribution model for compounded annual growth rate in *equity free cash*

flow for TDC Group and the share price at the time of granting.

The fair value at grant date for the *TSR*-based units was DKK 33.40 per unit for the 2017 grant (DKK 30.28 per unit for the 2016 grant). The fair value of the grant is calculated using a Monte Carlo simulation model with the assumptions given on the right.

Assumptions for using the Monte Carlo simulation model

	2017	2016
Interest rate	-0.51%	-0.21%
Volatility	27.6%	24.6%
Average correlation between TDC A/S and peers	34.4%	35.9%
Share price at time of granting	35.68	33.95

6.1 Incentive programmes (continued)

§ 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 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 A/S 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.

6.2 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 31 December 2018. 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 included the Group's joint ventures and associates shown in note 6.8.

Remuneration for the Board of Directors and the Executive Committee is described in note 2.5. In addition to the remuneration for the membership of the Board of Directors, Pierre Danon provided consultancy services totalling DKK 75k in 2016.

The Group has the following additional transactions and balances with related parties; income/(expenses), receivables/(debt):

Related parties

	DKKm	
	2017	2016
TDC Pensionskasse		
Rental expense	(3)	(3)
Investment advisory fees	16	16
Interest income of subordinated loan and other income	2	3
Debt regarding lease agreements and other payables	(7)	(20)
Subordinated loan	149	149
Other receivables	3	3
Joint ventures and associates		
Income	2	0
Expenses	(4)	(14)
Receivables	3	0

6.3 Fees to auditors

Fees to auditors elected by the Annual General Meeting

DKKm

	2017	2016
Statutory audit, PricewaterhouseCoopers	8	10
Other assurance engagements	2	1
Tax advisory services	1	1
Other services	5	4
Total non-statutory audit services, PricewaterhouseCoopers	8	6
Total, PricewaterhouseCoopers	16	16

Fee for other services than statutory audit services rendered by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab to the Group amounted to DKK 7m and consisted mainly of audit of business segmented accounts, auditor's statements to customers regarding services provided by the Group and advisory services regarding telephony platforms and budget processes.

6.4 Other financial commitments

	DKKm	
	2017	2016
Lease commitments for all operating leases¹		
Properties and mobile sites	5,796	6,267
Machinery, equipment, computers, etc.	570	622
Total	6,366	6,889
Future sublease payments	(265)	(239)
Net commitments	6,101	6,650
Total lease commitments can be specified as follows:		
Due not later than 1 year	676	708
Due later than 1 year and not later than 5 years	1,779	1,897
Due later than 5 years	3,911	4,284
Total	6,366	6,889
Capital and purchase commitments		
Investments in intangible assets	913	925
Investments in property, plant and equipment	458	838
Commitments related to outsourcing agreements	355	696

¹ Lease commitments include commitments on vacant tenancies for which a provision of DKK 630m has been recognised in the balance sheet (2016: DKK 551m), 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, property leases and mobile sites. The lease agreements will terminate in 2041 at the latest.



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 parts 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.

6.5 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.

6.6 Events after the balance sheet date

There have been no events that materially affect the assessment of this Annual Report 2017 after the balance sheet date and up to today.

