Annual Report 2018

TDC Group

Contents

Management's review

In brief **3**
Highlights 4
Letter from the CEO 6
Key events in 2018 9
Five-year overview 11

Who we are **12**
Our business model 13
TDC Group and society 16
Our business lines and markets 18
Our people 19

Group strategy & performance **21**
Strategic milestones in 2018 22
Strategy going forward 24
Strategic focus in 2019 25
Group performance 26
2019 guidance 28

Business lines performance & strategy **29**
Performance per business line 30
Consumer 31
Business 35
Wholesale 38
Other operations 39

Risk management **41**
Risk assessment 42
Six key risks 43

Corporate matters **45**
Investor information 46
Corporate governance 48
Management 50

Financial statements

Consolidated financial statements **54**
Management statement and independent auditor's report 55
Consolidated financial statements 60

Parent Company financial statements **117**

Terminology **135**
Terminology 136
Reported vs. organic growth 137

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.

High-five to Wifive **page 17**

TDC takes part in Girls' day in science **page 20**

The rollout of fibre has begun **page 23**

Bland Selv: TV and streaming in one package **page 34**

In brief

Highlights
Letter from the CEO
Key events in 2018
Five-year overview

Did you know that ...

... in 2018, TDC Group invested DKK 1.8bn, more than 50% of our total investments, in upgrading our network, so that our customers can enjoy more reliable connections anywhere

Highlights

TDC Group

Decrease in calls to Support and Billing

19%

Decrease in organic operating expenses DKKm

159

Decrease 2.7%

Capital expenditure (investments) DKKbn

3.5

Capex to revenue 20.2%

EBITDA DKKbn

6.7

Organic growth 0.1%

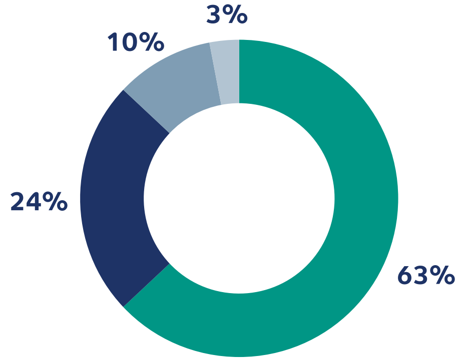
Increase in mobility services customers

171k

Growth in mobile voice market share 1.1 percentage point

Share of revenue

- Consumer: 63%
- Business: 24%
- Wholesale: 10%
- Other operations: 3%



Organic growth in mobility services gross profit

7%

Highlights

TDC Group is committed to ensuring Digital Denmark' becomes a reality through countrywide connectivity, but also through digitally educating citizens

Digital citizenship

Together with Børns Vilkår TDC has empowered

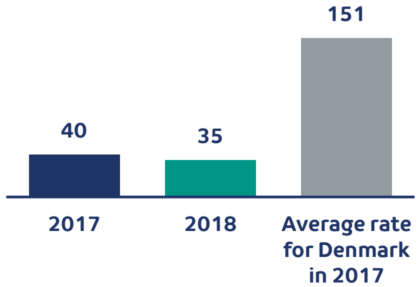
5,507

parents with tools and knowledge to engage their children in conversations about their digital lives

Health & safety

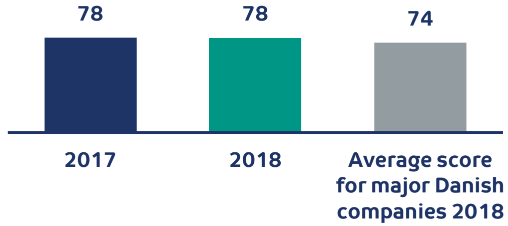
Incident rate for accidents with absenteeism

(Based on 10,000 employees)



Psycho-social workplace evaluation

Scale 0-100 (100 is the best score)



Upgrading connections

YouSee upgraded the *cable* connections of

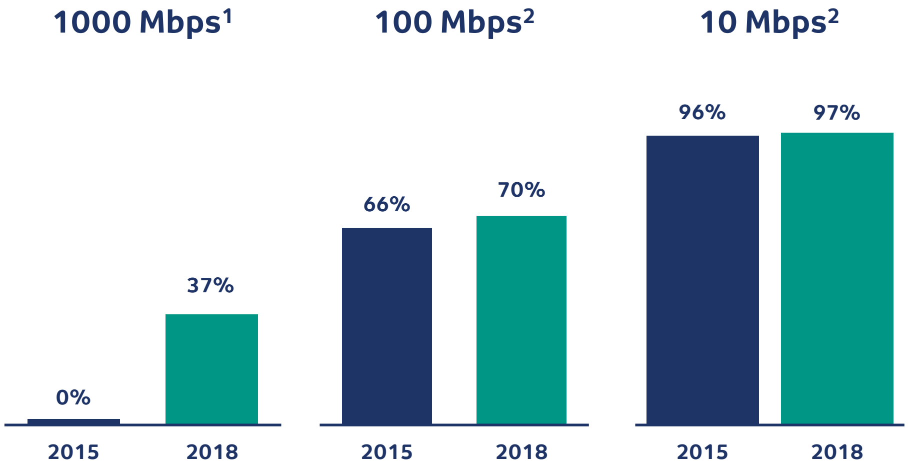
1,789

households through the state broadband fund

Connecting rural areas

As part of its Rural Area Initiative, TDC Group has upgraded the digital infrastructure of 19 rural areas providing speeds of between 30-100 Mbps to these previously low speed rural communities

Coverage of households in Denmark with



[1] Includes both TDC Group's own *cable* and *fibre* networks and partners' networks.
[2] Measured according to the EU definition ("up to" speeds)

Letter from the CEO

Pivotal year for TDC Group

2018 was a pivotal year for TDC Group, setting up 2019 as a year of major transformation as we develop a new TDC Group capable of capitalising on an unprecedented era of change in the global telecoms industry for the benefit of Digital Denmark.

In December, I eagerly assumed the role of CEO of TDC Group because I saw a company that had just successfully completed a three-year turn-around. Even more important, I saw a company that was embracing a bold new strategy to use its unique digital and network strengths to capitalise on the major shifts sweeping over consumer habits and the telecoms industry, a company determined to set new standards for the telcos industry and drive the digitalisation of Denmark.

2018 financial turn-around
TDC Group successfully completed its three-year effort to restore the company to growth. Starting with negative *organic EBITDA* growth of -9.5% in 2016 to -2.2% in 2017, TDC generated slight growth in 2018. Also, our cash flows improved immensely when adjusted for one-offs related to the change of ownership, divestment of Get and TDC Norway and other non-recurring items. In 2018 alone, the adjusted cash flows increased by more than DKK 500m on a like for like basis compared with 2017. I am immensely proud of my TDC colleagues for delivering on the commitments they made, and the resulting financial turn-around, which has put us in a much better position to move forward with boldness in 2019.

The improved financial development can be seen across our Business and Consumer business lines. Consumer delivered flat *EBITDA* growth in 2018 compared with a fall of 2.8% in 2017 driven by mobility services. Business achieved a strong trajectory during 2018 turning an *EBITDA* decline of 20.1% in Q4 2017 to almost year on year stability in Q4 2018. The improved performance in Business reflects growth in mobility services from increase in *RGU* base and stable *ARPU* as well as lower costs.

Mobility services. We have been able to grow mobility services revenue every quarter since Q3 2016, despite negative impacts from EU regulation in 2017 and 2018. In 2018, we welcomed 171k new customers, including about 100k public sector customers after TDC won a key public sector tender agreement (SKI) in 2017. The impressive performance is based on our strong network, which for the fourth-year running was tested as Denmark's best mobile network. We are dedicated to keeping the leading market position supported by the coming upgrade to 5G.

TV Market. In 2017, we continued to see many customers reducing or leaving their TV packages. The leakage of customers was lower in 2018 as *churn rate*s have slowed. The improved trend was driven by the launch in 2018 of one of the most flexible TV offerings in the world; 'Bland Selv' in YouSee. In a points-based system, our customers can mix TV channels with streaming services like Viaplay, Netflix and HBO within the hour. Further, it is possible to watch the content across platforms and on the go.

Our customers appreciate the great flexibility, and we see this as a strong lever for enhancing customer loyalty.

In 2018, YouSee has improved its entertainment universe with its own produced content. And in January 2019, the new channel Xee was launched. Xee is produced in collaboration with Fox and will include YouSee's own produced content and Fox' award-winning TV-series.

Digital. We continue to invest in digitalising our offerings and ways of working. In early 2018 we successfully established the new business line Digital with ~1000 developers devoted to fast-lane development of new customer offerings and interfaces. We are also enabling the digitalisation of Danish businesses in order for them to establish a 'Modern Workplace' with unified communication and collaboration across platforms and locations. Furthermore, we expanded our *cloud* position in 2018 as we acquired CC Factory and a 40% stake of Cloudeon. Going forward, TDC will move beyond the *cloud*, as we look further into security for all customers, and pursue new revenue streams that will be enabled via Analytics and AI.

Major shifts

Entering 2019, every telco in Europe and around the world faces an unprecedented combination of technological disruptions and economic shifts that will fundamentally remake the global telecoms industry.

- Individuals, households and enterprises continue to consume more data, which is creating expanded demand for data in our networks that can only be fulfilled with the rapid development of *fibre* and investments in the next generation mobile network, 5G. Both *fibre* and 5G require significant investment, and increased capital, deployed with a long-term investment horizon. While the clear benefits of *fibre* have been known for a long time, it is now also clear that substantial competitive advantage will be gained by those companies that manage to embrace 5G early and intelligently.

- Denmark's economy will depend heavily on Digital Denmark's ability to compete against and thrive among the most capable competitors worldwide. This will require unparalleled access to a world-class mobile and landline network, as well as *service providers* that can drive the continuous digitalisation.

- Around the world, a seemingly non-stop string of privacy scandals and security breakdowns has created a strong awareness that greater connectivity must be accompanied by security capable of protecting both personal privacy and national security.

Key 2018 actions

Recognising those major shifts, TDC Group undertook some major actions in 2018.

> *"TDC Group is committed to investing in building the infrastructure and assets that will provide us with sustainable, long-term competitive advantages*
>
> **Allison Kirkby**
> *Group CEO and President*

- **Ownership.** On 4 May 2018, TDC Group was taken over by the three Danish pension funds ATP, PKA, PFA and infrastructure funds managed by Macquarie Infrastructure and Real Assets. The new owners see TDC's substantial potential and are committed to investing decisively for long-term benefit, and we are determined to provide strong, reliable returns for Denmark's pensioners.

- **Focus**. Our sale of TDC's Norwegian business to Telia in July, has focused TDC Group on our Danish business. As the telecoms industry in Europe and globally continues to evolve, those companies with unique strengths in an individual market will be better positioned than those companies spread more thinly across international borders. We believe in Denmark, and we proudly take responsibility in building the high-speed broadband and mobile networks that will serve as essential pillars for Digital Denmark.

