TDC Group Financial Report

October – December 2019

10th February 2020

Q4 highlights

- **Full-year 2019 organic[1] EBITDA** decline of 3.7% and Q4 decline of 5.8% driven by decline in TV, other services and landline voice which was partly offset by growth in mobility services and cost savings
- **Consistent organic opex savings[1]** throughout 2019 with 2.8% savings for the full year and 5.8% savings in Q4, driven primarily by Consumer
- **Service revenue[2]** excl. landline voice increased by 0.1% for the full year in 2019, signifying a stable top line across non-legacy core products
- **Financial performance in 2019 was in line with previously communicated guidance;** a low single-digit decline in organic EBITDA (-3.7%), DKK 300-400m in costs related to the separation of TDC (DKK 358m), capex of DKK 4.4-4.8bn (DKK 4.8bn) and leverage of ~3.5x for the year (3.6x for the year)
- **Organic TV gross profit decline** of 25.1% in Q4 YoY driven mainly by investments in TV content, including own productions, and a loss of TV customers. Improved gross profit is expected going forward
- **Mobility services** showed a solid performance in Q4 with a YoY organic gross profit growth of 3.0% driven by a higher Consumer ARPU partly offset by a loss of Consumer RGUs
- **Internet & network** organic gross profit growth of 0.9% in Q4 YoY as a value lift in Consumer ARPU was partly offset by fewer RGUs. Active fibre connections increased by 1.8% in Q4 with 5.9k additional RGUs
- **Fullrate Pro and Firmafon have merged to form Relatel,** a new strong B2B brand primarily servicing the SME segment. Relatel seeks to enhance relations between corporations and their customers through cloud-based and user-friendly mobility services
- **TDC's network company changed name to TDC NET** to create a new brand identity building on the proud TDC legacy while focusing on the digital future of Denmark
- In December TDC NET launched **Denmark's largest 5G pilot project in Helsingør**, where 40 mobile sites have been upgraded to 5G
- **TDC NET's fibre roll out** continued to accelerate and reached more than 25k homes passed in Q4 up from 12k in Q3, resulting in a Q4 **YoY capex increase for TDC Group of 55%**
- **2020 financial guidance**: Flat EBITDA, strategic capex investments in 5G and fibre of DKK ~2.6bn, total capex spend of DKK 5.5-5.9bn and net debt EoY EBITDA of ~4.1x excl. IFRS 16[3]
- **Henrik Clausen has been appointed as CEO of TDC Group** with effect from 17 February 2020

1. Reported figures excluding items affecting comparability; regulatory price adjustments, impact from acquisitions and divestments as well as costs related to the separation of TDC, investments in fibre rollout, effects from new lease accounting principles (IFRS 16) and impact from changed classification of certain costs related to customer installations.
2. Service revenue excl. landline voice is comprised of total revenue excluding terminal sales and landline voice.
3. Including effects of IFRS 16, 2020 leverage expected at ~4.7x. The guided leverage assumes interest rate payments at DKT Finance funded by TDC dividends and excludes new spectrum obligations.

TDC Group

TDC Group's financial highlights

DKKm	Q3 2019 Growth % Organic[1]	YTD 2019 Growth % Organic[1]	Q4 2019 Reported	Q4 2019 Growth % Reported	Q4 2019 Growth % Organic[1]
Revenue	-3.2	-2.3	4,284	-1.6	-1.9
Gross profit	-2.8	-3.3	2,908	-5.7	-5.8
Opex[2]	-1.9	-2.8	-1,410	-7.2	-5.8
EBITDA	-3.6	-3.7	1,498	-4.2	-5.8
Profit for the period[3]			222	NM	
Capex			-1,614	55.0	
NIBD/EBITDA[4]			3.6		