Note 6.7 New accounting standards

At 2 February 2018, IASB had approved the following new accounting standards (IFRSs and IASs) and interpretations (IFRICs) that are effective for 2018 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 eases 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 implementation of IFRS 9 will have no effect on the income statements and balance sheets for 2017 and previous years.
- 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, handsets sold below cost, subscriber acquisition costs, non-refundable up-front connection fees and fulfilment costs. The figures in the financial statements will be restated retrospectively.
 - Revenue arrangements with multiple deliverables – In accordance with our current accounting policies, discounts on bundled sales of handsets and subscriptions are fully allocated to the handsets. In the future, the discounts are allocated between handsets and subscriptions based on their respective fair values resulting in earlier recognition of revenue. The change will reduce revenue and *EBITDA* for 2017 by DKK 4m and reduce profit for 2017 by DKK 3m.
 - Handsets sold below cost – In accordance with our current accounting policies, sales of handsets below cost in an arrangement that cannot be separated from the provision of services are not recognised as revenue. In the future, handsets sold below cost will be recognised as revenue. The change will increase revenue for 2017 by DKK 231m while it will have no effect on *EBITDA* and profit for the year.
 - Subscriber acquisition costs – In accordance with our current accounting policies, subscriber acquisition costs are expensed as incurred. In the future, costs that are incremental to obtaining contracts with customers are capitalised and subsequently recognised as expenses over the expected lifetime of the customer relationships. The change will increase *EBITDA* for 2017 by DKK 12m and increase profit for 2017 by DKK 10m.
 - Non-refundable up-front connection fees – Such fees will no longer be seen as payment for a separate service. The fees will be included in the total transaction price for the contract with the customer and allocated to the identified performance obligations (services). The change will reduce revenue and *EBITDA* for 2017 by DKK 19m and will reduce profit for 2017 by DKK 15m.
 - Fulfilment costs – In accordance with our current accounting policies, expenses related to non-refundable up-front connection fees are capitalised even if they are not directly related to a contract. In the future, fulfilment costs can only be capitalised if they are directly related to a contract or an anticipated contract. The change will reduce *EBITDA* for 2017 by DKK 5m and reduce profit for 2017 by DKK 4m.
- The total effects for 2017 of implementing IFRS 15 will be an increase of revenue of DKK 208m, a reduction of *EBITDA* of DKK 16m, a reduction of profit for the year of DKK 12m and an increase in total equity of DKK 387m.
- IFRS 16 Leases 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 will 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.

Note 6.8 Overview of Group companies at 31 December 2017

Company name ¹	Domicile	Currency	Ownership share (%)
Business			
TDC Mobil Center A/S	Odense, Denmark	DKK	100
TDC Erhvervscenter TS Kommunikation ApS	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
Plenti ApS	Copenhagen, Denmark	DKK	100
CubelO A/S	Taastrup, 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, six 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, and TDCH III ApS.

² The enterprise is included under the equity method.

Parent Company financial statements

Parent Company income statement

DKK^m

	Note	2017	2016
Revenue	2.1	16,494	17,205
Cost of sales		(4,024)	(4,135)
Gross profit		12,470	13,070
External expenses		(3,125)	(3,414)
Personnel expenses	2.2	(2,733)	(2,687)
Other income		143	132
Operating profit before depreciation, amortisation and special items (EBITDA)		6,755	7,101
Depreciation, amortisation and impairment losses		(4,215)	(4,013)
Special items	2.3	(213)	(167)
Operating profit (EBIT)		2,327	2,921
Profit from subsidiaries	3.3	285	1,189
Profit/(loss) from joint ventures and associates		(9)	(5)
Financial income and expenses	4.3	(660)	(559)
Profit before income taxes		1,943	3,546
Income taxes	2.4	(390)	(503)
Profit for the year		1,553	3,043

Parent Company statement of comprehensive income

DKK^m

	Note	2017	2016
Profit for the year		1,553	3,043
Items that may subsequently be reclassified to the income statement:			
Exchange-rate adjustments of foreign subsidiaries, joint ventures and associates	4.3	(669)	1,184
Value adjustments of hedging instruments	4.3	30	42
Share of other comprehensive income in subsidiaries		85	59
Items that cannot subsequently be reclassified to the income statement:			
Remeasurement of the defined benefit pension plan		1,172	(425)
Income tax relating to remeasurement of benefit pension plan	2.4	(258)	94
Other comprehensive income		360	954
Total comprehensive income		1,913	3,997

Parent Company balance sheet

Assets

DKKkm

	Note	2017	2016
Non-current assets			
Intangible assets	3.1	22,951	23,469
Property, plant and equipment	3.2	14,936	14,901
Investments in subsidiaries	3.3	8,409	11,125
Joint ventures, associates and other investments		30	37
Pension assets	3.4	6,752	5,595
Receivables	3.5	4,071	3,554
Derivative financial instruments	4.4	51	88
Prepaid expenses	3.6	300	314
Total non-current assets		57,500	59,083
Current assets			
Inventories		217	220
Receivables	3.5	2,019	2,120
Income tax receivables	2.4	33	32
Derivative financial instruments	4.4	456	613
Prepaid expenses	3.6	471	604
Cash		1,639	1,559
Total current assets		4,835	5,148
Total assets		62,335	64,231