- **Vision**. Our vision is to provide all Danish households with access to 1Gbps broadband. In November, we finished our gigaspeed project, upgrading our own *cable* network to 1 gigabit broadband speeds for more than 30% of Danish households. In November, we also announced the first major *fibre* network deployment in the history of TDC, offering 4,000 households free connection to our *fibre* network. The pilot marks the starting point of our rollout that will accelerate significantly as we go into 2019 and beyond.

- **Restructuring**. To best achieve that vision, TDC Group is in the process of separating into a network-infrastructure entity NetCo and a customer-facing business line OpCo. The split enables NetCo to focus on building infrastructure and providing open access to our networks, which will in turn enable it to invest in the best digital infrastructure of the future. The split will also enable OpCo to invest assertively in digital customer experiences and entertainment. The two business lines will be separately managed and entirely focused on delivering on their own specific objectives.

- **Investment**. As global telcos enter this new disruptive era, we believe the companies that succeed on a sustained basis will be those that lead the change by investing early, intelligently and with substantial scale. With the full support of our owners, TDC is committed to investing now in building the infrastructure and assets that will provide us with sustainable, long-term competitive advantages. Our commitment to maintaining the best mobile network in Denmark, will drive an ambitious rollout of 5G expected to start already in 2019. Further, we will accelerate *fibre* investments and ramp up the rollout of the technology to Danish households in 2019.

Transformation continues in 2019

If 2018 was a year of boldly pivoting to our new strategy, then 2019 must be a year of moving with urgency to bring that new strategy to life.

In times of great change, those who move first often earn substantial advantages. As the year unfolds, you will see both OpCo and NetCo move forward with both speed and clarity, as we seize the unique window of opportunity before us.

I have great confidence that TDC will indeed capitalise on this new era of change. In my short tenure, it has quickly become clear to me that TDC is a company powered by more than 7,000 dedicated employees with strong skills, high work ethics and a deep desire to make a difference. Everywhere I go at TDC, I see talented people who are energised by our new strategy. Together, we are determined to move boldly to create a great future for our customers, Digital Denmark, our owners, and TDC Group.

> ” *I am thrilled by the work and possibilities waiting ahead of us in the coming year*

Allison Kirkby
Group CEO and President

Key events in 2018

2018 was an exciting year with many changes for TDC Group. The key events all reflect important corporate milestones, and many are linked to these changes.

Q1

New business line "Digital"

TDC Group pools together 1,000 bright-minded digital developers with an agile approach to driving innovation and introducing new digital solutions.

Plan to merge with MTG announced ...

... with a vision to create Europe's first fully-integrated media and communications provider. The merger is later cancelled due to the new ownership of TDC Group.

YouSee introduces flexible TV offering

With YouSee's new flexible TV offering 'Bland Selv', customers can mix TV channels with different streaming services e.g. Netflix, HBO and Viaplay – completely redefining how customers watch TV. Read more on page 41.

Launch of WiFive education pack

Together with the Association of Danish Pupils, TDC Group creates a complete education pack with four main themes that support digital understanding and positive online togetherness. Read more on page 17.

New owner of TDC Group

DK Telekommunikation ApS offers a price of DKK 50.25 per share at a premium of 30.6%[1], which is accepted by the majority of shareholders of TDC A/S. Following its delisting from the Danish Stock Exchange, TDC A/S becomes a privately held company.

Q2

YouSee Comedy

YouSee allies itself with some of Denmark's best comedians and entertainers, and together they create content that YouSee customers can watch exclusively before other viewers.

Dividing TDC Group into two main units ...

... OpCo and NetCo with new management teams. OpCo will focus on digital services and customer experiences, and NetCo will focus on Denmark's digital infrastructure.

[1] Based on TDC's 3-month volume-weighted average share price of DKK 38.48 at 31 January 2018.

Key events in 2018

Q3

Divestment of Get ...

... and TDC Norway to Telia for the proceeds of DKK 17.4bn. The divestment supports TDC Group's new strategy and helps TDC focus on its core business in Denmark.

Acquisition of Hiper

The successful Danish broadband company Hiper joins TDC Group. Hiper has around 50,000 customers and becomes part of our business line Consumer.

National campaign with Børns Vilkår

TDC Group and Børns Vilkår introduce a national campaign with specifically developed tools that promote a good digital life for children and their parents.

Q4

Gigaspeed broadband upgrade

100% of TDC Group's owned cable network reaches a speed of 1 gigabit broadband in November, corresponding to more than 30% of Danish households

New CEO for TDC Group

Allison Kirkby is appointed as the new CEO of TDC Group. Originally from Scotland, Allison has extensive experience in telecommunications and other fields, gained as CFO and later CEO of Tele2 AB in Sweden.

Telmore leads customer satisfaction in mobile voice

Telmore is once again rated to have the best customer satisfaction in mobile voice in Denmark. For the third year in a row, research by EPSI shows that Telmore has the best mobile customer satisfaction[1].

Best mobile network in Denmark

For the fourth year in a row, the Danish Technological Institute concludes that TDC Group has the best mobile network in Denmark.

Fibre rollout

TDC Group takes an important first step in implementing its new strategy and begins rolling out fibre. Around 4,000 households on Amager and in Hvidovre can now join TDC Group's fibre network. Read more on page 28.

[1] http://www.epsi-denmark.org/report/telesektoren-2018/

Five-year overview TDC Group

Income statements DKKm	2018	2017	2016	2015	2014
Revenue	17,356	17,386	18,174	19,060	19,984
Gross profit	12,457	12,636	13,319	14,102	15,180
EBITDA	**6,691**	**6,920**	**7,251**	**8,176**	**9,092**
Operating profit/(loss) (EBIT)	**1,745**	**2,455**	**2,879**	**(1,063)**	**3,944**
Profit/(loss) before income taxes	385	1,873	1,952	(1,968)	3,030
Profit/(loss) for the year from continuing operations	8	1,392	1,493	(2,653)	2,086
Profit/(loss) for the year from discontinued operations[1]	5,714	149	1,574	267	1,083
Profit/(loss) for the year	**5,722**	**1,541**	**3,067**	**(2,386)**	**3,169**
Income statements, excluding special items					
Operating profit (EBIT)	**2,603**	**2,676**	**3,130**	**3,988**	**4,834**
Profit before income taxes	1,243	2,094	2,202	3,083	3,919
Profit for the year from continuing operations	**773**	**1,556**	**1,690**	**2,185**	**2,783**
Profit for the year	1,207	1,686	2,314	2,500	3,492
Balance sheets DKKbn					
Total assets	50.9	63.1	64.3	64.5	74.2
Net interest-bearing debt (*NIBD*)	19.6	20.1	22.1	26.0	32.9
Hybrid capital	-	5.6	5.6	5.6	-
Total equity	15.5	25.6	24.6	20.7	19.0
Average number of shares outstanding (million)	805.7	802.6	802.0	801.7	800.2
Capital expenditure	**(3,501)**	**(3,804)**	**(3,576)**	**(3,510)**	**(3,459)**
Statements of cash flow DKKm					
Operating activities	4,569	5,683	5,479	6,330	6,769
Investing activities	(3,983)	(3,476)	(3,799)	(3,578)	(3,676)
Financing activities	(17,757)	(2,944)	(3,181)	(7,591)	11,896
Total cash flow from continuing operations	**(17,171)**	**(737)**	**(1,501)**	**(4,839)**	**14,989**
Total cash flow in discontinued operations[1]	17,645	856	2,820	450	(11,415)
Total cash flow	**474**	**119**	**1,319**	**(4,389)**	**3,574**
Equity free cash flow	**620**	**1,598**	**1,509**	**2,776**	**3,325**

		2018	2017	2016	2015	2014
Key financial ratios						
Gross margin	%	71.8	72.7	73.3	74.0	76.0
EBITDA margin	%	38.6	39.8	39.9	42.9	45.5
Adjusted *NIBD/EBITDA*[2]	x	2.9	2.8	2.9	2.9	3.4
Retail RGU (Denmark)						
Mobile subscriptions	# ('000)	2,772	2,636	2,592	2,576	2,566
TV	# ('000)	1,249	1,307	1,388	1,386	1,420
Broadband	# ('000)	1,287	1,274	1,312	1,329	1,358
Landline voice	# ('000)	560	634	734	847	1,010
Employees						
FTE (end-of-year)	#	7,126	7,362	7,168	6,989	6,864
FTE and temps (end-of-year)	#	7,134	7,424	7,191	7,017	6,905
Other KPIs						
Employee engagement score[3]	Index	76	75	-	-	-
100 Mbps population coverage	%	70	70	67	66	65

[1] TDC Finland (divested in 2014), Sweden (divested in Q2 2016) and Norway (divested Q3 2018) are presented as discontinued operations. Other divestments are included in the respective accounting items during the ownership.
[2] *NIBD* figures for 2015-2017 include 50% of hybrid capital as rating agencies provide 50% equity credit for hybrid bonds. *EBITDA* for Get is included from November 2014. On a pro forma basis, if *EBITDA* for Get is included for the full year 2014, the leverage ratio at year-end 2014 would have been 3.1.
[3] Comparable figures are not available for the years 2014 to 2016 due to a change in a measurement parameter.