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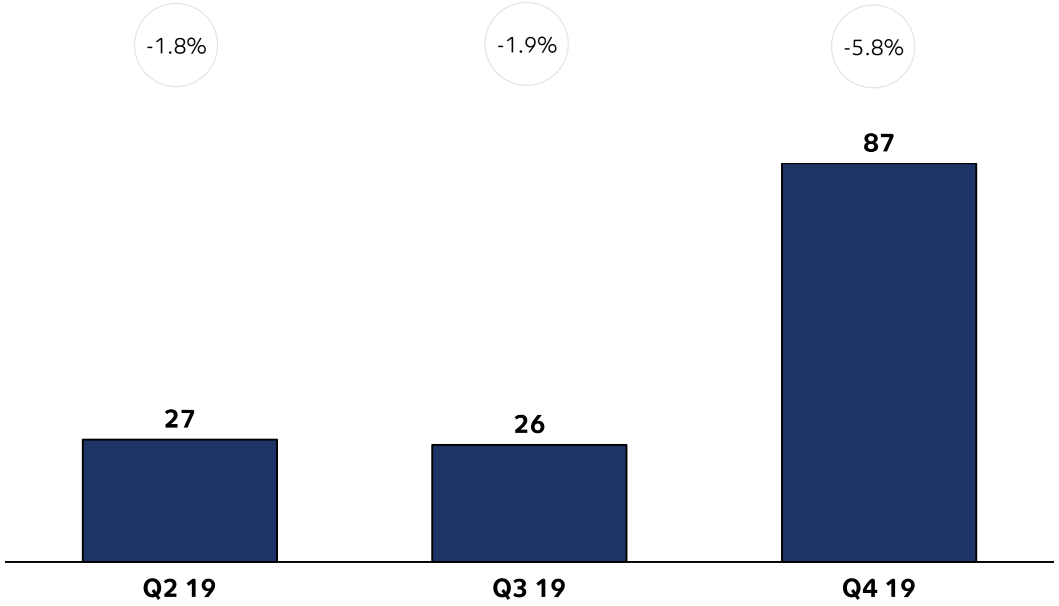
2. Mathematical notation – negative growth corresponds to a reduction of the cost base
3. Profit for the period from continuing operations, excl. special items
4. Calculated without the additional lease liabilities due to the adoption of IFRS 16. Including IFRS 16 the NIBD/EBITDA ratio amounts to 4.2 at 31 December 2019.

TDC Group

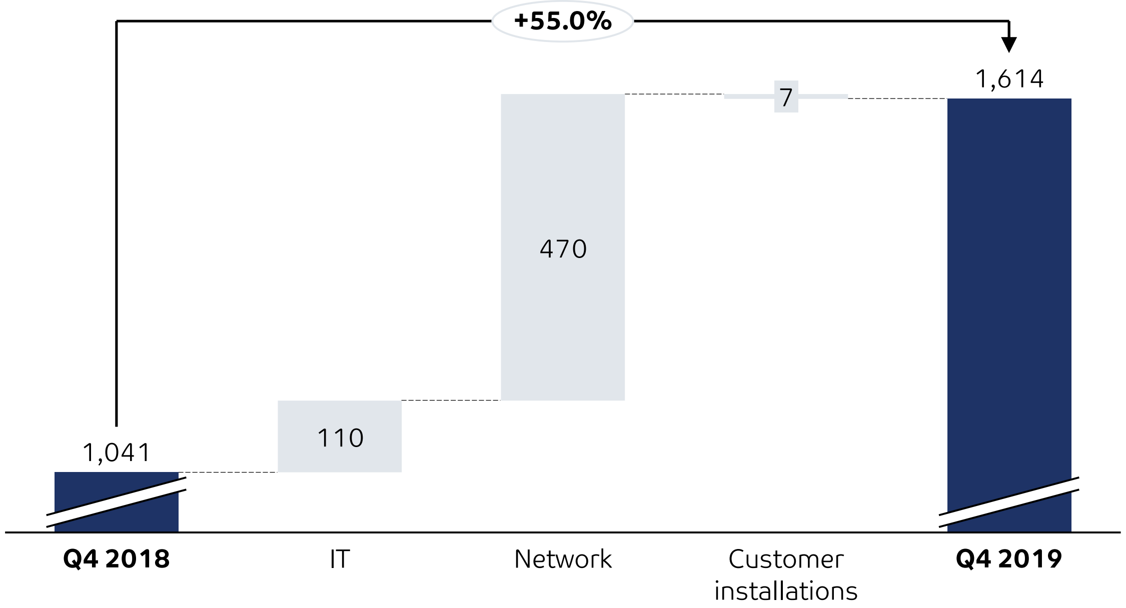
TDC Group opex & capex development

TDC Group YoY organic growth[1, 2]