Equity and liabilities

DKKkm

	Note	2017	2016
Equity			
Share capital	4.1	812	812
Other reserves		978	413
Retained earnings		17,834	17,429
Equity attributable to owners		19,624	18,654
Hybrid capital		5,552	5,552
Total equity		25,176	24,206
Non-current liabilities			
Deferred tax liabilities	2.4	3,639	3,548
Provisions	3.9	949	883
Loans	4.2	17,278	23,961
Derivative financial instruments	4.4	406	290
Deferred income	3.7	375	373
Total non-current liabilities		22,647	29,055
Current liabilities			
Loans	4.2	4,650	220
Trade and other payables	3.8	5,156	5,057
Payables to group enterprises		1,303	1,995
Derivative financial instruments	4.4	485	658
Deferred income	3.7	2,805	2,897
Provisions	3.9	113	143
Total current liabilities		14,512	10,970
Total liabilities		37,159	40,025
Total equity and liabilities		62,335	64,231

Parent Company statement of cash flow

		DKK m	
	Note	2017	2016
Operating profit before depreciation, amortisation and special items (EBITDA)		6,755	7,101
Adjustment for non-cash items	5.1	174	184
Pension contributions		(90)	(97)
Payments related to provisions		(3)	0
Special items		(360)	(324)
Change in working capital	5.2	332	138
Interest received		559	788
Interest paid		(1,055)	(1,508)
Income tax paid		(539)	(588)
Cash flow from operating activities		5,773	5,694
Investment in subsidiaries		(79)	(161)
Investment in property, plant and equipment		(2,523)	(2,491)
Investment in intangible assets		(1,289)	(1,119)
Investment in other non-current assets		(1)	(1)
Divestment of subsidiary		514	0
Sale of non-current assets		37	16
Loan to subsidiary		(809)	0
Repayment to subsidiaries, joint ventures and associates		0	1,107
Dividends received from subsidiaries, joint ventures and associates		2,230	710
Cash flow from investing activities		(1,920)	(1,939)
Repayments on long-term loans		(1,875)	(2,897)
Finance lease repayments		(82)	(96)
Change in other short-term bank loans		0	(88)
Change in interest-bearing receivables and payables		(853)	806
Coupon payments on hybrid capital		(195)	(196)
Dividends paid		(802)	0
Sale of treasury shares		2	0
Cash flow from financing activities		(3,805)	(2,471)
Total cash flow		48	1,284
Cash and cash equivalents at 1 January		1,559	325
Cash in merged subsidiaries		8	0
Effect of exchange-rate changes on cash and cash equivalents		24	(50)
Cash and cash equivalents at 31 December		1,639	1,559

Parent Company statement of changes in equity

DKK m

	Share capital	Reserve for cash flow hedges	Reserve for capitalised development projects	Retained earnings	Hybrid capital	Total
Equity at 1 January 2016	812	(247)	-	14,210	5,552	20,327
Profit for the year	-	-	618	2,250	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	3,162	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	(175)	(118)
Equity at 31 December 2016	812	(205)	618	17,429	5,552	24,206
Profit for the year	-	-	535	854	164	1,553
Exchange rate adjustments of subsidiaries, joint ventures and associates	-	-	-	(669)	-	(669)
Value adjustments of hedging instruments	-	30	-	-	-	30
Share of other comprehensive income in subsidiaries	-	-	-	85	-	85
Remeasurement of the defined benefit pension plan	-	-	-	1,172	-	1,172
Income tax relating to remeasurement of the defined benefit pension plan	-	-	-	(258)	-	(258)
Total comprehensive income	-	30	535	1,184	164	1,913
Share-based remuneration	-	-	-	21	-	21
Sale of treasury shares	-	-	-	2	-	2
Distributed dividend	-	-	-	(802)	-	(802)
Coupon payments on hybrid capital	-	-	-	-	(195)	(195)
Income tax relating to coupon payments on hybrid capital	-	-	-	-	31	31
Total transactions with owners	-	-	-	(779)	(164)	(943)
Equity at 31 December 2017	812	(175)	1,153	17,834	5,552	25,176

At the Annual General Meeting on 8 March 2018, the Board of Directors will propose a dividend of DKK 1.05 per share. For the financial year 2016, a dividend of DKK 1.00 per share was adopted for distribution.