Who we are

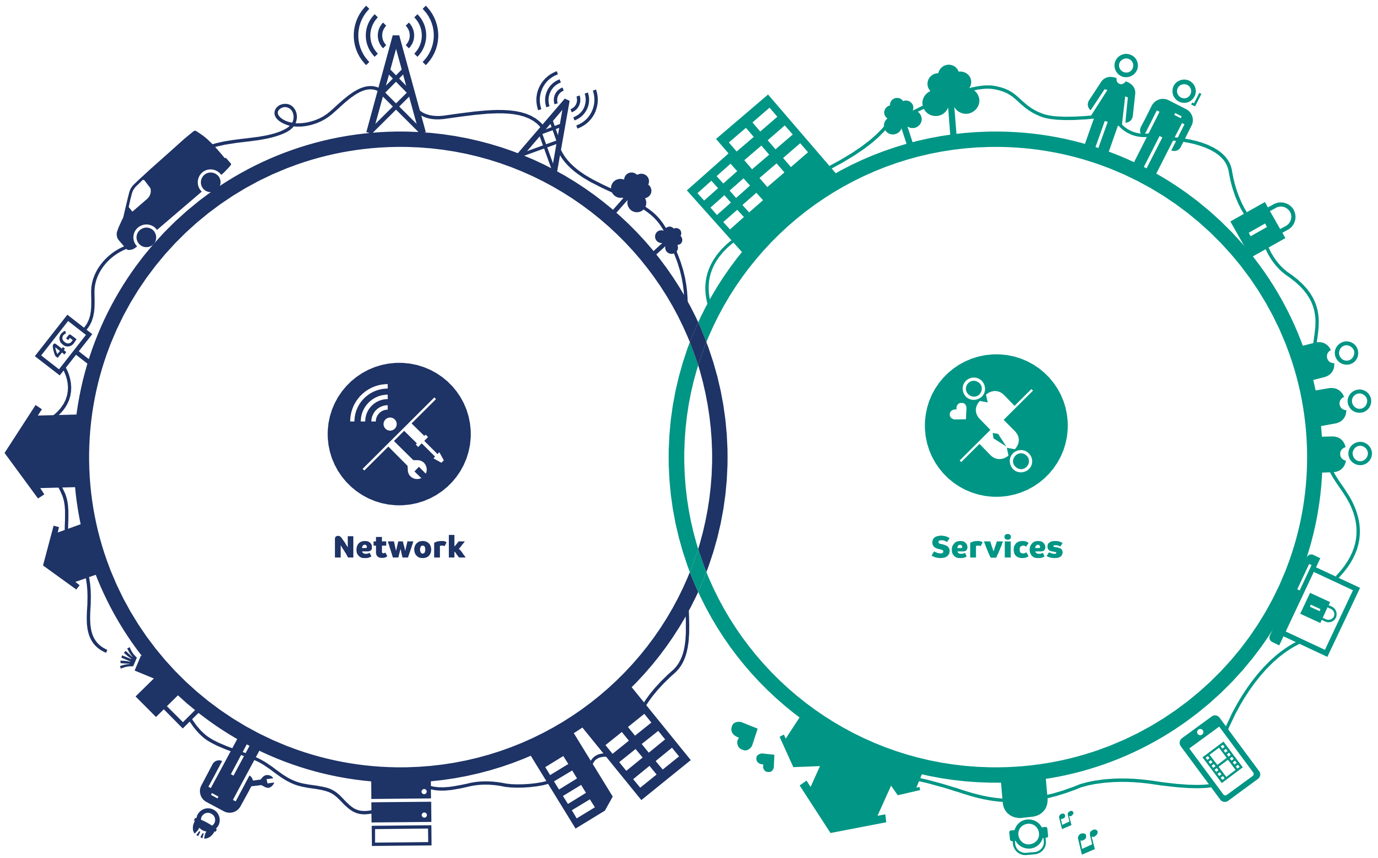
Our business model
TDC Group and society
Our business lines
Our people

Did you know that ...

... the average mobile download on TDC Group's network is 85 Mbps – equivalent to more than 600,000 Instagram pictures every hour

Our business model

TDC Group's business model comprises a range of resources and assets that enable us to develop and upgrade our infrastructure, offerings and customer service and consistently deliver high-quality integrated products and services. This creates value for both our customers and stakeholders.



Our business model – network

Maintaining and expanding upon our infrastructure and network creates the foundation for the stable and reliable service we provide to our customers. This is ensured through our Operations and Wholesale business lines

Our resources and assets

Landline networks

Our landline network includes a nationwide copper access network and a high-speed *cable* and *fibre* network covering 2.7m households passed including partner networks.

Mobile network

Our mobile network covers 99.5% of Denmark via 4G.

Skilled employees

Our diverse and skilled workforce includes everything from technicians in the field to academics.

Partnerships & suppliers

Partnerships & suppliers at TDC Group include IT *service providers*, network development and maintenance, and international connectivity.

Financial capital

Value-adding activities

Fibre rollout

Building the future digital infrastructure continued in 2018 with the rollout of *fibre* network.

Gigaspeed broadband

TDC Group has upgraded 100% of its own *cable* network to 1 gigabit broadband speeds.

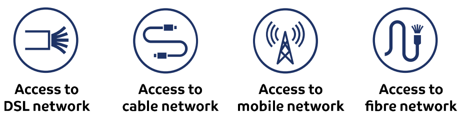
Upgrading our 4G network

Our mobile network was named the best mobile network in Denmark for the fourth year in a row.

Create and strengthen partnerships

We continued to exploit existing partnerships and build new ones including welcoming new brands to our network

Our offerings



Value created

Best connectivity

Ensuring the best network access all the time with open access and carrier neutrality

Reliability

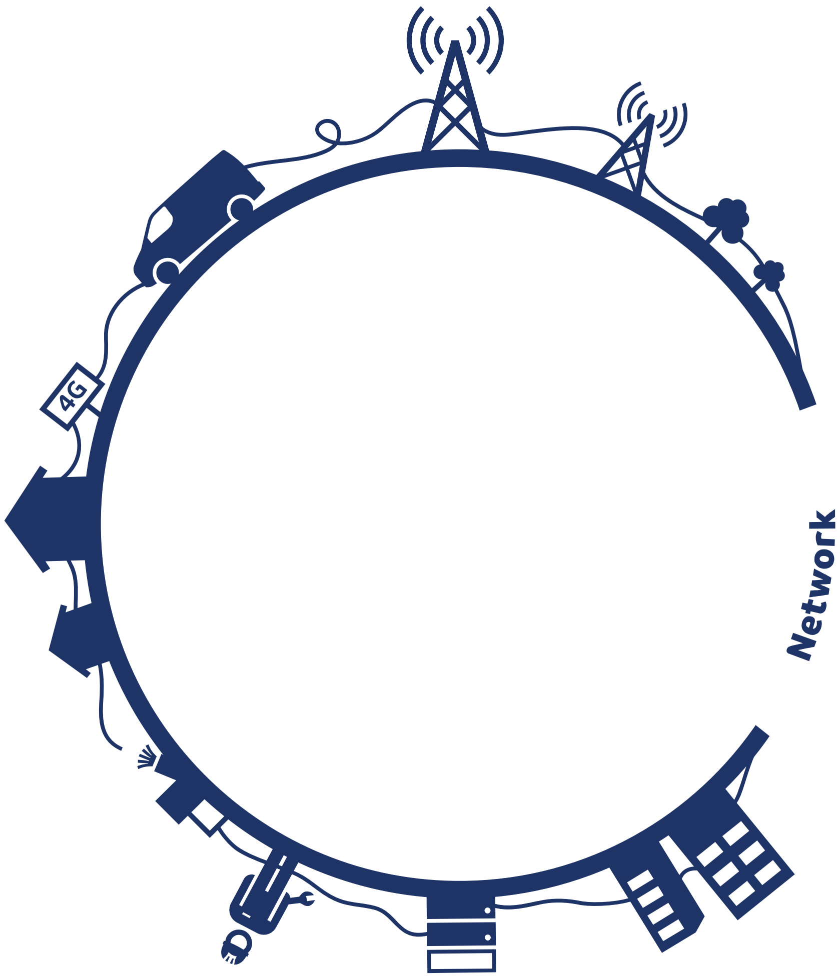
We help provide a safe digital society.

Innovation and digitalisation

We support digital citizenship and ensure digital connections for all of Denmark.

Best-in-class employee satisfaction

Motivated by attractive opportunities, great teams and pride in working for TDC Group. TDC Group's employee satisfaction is among best-in-class companies in Scandinavia[1].



[1] Best-in-class benchmark: Top 25% of all Ennova customers.

Our business model – services

Building on top of our advanced infrastructure we offer our customers reliable, high-quality solutions' Developing, innovating and expanding on our solutions is a core part of our business. We offer these services through our consumer brands YouSee, Hiper, Telmore, Fullrate and Blockbuster and our business brands TDC Business and NetDesign

Our resources and assets

Access to the best connectivity

Access to a nationwide copper access network, and a high-speed *cable* and *fibre* network, as well as access to Denmark's best mobile network.

Skilled employees

Our diverse and skilled workforce includes everyone from customer service staff to academics.

Partnerships & suppliers

Partnerships & suppliers include content providers, hardware and software providers.

Brand stores

YouSee has 43 shops and four mobile shops with a total of 2.5m visitors in 2018.

Financial capital

Value-adding activities

Better offerings

To meet our customers' needs we continuously renew and innovate our offerings to remain relevant for our customers, today and tomorrow.

Better customer experiences

Best-in-class customer experiences based on customer insights and digitalisation ensure that our customers receive services on their preferred platforms.

Our offerings

Value created

Reliability

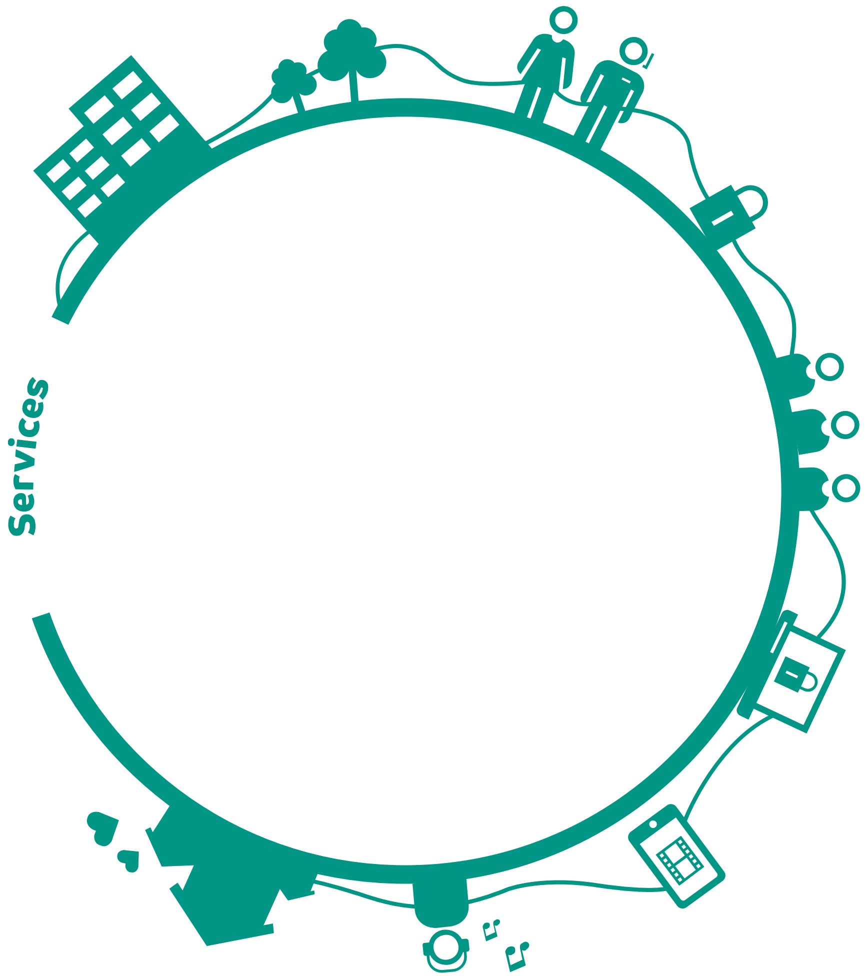
We help provide a safe digital society.

Innovation and digitalisation

We bring people closer together and support an inclusive society. We support digital citizenship and ensure constant development of innovative and digital solutions.

Best-in-class employee satisfaction

Motivated by attractive development opportunities, great teams and pride in working for TDC Group. TDC Group's employee satisfaction is among best-in-class companies in Scandinavia[1].