TDC Group organic[1] opex development (DKKm)



TDC Group capex development (DKKm)



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Operational key figures in Q4 2019 (1/2)

Consumer / Business

		Gross profit	TDC Group YoY organic growth[3]	ARPU	YoY growth (DKK)	RGU	Q4 vs. Q3 growth ('000)	Comments
Internet & network[1]	Consumer	628	+0.9%	209	+11	1,096	-15	In Q4, organic gross profit in Internet & network increased by 0.9%. In consumer, a YoY ARPU increase of DKK 11, driven by price increases and speed upgrades, contributed to the positive gross profit development. This was partly offset by a YoY ARPU regression in Business of DKK 11 along with RGU loss 3k. In Consumer, the RGU loss of 15k was partly driven by spillover effects of churning TV customers
	Business	278		272	-11	133	-3	
Mobility services[2]	Consumer	741	+3.0%	125	+4	1,915	-14	Mobility services grew organic YoY gross profit by 3.0% in Q4, continuing the positive trend from previous quarters. The RGU loss of 14k in Consumer partly offset the positive ARPU development and was partly driven by spillover effects of churning TV customers
	Business	285		96	-3	841	+1	

1. ARPU and RGU relate only to broadband.
2. ARPU and RGU relate only to mobile voice.
3. Reported figures excluding items affecting comparability; regulatory price adjustments, impact from acquisitions and divestments as well as costs related to the separation of TDC, investments in fibre rollout, effects from new lease accounting principles (IFRS 16) and impact from changed classification of certain costs related to customer installations

TDC Group

Operational key figures in Q4 2019 (2/2)

Consumer | Business

		Gross profit	TDC Group YoY organic growth[1]	ARPU	YoY growth (DKK)	RGU	Q4 vs. Q3 growth ('000)	Comments
TV	Consumer	380	-25.1%	264	-2	1,171	-24	Organic TV gross profit decline of 25.1% YoY in Q4. The decrease was driven by a GP margin under pressure due to inclusion of SVoD services in TV packages, higher investments in content and build-up of our own TV channel Xee along with a declining customer base. ARPU declined DKK 2 YoY due to changes in customer mix while 24k RGUs were lost in Q4 due to lower customer gross adds
Landline voice	Consumer	115	-15.3%	113	-10	336	-14	Landline voice organic gross profit declined 15.3% YoY in Q4. This was driven by RGU loss across both Consumer and Business, with losses of 14k and 4k, respectively, and in line with expectations. In Consumer, ARPU declined by DKK 10 YoY due to less traffic, while Business increased ARPU by DKK 8
	Business	130		309	+8	146	-4	

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2020 guidance

TDC Group's 2020 guidance is affected by lower costs related to the separation of TDC as well as cost savings, however, partly offset by a continued challenged market impacting earnings. Capex is affected by substantial fibre and mobile investments

2020 guidance

EBITDA	**Flat**
Capex DKKbn	**5.5-5.9**
Net debt EoY EBITDA (excl./incl. IFRS 16)	**~4.1/~4.7x**

Assumptions

EBITDA is expected to be at level with 2019 driven mainly by lower costs related to the separation of TDC as well as cost savings

- Lower costs related to the separation of TDC than in 2019
- Pressure on commercial performance across business lines
- Cost savings stemming from simplification and digitalisation

Increase in capex due to substantial fibre and mobile investments

- Acceleration of fibre investments
- Roll-out of the 5G network
- Acceleration of new IT stack started in 2019

Increase in leverage

- The expected leverage includes IFRS 16 lease debt, assumes dividends to cover high yield bonds cash interest costs at DKT Finance and excludes new spectrum obligations

Capital structure

TDC A/S	As of December 2019	Leverage ratio
Senior Facility Agreement incl. RCF	14,839	
EMTN bonds	7,495	
Lease liabilities	5,242	
Cash and cash equivalents	-1,577	
Mobile spectrum, correction for currency adjustments effects related to long term debt derivatives and Other	1,205	
TDC total net debt[1]	**27,204**	**3.6**

1. Calculated without the additional lease liabilities due to the adoption of IFRS 16. Including IFRS 16 the NIBD/EBITDA ratio amounts to 4.2 at 31 December 2019.

Q&A

Disclaimer

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

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

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