Dividend payments made during 2017 amounted to DKK 1 per share (2016: DKK 0 per share).

Notes to Parent Company financial statements

Note 1.1 Accounting policies

The financial statements 2017 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.

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 group's accounting policies.

Merger of TDC A/S and three subsidiaries

TDC A/S has been merged with the three subsidiaries Cirque A/S, Cirque Systems A/S and Adactit ApS. Due to immateriality, the comparative figures for 2016 have not been restated.

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	
	2017	2016
Sales of goods	648	737
Sales of services	15,846	16,468
Total	16,494	17,205

Note 2.2 Personnel expenses

	DKKm	
	2017	2016
Wages and salaries (including short-term bonus)	(2,930)	(2,858)
Pensions	(390)	(384)
Share-based remuneration	(34)	(61)
Social security	(64)	(67)
Total	(3,418)	(3,370)
Of which capitalised as non-current assets	685	683
Total	(2,733)	(2,687)
Average number of full-time employee equivalents ¹	5,592	5,655

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 2.5 to the consolidated financial statements and in the section Remuneration in the Management's review.

Note 2.3 Special items

	DKKm	
	2017	2016
Gain on sale of enterprises	137	0
Loss on sale of enterprises	0	(2)
Costs related to redundancy programmes and vacant tenancies	(304)	(188)
Other restructuring costs, etc.	(91)	(52)
Income from rulings	54	0
Loss from rulings	(3)	(1)
Gain on hedging of divestment of enterprises	0	120
Costs related to acquisition and divestment of enterprises	(6)	(44)
Special items before income taxes	(213)	(167)
Income taxes related to special items	57	33
Total special items	(156)	(134)

For more information on special items, see note 2.7 to the consolidated financial statements.

Note 2.4 Income taxes

DKK m

	2017			2016		
	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		(32)	3,548		0	3,716
Additions related to the merger between TDC A/S and three subsidiaries	-	0	12	-	-	-
Income taxes	(433)	515	(82)	(567)	646	(79)
Adjustment of tax for previous years	43	23	(66)	64	(90)	26
Tax relating to remeasurement effects from the defined benefit pension plan	-	-	258	0	0	(94)
Tax relating to coupon payments on hybrid capital	-		(31)			(21)
Tax paid		(539)	-		(588)	-
Total	(390)	(33)	3,639	(503)	(32)	3,548
Income taxes are specified as follows:						
Income excluding special items	(447)			(536)	-	-
Special items	57			33	-	-
Total	(390)			(503)	-	-

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

%

	2017	2016
Danish corporate income tax rate	22.0	22.0
Profit from subsidiaries, joint ventures and associates	(2.8)	(7.1)
Other non-taxable income and non-tax deductible expenses	0.0	0.0
Adjustment of tax for previous years	(2.0)	(1.7)
Limitation on the tax deductibility of interest expenses	3.6	1.3
Other	(0.1)	(0.2)
Effective tax rate excluding special items	20.7	14.3
Other special items	(0.6)	(0.2)
Effective tax rate including special items	20.1	14.1

Specification of deferred tax

DKK m

	2017	2016
Other	18	(63)
Current	18	(63)
Intangible assets	2,325	2,395
Property, plant and equipment	2	79
Pension assets	1,486	1,231
Other	(192)	(94)
Non-current	3,621	3,611
Deferred tax at 31 December	3,639	3,548