[1] Best-in-class benchmark: Top 25% of all Ennova customers.

TDC Group and society

TDC Group creates connections between people. We help businesses, municipalities and the government create value, thereby impacting 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).

SUSTAINABLE DEVELOPMENT GOALS

The three SDGs most important to TDC Group's societal impact

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

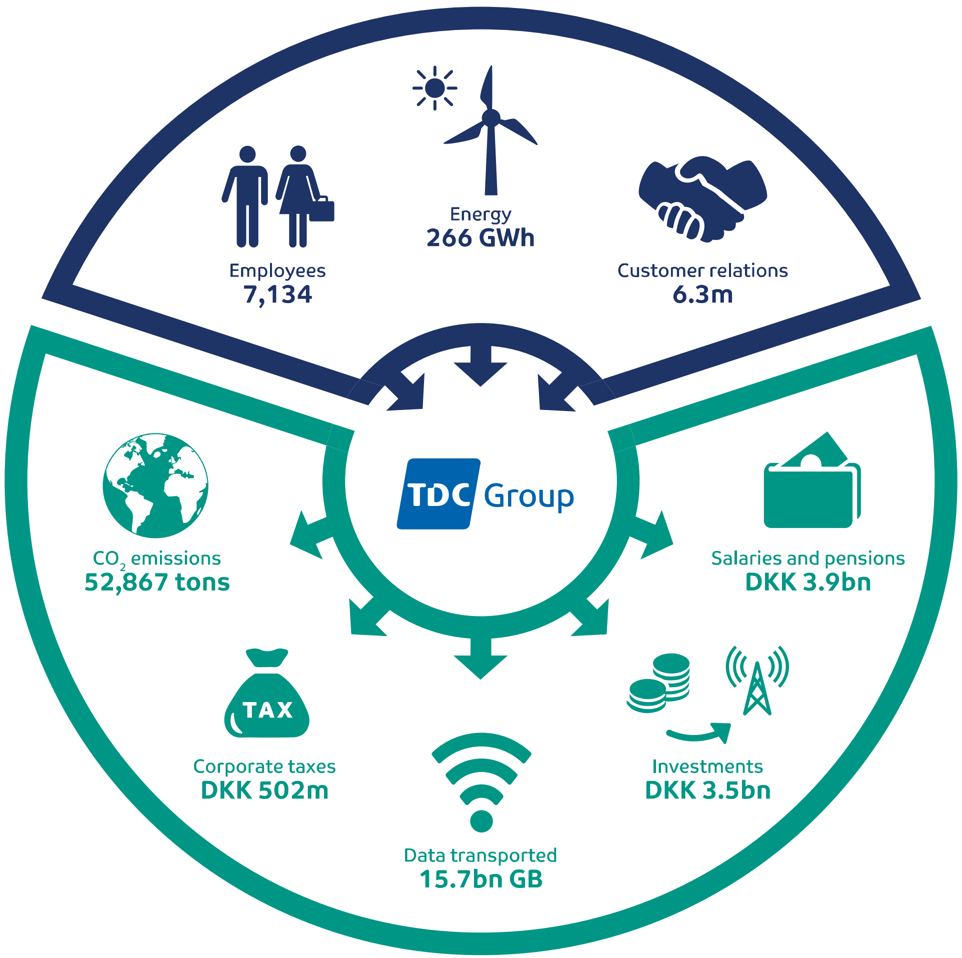
Productivity and innovation
We develop and deliver digital solutions that, combined with our digital infrastructure, enable flexible work forms, higher levels of productivity and new forms of innovation.

Digital infrastructure
We invest in digital infrastructure, also in rural areas, to provide access to connectivity. This supports economic development and human well-being in an increasingly digital world.

WE SUPPORT
UN GLOBAL COMPACT

Since 2009, TDC Group has participated in the UN Global Compact, the largest global initiative on corporate social responsibility. Our participation is an important way for us to demonstrate our commitment to supporting and securing internationally recognised human rights.

Our contribution



Our impact

[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.

Read our CSR Report here[1]

Group story

High-five to WiFive

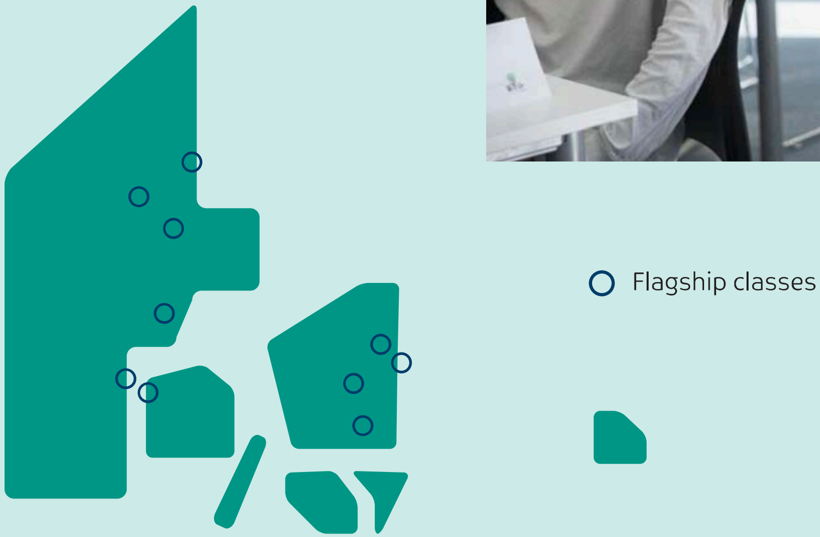
The first ten flagship classes have now tested our WiFive education pack with great success and very positive feedback.

Thanks to WiFive, they are more comfortable using the internet, and have far better understanding of privacy settings and the rules for sharing pictures and videos. Over 80% of the students agree that WiFive has contributed to a better digital class-room environment.

WiFive is an education pack on digital citizenship developed by TDC Group together with the Association of Danish Pupils. The material is divided into different themes supporting digital understanding and positive online togetherness and consists of plug-and-play materials for teachers to use in classroom, as well as an online 'digital driver's licence' that pupils can earn by applying their digital learning in specific case situations. The material is available at wifive.dk.

We want to put digital learning skills high on the agenda, but we also want to contribute to a good and safe digital environment for children.

In the words of Senior Executive Vice President Jens Aaløse, "it is important to us that pupils themselves discuss and make the rules based on their digital reality".



Over 80% of the pupils agreed that WiFive has contributed to a better digital classroom environment.

Our business lines and markets

Consumer

Consumer delivers mobile, TV, broadband, landline voice and entertainment through five different brands to residential customers.

Revenue[1]
Share of TDC Group **63%**

youSee TELMORE BLOCKBUSTER HIPER FULL RATE

Business

Business provides a range of tele-communications solutions, *cloud*-based services, IT solutions and end-to-end solutions for all types of business customers.

Revenue[1]
Share of TDC Group **24%**

TDC Erhverv NetDesign

Wholesale

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

Revenue[1]
Share of TDC Group **10%**

TDC Wholesale and Partnerships

Other operations

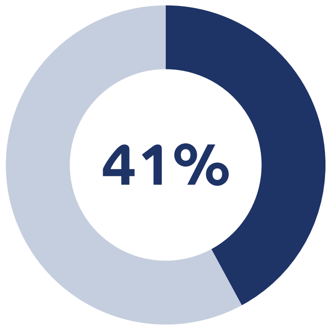
Other operations includes TDC Group's support functions such as IT, procurement, network, installation, digital activities, facility management and headquarters.

Revenue[1]
Share of TDC Group **3%**

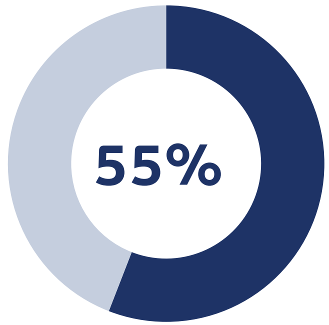
TDC Operations Headquarters Dansk Kabel TV DIGITAL

Total B2C and B2B market shares and position in Denmark

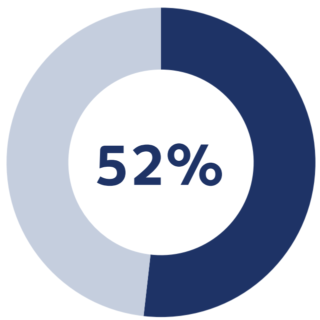
Mobile voice no.1



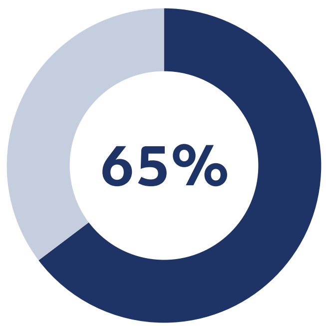
TV no.1



Internet & network no.1



Landline voice no.1



[1] Revenue share is based on external revenue

Our people

Best teams and relations

In 2018, TDC Group's employee engagement score increased by 1 point to a score of 76, based on responses from 93% of all employees. This is 4 points above the average benchmark in Denmark and places TDC Group among the best-in-class[1] companies in Scandinavia. The results also reveal job satisfaction is our primary strength and main engagement driver. In a time of change, with TDC Group experiencing a major transformation, these are altogether impressive results. TDC Group wants to maintain this strong culture, as people appreciate the unique and essential reasons to come to work and make a visible impact.

People development

At TDC Group, we constantly focus on developing our talented people to match our future needs for skills. Furthermore, we keep challenging individuals' potential by empowering and energising people through clear goals and frequent feedback. MyPlan is TDC Group's yearly development dialogue, and PitTalk is the basis for our frequent follow-up dialogues. Both are vital for our people development programme. In 2018, 89% of our employees had a MyPlan. We also rolled out People Review for all employees for the first time in 2018.

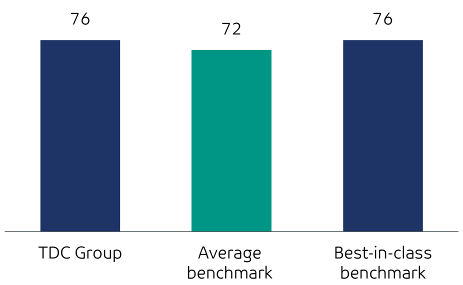
Digital skills

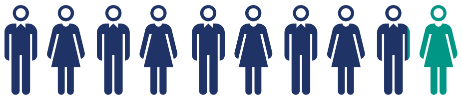
The digital transformation of TDC Group requires more employees with digital competences. To tackle the threatening lack of qualified IT profiles in the Danish labour market, TDC co-founded[2] Digital Dogme – a cooperation whereby Danish businesses join forces to improve their employees' digital skills. TDC is fully committed to upskilling employees with the digital competences needed for the future and to sharing experiences in the Digital Dogme network. At the same time, we succeeded in attracting and employing 170 new digital profiles at TDC Group in 2018.

Diversity

TDC Group has been working with diversity and inclusion for years. We strive to give all people equal opportunities regardless of gender, age, nationality, ethnicity, religion, education, disability or sexual orientation. Diversity and inclusion are in our DNA, and regardless of background, skilled people have many opportunities. In 2018, a new ambition was set to reach a 50/50 gender balance at all management levels in 2025. Read more on this ambition in the Corporate governance section on page 49.

Employee engagement scores in 2018





89%

of TDC employees have a MyPlan

170

new digital profiles at TDC Group

Gender diversity in 2018

[1] Best-in-class benchmark: Top 25% of all Ennova customers.
[2] Founding partners of Digital Dogme: TDC, Danske Bank, NetCompany and Copenhagen Airport

Group story

TDC Group takes part in Girls' Day in Science

As a feature of the annual event "Girls' Day in Science", where companies all over Denmark invite girls to sample IT jobs, 24 girls from 9th grade at the Heiberg School in Copenhagen visited TDC Group. They left with a clear idea of what an IT job at TDC could be like.

The day started with an introduction to the TDC Group and a speech from Eva Kjer Hansen, Minister for Equal Opportunities. And before the girls themselves began practising their digital skills, a number of our own female IT specialists provided insights into what working with IT and digital solutions at TDC Group is like.

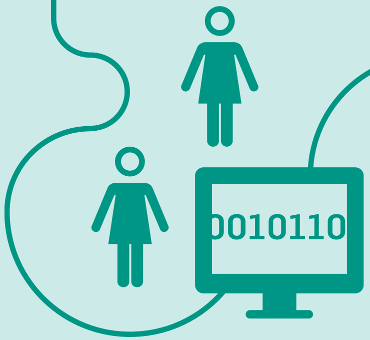
Afterwards, the girls themselves had the chance to try programming a software robot under the expert guidance of TDC colleagues.

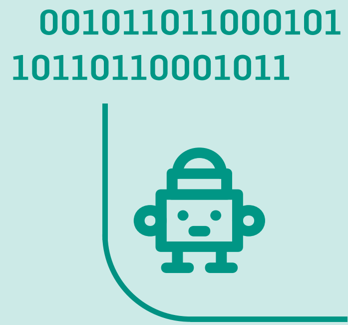
Jens Aaløse, Senior Executive Vice President, who also participated on the day, believes that women play a crucial role in ensuring the best and most innovative IT solutions for the benefit of citizens, businesses and society.

"When only a few women train and find employment in IT professions, my alarm bells start ringing. In the face of the gender imbalance among employees in IT professions, we risk that the needs and wishes of women will be overlooked in the development of new digital solutions for the public sector and the private market. At TDC Group, we believe diversity creates innovative thinking and drives better digital solutions, and that is why we invite girls from the oldest primary school classes to visit on Girls' Day in Science," says Jens Aaløse.

Female role models are important
Prejudice and gender stereotyping in IT education and IT jobs still constitute a barrier to women opting for IT careers, and it is therefore important that companies such as TDC Group help to break down outdated prejudices about what IT jobs are, according to Jens Aaløse.

"Therefore, it is important to have female role models that the young girls can identify with. And I would like to say a big thank you to the eight female TDC employees who have helped inspire young girls to choose an IT career."





Facts

- 39 businesses across the country took part in the day
- All in all, 1,700 girls took part in the event
- Girls' Day in Science was first held in 2013 and has grown every year

We like 38 other companies, science centres and educational institutions, invited young girls to visit and gave them the opportunity to explore digital development tasks through casework while meeting some of our female IT specialists.

Group strategy & performance

- Strategic milestones in 2018
- Strategy going forward
- Strategic focus in 2019
- Group performance
- 2019 guidance

Did you know that ...

... TDC Group employs more than 7,000 people – which is more than the entire population of the Danish island of Ærø

Strategic milestones in 2018

TDC Group delivered on the ambitions set forth in the strategy period 2016 to 2018: TDC Group improved network quality and stability, introduced tailored offerings for customers, and significantly improved its customer experience through digitalisation.

Better connectivity

World-class infrastructure in core markets is vital for delivering stable, high-quality and reliable services and solutions. TDC Group therefore invests heavily in upgrading and building out existing and new infrastructure while implementing new technologies and partnerships.

Strategic milestones in 2018
- Awarded best mobile network for the fourth year in a row and a successful 5G pilot was created
- First wave of *fibre* rollout was announced and offered for free to 4k addresses on Amager and in Hvidovre
- All TDC-owned *cable* network upgraded to gigaspeed

Better offerings

TDC Group meets customers' different and changing needs for communication and entertainment solutions by continuously renewing and innovating offerings to remain relevant for customers, today and tomorrow.

Strategic milestones in 2018
- ~200k customers personalised their YouSee Mix it yourself 'Bland Selv' packages to match customer preferences
- TDC Business strengthened its *cloud* solution offerings through an investment in Cloudeon
- YouSee More offered ~260k customers a free choice of value-adding benefits

Better customer experience

The ambition is to deliver a best-in-class customer experience driven by user insights and digitalisation while ensuring that the customers receive services on their preferred platforms.

Strategic milestones in 2018
- New YouSee app launched across Apple TV, Smart TV and Android TV
- Digitalisation of the customer journey increased self-service support
- Telmore rated as best customer satisfaction with mobile, which is also shown by the increase of 31% from 26 to 34 points in the *Net Promoter Score* from January to December 2018

Simplified digital operating model

To deliver on the three customer promises; better connectivity, better offerings and better customer experience, TDC Group maintain a streamlined business and simplified digital operating model. This drives meaningful operational efficiency generated by simplifying processes and stimulates new ways of working across TDC Group.

Strategic milestones in 2018
- YouSee's chatbot handled 35% of all our chats and enabled instant support for 7k customers per week
- TDC Group achieved a 19% reduction in inbound calls, driven by simplification, improved onboarding and digital functionalities
- Digital interactions in TDC Business grew by 17%

Strategy execution further detailed in the 'Business lines performance and strategy execution' section.

Group story

The fibre rollout has begun

Work on implementing the strategy of building the digital infrastructure of the future began in the autumn, when the first large-scale fibre network project in the history of TDC was launched in both Hvidovre and on Amager.

Even a company with a history stretching back 136 years can experience something new, and it was a major milestone when TDC announced its first large-scale rollout of *fibre* network on 15 November. Around 4,000 addresses in Hvidovre and on Amager were chosen for the first wave, where TDC will deploy *fibre* and offer free connections to give as many households as possible access to the digital infrastructure of the future.

"Denmark is becoming increasingly digital by the day, and at TDC, we want to lead building the digital infrastructure of the future. A *fibre* network is a strong pillar that provides future-proofed broadband connections for households and businesses. We want to get as many on board as possible and to give users the freedom to choose between the different *service providers* on the market," says Henrik Gjerulff Jensen, VP at TDC Wholesale.

Launching the *fibre* rollout is one of the first visible effects of TDC's new strategy following the change of ownership in the spring.

"It has been vital for us to show that we can walk the talk when it comes to being ambitious regarding *fibre*. But at the same time, we want to start out with a scale that enables us to gain experience and make adjustments before we rollout further. And so far, we seem to be heading in the right direction," says Uffe Tomasson, VP at TDC Operations.

Facts about fibre

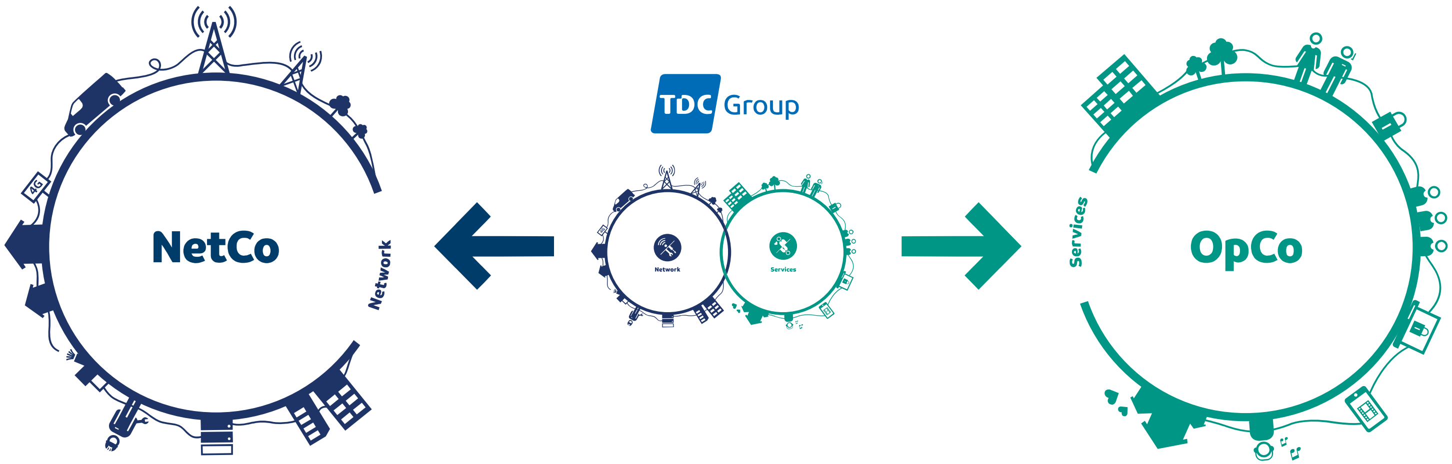
- TDC announced the first wave of the *fibre* rollout in November 2018
- Around 4,000 addresses on Amager and in Hvidovre have been offered a free connection to TDC's *fibre* network
- End-users are free to subscribe to the *service provider* of their choice to obtain a *fibre* broadband connection.

Helle Adelborg, Mayor of Hvidovre, cut the first sod for the fibre rollout in Hvidovre at the beginning of December.

Strategy going forward

The change in ownership of TDC Group represents a new window of opportunity. Our new owners have a long-term investment horizon, enabling TDC Group to significantly increase its investments in the digital infrastructure of the future at a time when technology and digitalisation are set to increase exponentially

To meet the future demand in Digital Denmark, the ambition is to become the leading infrastructure operator and the best service-provider with offerings across mobile, broadband, TV and *cloud*. To succeed with this strategy, TDC Group will separate into two entities that will operate independently; NetCo and OpCo. NetCo will invest in the best digital infrastructure of the future, and OpCo will invest in digital customer experiences and entertainment. The two divisions will be separately managed and entirely focused on delivering on their objectives.



Strategic vision

NetCo aims to bring the best connections to Danish households by investing in future-proof technologies, quality leadership, strong core offerings and carrier neutrality.

A strong commercial focus at NetCo will ensure new *service providers* will use the infrastructure, thus bringing the benefits of *fibre* and 5G to Danish consumers.

NetCo will continue to build and run world-class networks for Denmark through enhanced stability and security.

Strategic vision

OpCo strives to tailor state-of-the-art solutions for consumers and businesses in Denmark, always focusing on convenience.

Accelerated digitalisation will be a key pillar for building and improving a personalised and coherent digital universe for customers, while addressing their individual demands.