Note 3.1 Intangible assets

DKKm

	2017					2016				
	Goodwill	Customer relations	Brands	Rights, software, etc.	Total	Goodwill	Customer relations	Brands	Rights, software, etc.	Total
Accumulated cost at 1 January	15,517	14,305	5,451	11,707	46,980	15,517	14,351	5,470	10,651	45,989
Additions related to the merger between TDC A/S and three subsidiaries	64	38	8	23	133	-	-	-	-	-
Additions	0	27	0	1,136	1,163	0	0	0	1,257	1,257
Assets disposed of or fully amortised	(432)	(56)	0	(607)	(1,095)	0	(46)	(19)	(201)	(266)
Accumulated cost at 31 December	15,149	14,314	5,459	12,259	47,181	15,517	14,305	5,451	11,707	46,980
Accumulated amortisation and write-downs for impairment at 1 January	(3,900)	(10,806)	(112)	(8,693)	(23,511)	(3,900)	(10,174)	(130)	(7,989)	(22,193)
Additions related to the merger between TDC A/S and subsidiaries	0	(2)	(2)	(7)	(11)	-	-	-	-	-
Amortisation	0	(537)	(3)	(1,025)	(1,565)	0	(655)	(1)	(897)	(1,553)
Write-downs for impairment	0	(3)	0	(10)	(13)	0	(23)	0	(8)	(31)
Assets disposed of or fully amortised	207	56	0	607	870	0	46	19	201	266
Accumulated amortisation and write-downs for impairment at 31 December	(3,693)	(11,292)	(117)	(9,128)	(24,230)	(3,900)	(10,806)	(112)	(8,693)	(23,511)
Carrying amount at 31 December	11,456	3,022	5,342	3,131	22,951	11,617	3,499	5,339	3,014	23,469

The carrying amount of software amounted to DKK 1,758m (2016: DKK 1,515m).

The addition of internally developed software amounted to DKK 304m (2016: DKK 269m).

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

	2017					2016				
	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	549	32,562	1,846	570	35,527	544	30,349	1,729	630	33,252
Additions related to the merger between TDC A/S and three subsidiaries	0	0	3	0	3	-	-	-	-	-
Transfers (to)/from other items	0	580	31	(611)	0	1	552	19	(572)	0
Additions	2	1,763	161	744	2,670	5	1,866	167	512	2,550
Assets disposed of	0	(231)	(116)	0	(347)	(1)	(205)	(69)	0	(275)
Accumulated cost at 31 December	551	34,674	1,925	703	37,853	549	32,562	1,846	570	35,527
Accumulated depreciation and write-downs for impairment at 1 January	(106)	(18,766)	(1,448)	(306)	(20,626)	(97)	(16,734)	(1,343)	(296)	(18,470)
Additions related to the merger between TDC A/S and subsidiaries	0	0	(1)	0	(1)	-	-	-	-	-
Depreciation	(10)	(2,413)	(169)	0	(2,592)	(9)	(2,229)	(173)	0	(2,411)
Write-downs for impairment	(9)	(20)	0	(16)	(45)	0	(8)	0	(10)	(18)
Assets disposed of	0	231	116	0	347	0	205	68	0	273
Accumulated depreciation and write-downs for impairment at 31 December	(125)	(20,968)	(1,502)	(322)	(22,917)	(106)	(18,766)	(1,448)	(306)	(20,626)
Carrying amount at 31 December	426	13,706	423	381	14,936	443	13,796	398	264	14,901
Carrying amount of finance leases at 31 December	49	37	0	-	86	52	148	0	-	200

Note 3.3 Investments in subsidiaries

	DKKm	
	2017	2016
Accumulated cost at 1 January	19,463	19,230
Adjustment relating to the merger between TDC A/S and three subsidiaries	(118)	-
Additions	79	146
Disposals	(268)	(127)
Currency translation adjustments	(978)	214
Accumulated cost at 31 December	18,178	19,463
Accumulated write-downs at 1 January	(8,338)	(9,960)
Adjustment relating to the merger between TDC A/S and three subsidiaries	4	-
Dividends from subsidiaries	(2,230)	(700)
Other adjustments through equity	85	59
Disposals	118	105
Share of profit/(loss)	285	1,189
Currency translation adjustments	307	969
Accumulated write-downs at 31 December	(9,769)	(8,338)
Carrying amount at 31 December	8,409	11,125

Overview of subsidiaries at 31 December 2017

Company name ¹	Domicile	Currency	Ownership share (%)
Subsidiaries:			
Contact Center Europe GmbH	Flensburg, Germany	EUR	100
CubelO A/S	Taastrup, Denmark	DKK	100
Dansk Kabel TV A/S	Copenhagen, Denmark	DKK	100
Get AS	Oslo, Norway	NOK	100
Plenti ApS	Copenhagen, Denmark	DKK	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

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	
	2017	2016
Trade receivables	1,891	2,144
Allowances for doubtful debts	(233)	(234)
Trade receivables, net	1,658	1,910
Receivables from group enterprises	4,183	3,483
Receivables from joint ventures and associates	3	0
Other receivables	246	281
Total	6,090	5,674
Recognised as follows:		
Non-current assets	4,071	3,554
Current assets	2,019	2,120
Total	6,090	5,674
Allowances for doubtful debts at 1 January	(234)	(224)
Additions	(92)	(108)
Realised losses	50	59
Reversed allowances	43	39
Allowances for doubtful debts at 31 December	(233)	(234)

Receivables past due all related to trade receivables. Write-downs for impairment included in other receivables were DKK 0m (2016: DKK 15m). Of receivables classified as current assets, DKK 15m (2016: DKK 13m) falls due after more than one year.

The Parent Company has provided intra-group loans totalling NOK 4,781m to Get AS (2016: NOK 4081m) and NOK 300m to TDC Norge AS (2016: NOK 0m)

Note 3.5 Receivables (continued)

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	
2017	1,125	537	193	36	1,891
2016	1,055	735	311	43	2,144

Note 3.6 Prepaid expenses

DKKm

	2017	2016
Prepaid expenses related to service contracts	101	113
Expenses related to non-refundable up-front connection fees	368	369
Other prepaid expenses	302	436
Total	771	918
Recognised as follows:		
Non-current assets	300	314
Current assets	471	604
Total	771	918

Note 3.7 Deferred income

DKKm

	2017	2016
Deferred income from non-refundable up-front connection fees	630	660
Deferred subscription revenue	2,495	2,578
Other deferred income	55	32
Total	3,180	3,270
Recognised as follows:		
Non-current liabilities	375	373
Current liabilities	2,805	2,897
Total	3,180	3,270

Note 3.8 Trade and other payables

DKKm

	2017	2016
Trade payables	3,403	3,398
Prepayments from customers	148	101
Accrued interest	547	554
Holiday allowance provision	501	497
VAT and other taxes	202	235
Personnel expenses payables	172	162
Other payables	183	110
Total	5,156	5,057

Of the current liabilities, DKK 215m falls due after more than one year (2016: DKK 164m).

Note 3.9 Provisions

DKKmn

	2017				2016
	Decommissioning obligations	Restructuring obligations	Other provisions	Total	Total
Provisions at 1 January	229	667	130	1,026	1,059
Additions related to the merger between TDC A/S and subsidiaries	0	0	3	3	
Provisions made	5	246	1	252	203
Change in present value	8	7	0	15	16
Provisions used (payments)	(5)	(204)	(19)	(228)	(216)
Reversal of unused provisions	(1)	0	(5)	(6)	(36)
Provisions at 31 December	236	716	110	1,062	1,026
Recognised as follows:					
Non-current liabilities	236	619	94	949	883
Current liabilities	0	97	16	113	143
Total	236	716	110	1,062	1,026

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 131 (2016: 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. For further information, see note 3.6 to the consolidated financial statements.

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

DKKk

	Minimum payments		Present value	
	2017	2016	2017	2016
Maturing within 1 year	36	83	35	81
Maturing between 1 and 3 years	16	43	15	42
Maturing between 3 and 5 years	11	11	9	11
Maturing after 5 years	80	85	39	37
Total	143	222	98	171

Debts relating to finance leases stem primarily from lease agreements regarding property and IT equipment.

For further information on loans, see note 4.2 and 4.6 to the consolidated financial statements.

For a reconciliation between loans and cash flows from financing activities, see note 4.4 to the consolidated financial statements.