OpCo will take an active role in creating and delivering the best entertainment universe on new digital platforms.

Strategic focus in 2019

NetCo

2019 will be an important year for NetCo as it embarks on the new journey exclusively as a dedicated infrastructure operator. Transforming and deploying a more commercial mindset will be a large element to succeed in the transformation.

Fibre investment

NetCo will accelerate *fibre* investments and ramp up the rollout of the technology to Danish households in 2019 through a unique offering of free *fibre* to the home.

5G rollout

The road for the 5G network will be paved by; preparing and upgrading sites throughout the country, making NetCo ready as the 5G spectrum and customer premises equipment (CPE) becomes available.

Open access

NetCo will strengthen its commercial capabilities and establish an efficient platform for new *service providers* to achieve success on the infrastructure.

Stability and security

2019 will see an increased focus on continuous delivery of world-class service stability through security, preventive measures and fast reaction times.

OpCo

OpCo is on a journey of changing its entertainment universe and digital solutions. It will transform its role from curator of content to creator, delivering personalised content and unique customer experiences.

Fibre partnerships

OpCo will leverage partnerships with *fibre* infrastructure owners across Denmark to ensure its customers the best offerings.

Digitalisation

Continued focus on digitalisation will drive the capacity to deliver personal experiences as well as cost savings.

Expanding into new cloud areas

To support the business customers' *cloud* journey, OpCo will invest in areas where it is not currently present to extend its B2B offerings.

Entertainment

OpCo has set out on a new content strategy. In 2019, the next generation of TV offerings will be launched across existing and new digital platforms.

Group performance

Stig Pastwa,
Senior Executive Vice President,
Chief Financial Officer

> *We are delivering on our ambitious turn-around strategy with positive organic EBITDA growth in 2018 – a TDC milestone*

Revenue DKKm	**17,356**	**Revenue** Growth	**-0.2%**
EBITDA DKKm	**6,691**	**EBITDA** Growth	**-3.3%**
Profit for the year DKKm	**5,722**		

- *Organic EBITDA* increased by 0.1% compared with a 2.2% decline in 2017
- Organic operating expenses decreased by DKK 159m or 2.7% driven by efficiency improvements and renegotiation of supplier contracts
- Reported revenue remained almost stable (-0.2%)

2018 guidance follow-up
TDC Group met its 2018 guidance on *EBITDA* and *EFCF*. *Organic EBITDA* grew 0.1% in 2018 (Guidance ≥0%) and *EFCF* grew adjusted for change of control and divestment of Get and TDC Norway and other non-recurring items (DKK 3.0-3.2bn. Guidance: DKK ≥2.4bn).

During the tender process leading to the change of TDC ownership, it was decided not to pay out the dividend related to the 2017 financial results (Guidance: DKK 1.15).

Revenue
In 2018, TDC Group's reported revenue decreased by 0.2%, or DKK 30m, to DKK 17,356m. Adjusted for acquisitions, divestments, regulations and non-recurring items, organic revenue decreased by 0.5%, or DKK 91m, due mainly to intense customer competition facing Business in the internet and network segment, and the TV and landline voice decline in Consumer.

Gross profit
At TDC Group, reported gross profit decreased by 1.4%, or DKK 179m, to DKK 12,457m in 2018. Organic gross profit decreased by 1.2%, or DKK 152m, driven mainly by declining revenue at Business and Consumer. However, this was partly offset by the improved mobile voice performance across business lines. The gross margin decreases from 72.7% in 2017 to 71.8% in 2018 was caused by a lower margin in TV that was driven by content costs and a decline in the share of revenue from high-margin landline voice at Consumer.

Operating expenses[1]
In 2018, reported operating expenses increased by 0.9%, or DKK 50m, to DKK 5,766m. Organic operating expenses decreased by 2.7%, or DKK 159m, stemming from renegotiated supplier contracts and efficiency improvements in the field force, Consumer and Business.

EBITDA
Reported *EBITDA* declined by 3.3%, or DKK 229m, to DKK 6,691m. *Organic EBITDA* improved by 0.1%, or DKK 7m, consisting of a DKK 152m decline in gross profit, which was more than offset by savings of DKK 159m in operating expenses. Compared with the 2017 *organic EBITDA* development (-2.2%), the improvement was driven mainly by improved gross profit development.

Profit for the year
Excluding discontinued operations and special items, profit for the period decreased by 50.3%, or DKK 783m, driven by higher financial expenses due to the refinancing in 2018. Profit for the year (including discontinued operations and special items) increased by DKK 4,181m which is explained primarily by the gain (DKK 5,293m) from the divestment of TDC's Norwegian business.

1. Including other income

Group performance

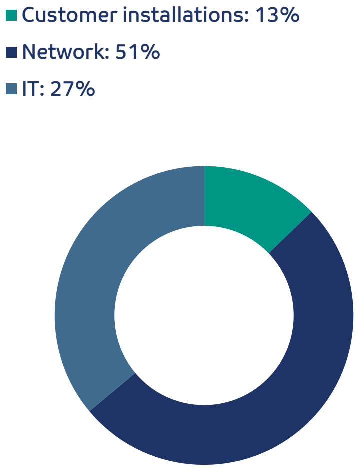
- Capital expenditure fell by DKK 303m following investments in 2017 related mainly to the *cable* network upgrade as well as lower CPE spending in 2018
- Strong adjusted *EFCF* growth on a like for like basis was driven by improved *net working capital* performance and reduced interest payments
- Proceeds of DKK 17.4bn were achieved from divesting TDC's Norwegian assets

Capital expenditure DKKm	**3,501**
Equity Free Cash Flow DKKm	**620**
Adjusted NIBD/EBITDA	**2.9**

Capital expenditure Growth	**-8.0%**
Equity Free Cash Flow Growth	**-61.2%**

Capital expenditure

In 2018, TDC Group's capital expenditure totalled DKK 3,501m, a decrease of 8.0%, or DKK 303m compared with 2017. This development resulted partly from investments in 2017 relating to the *cable* network upgrade and discontinuing the Swedish activities following their disposal in 2016. Lower spending on customer premises equipment (CPE) for customer installations on *cable* TV, broadband *cable* and copper installations also contributed to the lower capital expenditure in 2018.



[1] After adjustment for cash and debt as well as transaction costs.
[2] The dividends have been applied by TDC's indirect parent company DKT Finance ApS to repay external bridge term loans related to the acquisition of TDC as well as interest on Senior Notes issued in connection with the refinancing of the remaining external bridge term loans.

Cash flow

Equity Free Cash Flow declined by DKK 978m in 2018 driven by special items (DKK -759m) and interest payments (DKK -500m) both related to the takeover of TDC by DK Telekommunikation ApS and by *EBITDA* (DKK -229m). The decrease was partly offset by different timing in *net working capital* (DKK 205m), lower cash outflow related to *capex* (DKK 162m) and lower pension contributions (DKK 82m). Adjusted for one-offs related to the change of control, divestment of Get and TDC Norway and other non-recurring items *Equity Free Cash Flow* was DKK 3-3.2bn.

Comprehensive income

Total comprehensive income increased by DKK 5,515m. In addition to the increase in profit for the year (DKK 4,181m), other comprehensive income increased by DKK 1,334m. This increase related to a positive development in exchange-rate adjustments of DKK 951m for foreign enterprises (primarily in Norway) and the reversal of previous exchange-rate adjustments due to the divestment of TDC's Norwegian business (DKK 1,235m), which was partly offset by a negative development on defined benefit plans for Danish employees (DKK -812m after tax).

Net interest-bearing debt

NIBD fell by DKK 488m. The *Equity Free Cash Flow* of DKK 620m and the net proceeds from the divestment of TDC's Norwegian business of DKK 17,404m were partly offset by the payment of dividend of DKK 11,316m[1], the repayment of hybrid capital of DKK 5,588m and fair value adjustments of long-term loans of DKK 537m.

2019 guidance

TDC Group's 2019 guidance is affected by higher operating expenses and capital expenditure due to substantial investments towards new strategy and transforming the company into two industry-leading entities. Continued improvement in underlying commercial performance is expected across business lines. Guidance does not include the expected impact from new IFRS16 requirements[1]

2019 guidance

EBITDA	Slightly lower
Capex DKKbn	4.1-4.5
Net debt EBITDA	~3.5x EoY

Assumptions

EBITDA is expected to be slightly lower driven mainly by increased costs triggered by substantial investments into our new strategy, somewhat offset by improvements in the underlying business

- Increased investments in own content in order to protect and develop our TV offering
- Increased costs due to investment in fibre with increased marketing costs and more *FTE*s
- We expect further improved trends in underlying commercial performance across business lines
- Cost savings stemming from simplification, digitalisation and reductions in call centres though at lower levels than in recent years

Increase in capex due to substantial investments in new strategy and separating TDC Group

- Accelerated *fibre* investments started at the end of 2018
- Investments in developing our TV platform
- Roll-out of the 5G network
- IT separation

[1] For further information, see also note 6.7 to the Consolidated Financial Statements

Business lines performance & strategy execution

Performance per business line
Consumer
Business
Wholesale
Other operations

Did you know that ...

... you can choose streaming services such as Netflix, HBO Nordic or Viaplay through our flexible TV offering Bland Selv. ~200,000 customers are already using Bland Selv

Performance per business line in 2018

The illustration below reflects TDC Group's 2018 performance based on our traditional business line reporting. Costs are not allocated for now, but are included in the business line responsible for the service, cf. segment note 2.1. The 2018 performance of each business line is described on the following pages.

DKKm	TDC Group	Consumer	Business	Wholesale	Other operations
Revenue[1]	17,356 -0.2%	10,951 1.1%	4,244 -4.2%	1,728 -1.0%	533 6.6%
Gross profit[1]	12,457 -1.4%	7,787 0.3%	3,210 -7.2%	1,193 2.9%	313 -4.0%
EBITDA[1]	6,691 -3.3%	6,078 -0.1%	2,367 -7.5%	1,055 1.3%	-2,803 -1.5%

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

Consumer

Highlights and financials

Jaap Postma,
Senior Executive Vice President, OpCo.

”We saw a positive gross profit growth for the first time since 2010 – a vital foundation for future innovation Furthermore, our converged offering YouSee More has proved to be a central tool regarding churn reduction

Revenue DKKm/Growth	**10,951**	1.1%
Gross profit DKKm/Growth	**7,787**	0.3%
EBITDA DKKm/Growth	**6,078**	-0.1%

Revenue[1] Share of TDC Group	**63%**
Employees FTEs	**2,476**

- *EBITDA* almost flat at -0.1% driven by positive gross profit development
- Strong mobility services growth with 39k mobile voice net adds during 2018
- Launch of flexible TV-offering ‘Bland Selv’ including streaming services
- Solid intake of 223k YouSee More customers during 2018

Revenue improved by 1.1%, or DKK 121m, to DKK 10,951m due to more mobile voice subscribers and a higher *ARPU*, as well as increased terminal equipment sales. This was partly offset by the impact of fewer TV subscribers and continued landline voice decline. The resulting *gross profit* improved by 0.3%, or DKK 25m, to DKK 7,787m. *Operational expenses* increased by 2.0%, or DKK 33m, to DKK 1,709m, driven by more *FTEs*. *EBITDA* correspondingly decreased by 0.1%, or DKK 8m, to DKK 6,078m, constituting an improvement compared with the 2.8% loss the previous year.