Note 4.3 Financial income and expenses

DKKk

	2017	2016
Interest income	8	13
Interest expenses	(650)	(778)
Interest from group enterprises	166	193
Interest to group enterprises	(1)	0
Net interest	(477)	(572)
Currency adjustment	(260)	105
Fair value adjustment	(1)	(213)
Interest, currency translation adjustments and fair value adjustments	(738)	(680)
Gain regarding sale of joint ventures and associates	0	1
Interest on pension assets	78	120
Total	(660)	(559)

Net financials recognised in other comprehensive income

DKKk

	2017	2016
Currency translation adjustment, subsidiaries, joint ventures and associates	(669)	530
Reversal of currency translation adjustment related to disposal of subsidiaries, joint ventures and associates	0	654
Exchange-rate adjustments of subsidiaries, joint ventures and associates	(669)	1,184
Change in fair value adjustments of cash flow hedges	38	(7)
Change in fair value adjustments of cash flow hedges transferred to financial expenses	(8)	49
Value adjustments of hedging instruments	30	42

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

	DKKm	
	2017	2016
Pension costs related to the defined benefit plan	137	128
Share-based remuneration	34	61
(Gain)/loss on disposal of enterprises and property, plant and equipment, net	(3)	(6)
Other adjustments	6	1
Total	174	184

Note 5.2 Change in working capital

	DKKm	
	2017	2016
Change in inventories	3	15
Change in receivables	290	250
Change in trade payables	(43)	(48)
Change in other items, net	82	(79)
Total	332	138

Note 6.1 Related parties

For information about the related parties of the Group, see note 6.2 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	DKKm	
	2017	2016
Income	345	369
Expenses	(753)	(605)
Receivables	4,183	3,483
Debt	(1,303)	(1,995)
Guarantees	(59)	(79)

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 2.5 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

	DKKm	
	2017	2016
Statutory audit	6	8
Other assurance engagements	1	1
Tax advisory services	1	1
Other services	4	4
Total non-statutory audit services	6	6
Total	12	14

Note 6.3 Other financial commitments

	DKKm	
	2017	2016
Lease commitments		
Lease expenses relating to properties and mobile sites in the period of interminability	5,656	5,920
Accumulated lease commitments for machinery, equipment, computers, etc.	325	357
Total	5,981	6,277
specified as follows:		
Due not later than one year	521	532
Due later than one year but not later than five years	1,559	1,586
Due later than five years	3,901	4,159
Total	5,981	6,277
Lease expense for the year for all operating leases		
Lease payments	590	608
Sublease payments	(148)	(119)
Total	442	489
Capital and purchase commitments		
Investments in intangible assets	913	925
Investments in property, plant and equipment	458	838
Commitments related to outsourcing agreements	355	670

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 265m at 31 December 2017 (2016: DKK 239m).

Note 6.4 Contingencies

For information on pending lawsuits and change-of-control clauses, see note 6.5 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 6.6 to the consolidated financial statements.

Note 6.6 New accounting standards

For information on new accounting standards for the Group, see note 6.7 to the consolidated financial statements.

A man with short brown hair and a beard, wearing a dark brown coat, is looking down at a smartphone in his hands. He is smiling slightly. He is standing outdoors, with a river and a bridge in the background. The background is slightly blurred.

Did you know that ...

... as a YouSee customer, you benefit from much more than our products. For example, in October we arranged a large concert for our customers featuring top Danish artists

Terminology

Terminology / Reported vs. organic growth

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. The hybrid bonds issued by TDC Group provide 50% equity credit from rating agencies.

Capex refers to capital expenditure excluding investments in mobile licences and share acquisitions.

EBITDA refers to operating profit before depreciation, amortisation and special items.

EFCF 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.

TSR or Total Shareholder Return refers to 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.

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.

DDoS or Distributed Denial of Service refers to a frequently occurring type of cyber attack where the attacker seeks to block access to e.g. a company's website by using a large number of compromised computers on the internet to start a coordinated attack.

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.

Interconnection refers to the provision of access or availability of facilities or services for another provider to provide electronic communications services, and exchange of traffic between communications networks used by the same or a different provider.

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.

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).

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.

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.

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.

SVoD or Subscription Video on demand refers to a service that gives users unlimited access to a wide range of programmes for a monthly fee

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 216m, while *EBITDA* was negatively affected by DKK 179m.

Foreign exchange

The development in the NOK exchange rate vs. 2016 had a slightly negative impact on revenue growth totalling DKK 13m. *EBITDA* was negatively affected by DKK 6m.

Acquisitions and divestments

In 2017, acquisitions and divestments were affected by the acquisitions of Adactit and Holbæk Erhvervscenter in late 2016 and Plenti in late 2017 as well as the divestment of Hosting finalised by the end of March 2017.