During the year, 39k mobile voice subscribers were added, including 24k related to Coop Mobile, and *ARPU* was up by DKK 4. 2018 also saw a loss of 57k TV customers in line with market trend, however also a significant strengthening of the TV value proposition due to the introduction of Bland Selv. YouSee More added 223k subscribers during 2018 positively impacting *churn rates* across all products. Finally, the number of Support & Billing calls continued the positive trend, down by 15% in 2018.

Our B2C brands

youSee, BLOCKBUSTER, FULL RATE, TELMORE, HIPER

Our offerings

- Mobile ”Best Connectivity”
- Security
- TV and entertainment in one place
- Easy and user-friendly customer support
- Broadband ”Best Connectivity”
- Converged offering ”YouSee More”

[1] Revenue share is based on external revenue.

Consumer

Development of product lines

Mobility services

- 2018 saw further revenue and gross profit growth with increases of 6.6% and 7.3%, respectively. This was driven by the full year effect of the Q3' 2017 Plenti acquisition and positive subscriber growth during 2018, in combination with an *ARPU*-uplift
- The mobile voice subscriber base grew by 39k net adds in 2018, hereof 24k related to the inclusion of Coop Mobile customers (previous wholesale customers) from Q3 2018 onwards
- Mobile voice *ARPU* increased by DKK 4 in 2018 driven by price increases across the Consumer brands in both 2017 and 2018
- The mobile broadband subscriber base increased by 2k to 146k, and the corresponding *ARPU* grew by DKK 9 to DKK 125 from an improved product mix

Landline voice

- In 2018, reported revenue from landline voice decreased by 14.7%, or DKK 102m, to DKK 593m due to fewer subscribers and a lower *ARPU*
- Gross profit decreased by DKK 101m, or 14.6%, to DKK 593m, whereas the loss the prior year was DKK 141m or 16.8%
- The customer base decreased by 13.0%, or 56k, in 2018 in line with previous years and the market trend
- Landline voice *ARPU* was down DKK 2 in 2018, which constituted an improvement compared with the previous year when *ARPU* declined DKK 4

Internet & network

- Internet & network improved its revenue in 2018, growing by 2.1%, or DKK 50m, to DKK 2,454m, driven by improved *ARPU*
- Gross profit grew by 2.0%, or DKK 48m to DKK 2,400m, in accordance with the top line development. This was an improvement compared with 2017, when the gross profit fell by 1.5%
- The broadband customer base increased by 30k in 2018, positively impacted by the Hiper acquisition in December 2018 which added 51k subscribers in Online Brands. Organic growth for the year was a loss of 21k customers driven by YouSee
- Broadband *ARPU* saw 3.7% growth from DKK 190 in 2017 to DKK 197 in 2018. This was attributable mainly to price increases across the Consumer brands

TV

- It was another challenging year for TV with revenue down 3.7%, or DKK 151m, to DKK 3,962m resulting from fewer subscribers, partly offset by increased *ARPU*
- Gross profit was down by 7.0%, or DKK 146m to DKK 1,948m and the corresponding margin was eroded from 50.9% in 2017 to 49.2% in 2018. This was related to the revenue decline, general content cost increases as well as the introduction of *SVOD*-services in the Bland Selv product
- The TV customer base decreased by 57k in 2018 to 1,242k, which should be compared with a loss of 80k the previous year
- TV *ARPU* increased by DKK 6, or 2.3%, to DKK 263 in 2018. This was attributable mainly to price increases in Q1 2018 along with the introduction of streaming services in the TV offering

Mobile voice ARPU
in DKK per month
122
In 2017: 118

Mobile voice RGUs
in ('000)
1,936
In 2017: 1,897

Landline voice ARPU
in DKK per month
124
In 2017: 126

Landline voice RGUs
in ('000)
374
In 2017: 430

Broadband ARPU
in DKK per month
197
In 2017: 190

Broadband RGUs
in ('000)
1,064
In 2017: 1,034

TV ARPU
in DKK per month
263
In 2017: 257

TV RGUs
in ('000)
1,242
In 2017: 1,299

Consumer

Strategy execution

YouSee More

YouSee customers with more than two products are entitled to join our converged offering YouSee More allowing them to pick between three and five benefits. In 2018, YouSee More was providing extra benefits to ~260k customers and membership increased by 223k in 2018. We expect this trend will continue.

YouSee More provides a variety of different benefits, embracing everything from e-books to music, movies and so on. A new charity donation benefit was introduced in 2018, and the members of YouSee More have already donated over DKK 100,000 to Børns Vilkår. A generally high level of activity and satisfaction among the programme members is evident. They are enjoying and personalising their advantages, which is reflected in the *Net Promoter Score*, as YouSee More members' *Net Promoter Score* is 10 points higher than non-members. Every day, more than 750 members personalise their benefits. We will continue to develop more benefits to keep customers engaged and satisfied.

Streaming and TV combined

In 2018, YouSee transformed its linear TV package into a full entertainment experience. Now, customers can mix, swap, and bundle traditional TV channels and streaming services in YouSee's Mix it yourself 'Bland Selv', which ~200k have already chosen. With 11 streaming services launched in 2018 (including Netflix, HBO Nordic, and Viaplay), YouSee is committed to delivering premium on-demand content from both existing and new partners. Newcomers in Q4 included Nordisk Film+, Fox+, and Netflix.

YouSee is determined to give customers the best TV experience in the world. This means aggregating content across players, and in 2018, YouSee also entered the field of content production. The efforts have already earned YouSee the Danish entertainment industry's "TV Prisen 2019" in the category "Best satire / comedy" for the hit series "30" as well as a Robert award nomination from the Danish Film Academy for "Best short TV series". Furthermore, YouSee also lauched new TV apps across multiple platforms, including Apple TV, Samsung & LG Smart TV, and Android TV to provide easy and convenient access to the content.

Commercial steering improving price trajectory

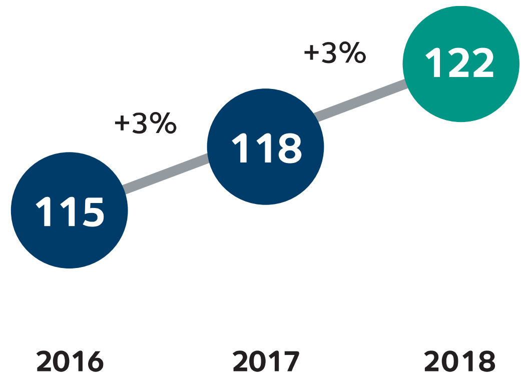
TDC Group is experiencing fierce competition in the Danish consumer market, especially in the mobile voice and broadband markets.

At YouSee, Telmore and Fullrate, the focus on strong commercial price management improved the price trajectory for all core products during the three-year strategy period. For mobile voice, TDC Group increased *ARPU* annually by 3% from 2016 to 2018. This is a result of the commercial focus on value-adding services such as Telmore Music and YouSee More, in addition to the core products.

In the future, TDC Group will continue this positive growth trend by focusing on value-based pricing for products by continuously improving solutions and developing new digital value-adding services for TDC Group's core products.

~260k YouSee More customers in 2018

~200k Bland Selv customers in 2018



Mobile voice ARPU improved by 3% in 2017 and again in 2018

Bland Selv: TV and streaming in one package

In 2018, the Danish TV market changed significantly when YouSee launched a new TV package that allows customers to mix their favourite TV channels with their preferred streaming services.

YouSee was one of the first TV distributors in the world to offer a flexible solution like Mix it yourself 'Bland Selv'. Customers quickly adopted the concept and by the end of 2018, almost 200,000 YouSee customers had chosen a Bland Selv solution. Almost half of the Danes stream movies and series at least once a week, and it is clear that mixing TV with streaming is attracting most of the new customers. The streaming services Viasat Film (incl. Viaplay), HBO and Dansk Film Skat are the most popular services in Bland Selv, but sports channels are also in high demand.

"Our wishes and needs change from day to day, and with Bland Selv, our customers can zap between TV channels and streaming services with a single click of the remote. When a new season of your favourite series launches on Netflix, you can choose that, and if your favourite team is playing tonight on a channel you do not have, simply choose it and you're ready for football," says Jacob Mortensen, Head of YouSee, adding that most customers actually switch to new channels and streaming services between 5 and 7 p.m.

Recently, YouSee added Netflix, Denmark's most watched streaming service, to Bland Selv, and plans to add even more services in 2019. Since its launch, Netflix has been the most popular Bland Selv streaming service.

Facts about 'Bland Selv'

- Around 200,000 Danes now have Bland Selv
- Three out of four Bland Selv subscribers select one or more streaming services
- Especially sporting events prompt the Danes to change television channels. During the Ice Hockey World Championship, many customers selected TV 2 Sport, and when Brøndby played its qualifying match in the Europa League, many selected Eurosport 2 just before the match
- With Bland Selv, you can choose from 11 streaming services and more than 50 TV channels.

Business

Highlights and financials

Michael Moyell Juul,
Senior Executive Vice President,
TDC Business

”We will continue the turn-around on financials and customer experiences leveraging fibre rollout, managed network and cloud services

Revenue DKKm/Growth	4,244	-4.2%
Gross profit DKKm/Growth	3,210	-7.2%
EBITDA DKKm/Growth	2,367	-7.5%

Revenue[1] Share of TDC Group	24%
Employees FTEs	1,111

- *EBITDA* decreased by 7.5% in 2018; *organic EBITDA* decreased by 5.4%
- 97k more mobile voice customers driven mainly by the large government tender won in 2017
- Acquisition of CC factory and 40% of Cloudeon strengthens NetDesign and Business’ *cloud* services

Revenue declined by 4.2%, or DKK 188m, to DKK 4,244m due to a continued decline in the landline voice market and competitive pressure in the internet and network markets. Gross profit declined by 7.2%, or DKK 249m, to DKK 3,210m, resulting from revenue loss and the mix effect from higher revenue share in low margin products e.g. low-margin terminals as a result of increased volumes from the large government tender. Operating expenses improved by 6.4%, or DKK 58m, to DKK -843m due to lower personnel expenses. As a result of the above Business’ financial performance in 2018 continued to decline with an *EBITDA* loss of 7.5%, or DKK 191m, to DKK 2,367m.

Organic EBITDA declined by 5.4% showing a continued underlying improvement in Business, when compared with the *organic EBITDA* decline of 12.3% in 2017. The underlying improvement was in part driven by relatively lower declines in the landline voice segment and a stable development in mobile voice due to less *ARPU*-pressure and the inclusion of the customers from the large government tender won in 2017.