In total, acquisitions and divestments negatively impacted revenue by DKK 103m, while *EBITDA* was impacted negatively by DKK 35m.

Regulation

The EU regulation on *roaming* affected TDC Group financials negatively in 2017. On 30 April 2016, the EU *roaming* transition phase was implemented with retail *roaming* prices reduced to regulated EU wholesale prices for

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. *Roam Like at Home* took full effect as of 15 June 2017 i.e. no surcharge is levied in addition to the domestic retail price for any regulated *roaming* service, except for data *roaming* where a fair use limit may be applied.

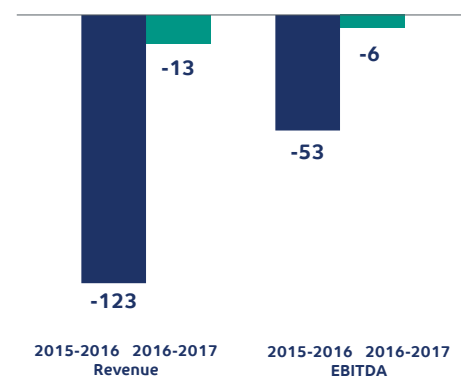
Revision of landline networks' wholesale prices (*LRAIC*) with effect as of 1 January 2017 has resulted in only minor price adjustments.

In total, the negative effect on revenue development amounted to DKK 100m, while

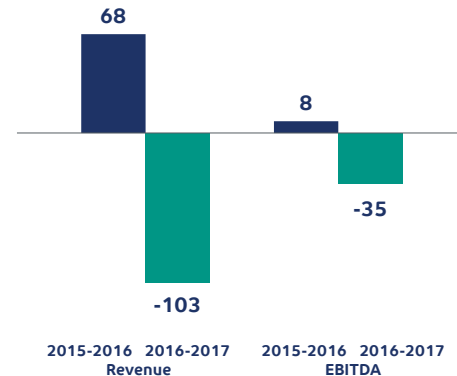
the negative effect on *EBITDA* totalled DKK 138m. Looking forward, the current level of NOK/DKK exchange rate (0.77) continuing during 2018 will have a negative impact on growth.

In 2018, a negative YoY financial effect from regulation of between DKK 25-50m is also expected. This is due to a negative effect from EU *roaming* regulation until and including Q2 2018, but partly offset by updated landline networks' wholesale prices (*LRAIC*) with effect as of 1 January 2018 that led to price increases of up to 15% on regulated broadband prices resulting from the revised calculation of Cost of Capital.

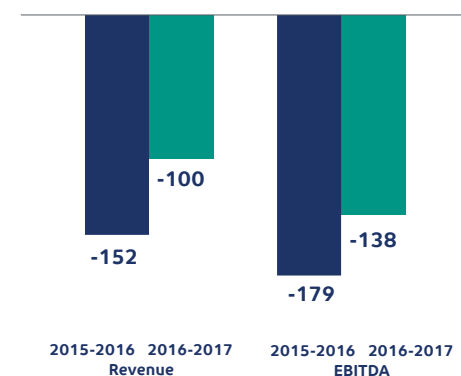
NOK/DKK exchange-rate development



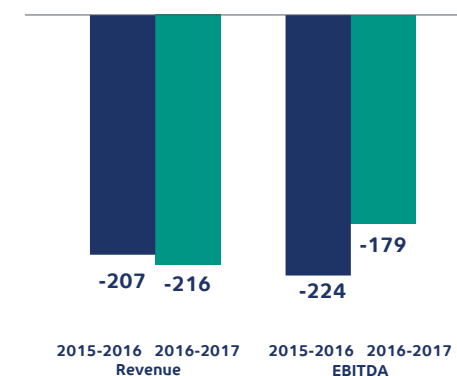
Acquisitions/divestments development



Regulatory development



Total adjustment



Disclaimer

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Disclaimer

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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 licences; increased interest rates; the status of important intellectual property rights; exchange-rate fluctuations; global and local economic conditions; investments in and divestment of domestic and foreign companies; and supplier relationships.

As the risk factors referred to in this report could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made in this Report, undue reliance is not to be placed on any of these forward-looking statements. New factors will emerge in the future that TDC 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 the 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.