Our B2B brands

TDC Erhverv
NetDesign

Our offerings

- Mobile ”Best Connectivity”
- Skype for Business & Office365
- Internet & network ”Best Connectivity”
- Unified communication and collaboration
- Professional advice on best solutions
- IT security
- WiFi intelligence
- Easy and user-friendly customer support

[1] Revenue share is based on external revenue.

Business

Development of product lines

Mobility services

- In 2018, reported revenue from mobility services in Business declined by 2.8%, or DKK 33m, to DKK 1,142m. This decrease in revenue was better than the 6.6% decrease in 2017 and was driven mainly by the large government tender contract won in 2017.
- Mobile voice *ARPU* decreased by DKK 10 or 9.0% YoY, triggered by inclusion of low *ARPU* customers from the large government tender contract won in 2017 and a smaller underlying decline than in previous years in the large business segment. *ARPU* in the small and medium-sized business segment remained stable in 2018.
- The mobile voice customer base increased by 97k YoY. The development reflects the intake of customers from the large government tender contract. Excluding the abovementioned intake, the underlying development in the mobile voice customer base was flat.

Landline voice

- Reported revenue from landline voice in Business declined by 10.6%, or DKK 80m, to DKK 672m in 2018. This was prompted by a DKK 1 *ARPU* decline as well as a 8.5% decline in the customer base, which is in line with the market trend for landline voice.

Internet & network

- In 2018, Business' reported revenue from internet & network decreased by 14.3%, or DKK 209m, to DKK 1,248m.
- Revenue from broadband was affected by a declining customer base with a net loss of 18k broadband customers YoY across segments. This was offset by an *ARPU* increase of DKK 8 or 2.9% YoY, driven by the large business segment prompted by loss of low-*ARPU* customers as well as conversion of customers to higher speeds.
- The *fibre* segment customer base increased by 11.5%, though with lower *ARPU* caused by competitive pressure.

Other services

- Reported revenue from other services increased by 12% or DKK 134m to DKK 1,183m. This was due to increased sales of mobile handsets as a result of increased volumes from the large government tender.
- Reported revenue from integrated services decreased by 2.2% or DKK 16m to DKK 716m. Similarly reported gross profit decreased by 5.7%, or DKK 19m to DKK 313m, driven by decreasing gross profit margin on hardware/software solutions as a result of increased competition in the market.

Mobile voice ARPU	Mobile voice RGUs	Landline voice ARPU	Landline voice RGUs	Broadband ARPU	Broadband RGUs
in DKK per month	in ('000)	in DKK per month	in ('000)	in DKK per month	in ('000)
101	836	312	172	281	143
In 2017: 111	In 2017: 739	In 2017: 313	In 2017: 188	In 2017: 273	In 2017: 161

Business

Strategy execution

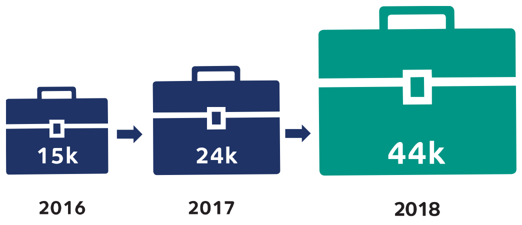
Further expansion into B2B cloud

Cloud-based solutions will continue to play an increasingly important role in all companies' digitalisation journeys. Moving data and applications to the *cloud* is paramount in order to reduce IT costs, improve data security, and enable better and faster development.

To better support this journey, TDC Business acquired CC Factory and a minority share in Cloudeon, a Danish IT startup. Cloudeon's vision is to empower companies to compete in a purely digital software-driven world by adopting the latest *cloud* technologies and changing the way IT has been built and delivered for the past 30 years. Using proprietary software solutions, Cloudeon can map and monitor a company's existing IT legacy and automatically showcase the benefits and savings to be gained by migrating to the *cloud*.

Increasing *cloud*-based communication has also been in focus. The uptake of users in the *cloud*-based communication product Skype for Business almost doubled again in 2018.

Cloud-based communication solution
Skype for Business seats



NetDesign accelerating managed service strategy

NetDesign takes responsibility for customer-critical infrastructure and delivers end-to-end solutions as a service. With an extensive competence base, NetDesign manages the entire process from advisory recommendations, through transition to operation, so that customers can focus on their strategic challenges.

Most of NetDesign's core products are delivered as *managed services*: Firewall as a service efficiently safeguards against online threats, PureCloud provides a scalable contact centre in the *cloud*, and Cisco-based NetDesign TEAMs provide an all-in-one unified communications solution – as a service, naturally.

NetDesign focus on how to improve employee efficiency, drive customer engagement and maintain a secure infrastructure. In this digital age, NetDesign's mission is to simplify complex solutions to optimise functionality and create end-to-end solutions that are easy to operate.

Enabled Internet of Things

During 2018, TDC Group rolled out its nationwide Narrowband-*IoT* network, developed specifically to connect *IoT* devices. Leveraging its partnership with Vodafone, TDC Business can connect customers' devices using either NB-*IoT* or 2G/4G and provide a connectivity platform on top to manage SIM cards, monitor data usage, etc.

As the digital world develops, all devices will gradually be connected. Using sensors and SIM cards, "things" will communicate through an intelligent network to optimise user experiences and increase value for companies and society.

IoT can be useful in many scenarios. For example, the company Acubit who is using TDC's *IoT* connectivity to provide location devices for people with dementia to ensure they are found and brought home safely if lost.

Wholesale

Highlights and financials

Andreas Pfisterer,
Senior Executive Vice President, NetCo.

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

Revenue DKKm/Growth	**1,728**	-1.0%
Gross profit DKKm/Growth	**1,193**	2.9%
EBITDA DKKm/Growth	**1,055**	1.3%

Revenue[1] Share of TDC Group	**10%**
Employees FTEs	**132**

- *EBITDA* increased by 1.3% or DKK 15m in 2018, due to internet & network and mobile voice
- *ARPU* increased in both mobile voice and broadband
- The *MVNO* customer base increased

Wholesale is delivering on the strategy of creating Group value with *ARPU* uplift, digitalisation and *roaming* costs in focus. In 2018, reported *EBITDA* in Wholesale grew by DKK 15m, or 1.3%, to DKK 1,055m. This was driven mainly by gross profit growth in internet & network and mobile voice but was to some degree offset by falling gross profit on landline voice and increasing *opex* due to strategic digitalisation projects and an average increase in employees.

At Wholesale, the strategic focus is to move the portfolio from simple-access products to more value-based products. The internet & network product mix has been successfully changed with more customers moving towards broadband, which combined with higher regulatory prices, resulted in a gross profit increase of 3.8%, or DKK 24m. Mobility services' gross profit increased by 5.3% or DKK 17m, driven by *interconnection*, more *MVNO* customers as well as an *ARPU* uplift, partly offset by decreasing inbound *roaming* and fewer SP Mobil customers.

TDC Group *roaming* costs were in focus at Wholesale, and the organisation succeeded in closing agreements that have driven the average EU *roaming* cost down by 50% YoY.

Our brands

TDC Wholesale and Partnerships

Our offerings

- Internet & network "Best Connectivity"
- Connectivity agreements
- Mobile and landline "Best Connectivity"
- International capacity
- Easy and user-friendly customer support

1. Revenue share is based on external revenue.

Other operations

Highlights and financials

Andreas Pfisterer,
Senior Executive Vice President, NetCo.

"We aim to be a network champion, bringing the best connections to Danish households by investing in future-proof technologies and providing strong and reliable core offerings

Revenue DKKm/Growth	**533** 6.6%
Operating expenses[1] DKKm/Growth	**3,116** 0.9%
EBITDA DKKm/Growth	**-2,803** -1.5%
Revenue[2] Share of TDC Group	**3%**
Employees FTEs	**3,406**

- *Organic EBITDA* improved by 3.1% thanks to cost reductions following efficiency improvements and renegotiated supplier contracts
- Improved customer connectivity with completed *cable* upgrade for TDC's network to 1 Gbps and start-up of *fibre* rollout to future-proof digital infrastructure in Denmark
- TDC's mobile network named the best in Denmark for the fourth consecutive year by the Danish Technological Institute

In 2018, Other operations *EBITDA* declined by DKK 42m or 1.5% to DKK -2,803m, though this development included non-recurring items. When adjusted for these, *organic EBITDA* for Other operations improved by DKK 84m or 3.1% with cost savings as the main driver.

Cost savings were achieved through several different initiatives. Within our field force, efficiency was improved as a result of fewer faults at customer premises (18.5%) leading to fewer *FTE*s. This was the main driver for the *FTE* reduction of 1.9% across Other operations. Lower spending on network activities due to a continued high focus on optimising processes also positively contributed to the *EBITDA* improvement. Further improvements were successfully achieved through renegotiated supplier contracts, and by using in-house development resources to a higher degree for IT development instead of more costly resources such as external consultants.

Our business lines

TDC Operations
Headquarters
Dansk Kabel TV
DIGITAL

Our activities

- Field force
- Network
- Facility management
- Security
- Staff functions
- IT infrastructure & development
- Procurement

[1] Including other income
[2] Revenue share is based on external revenue

Other operations

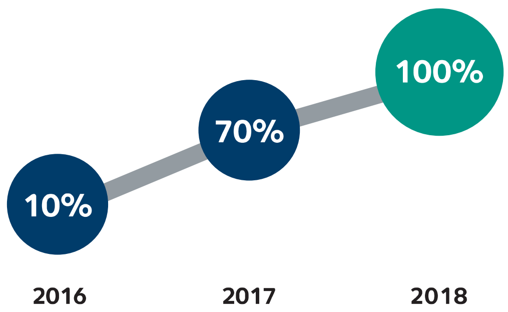
Strategy execution

Improving connectivity with gigaspeed cable and fibre

As part of its strategy, TDC Group always works on improving connectivity to give the customers the best possible experience. In 2018, TDC Group succeeded in achieving the aim of upgrading our entire TDC owned *cable* network to gigaspeed thereby offering *cable* customers an improved experience. The upgraded platform can provide gigaspeed for approximately 1.4 million end-users (including *cable* customers on privately owned networks). The *cable* network upgrade has also significantly improved quality, reducing the number of faults by almost 20%. TDC Group is also striving to improve connectivity with *fibre*. TDC Group launched the *fibre* rollout with a commitment to ensure a future-proof digital infrastructure in Denmark. This was kicked off with the offer to connect 4k selected households on Amager and in Hvidovre.

Gigaspeed broadband upgrade

TDC Group reached its ambition of upgrading 100% of households with TDC-owned *cable* to 1 gigabit broadband speeds in 2018 to meet future capacity demands.



Best mobile network

Nationally and regionally, for four consecutive years, TDC Group has maintained its number one position – in providing the best mobile network experience, according to tests conducted by the Danish Technological Institute.

The development of the future mobile network is on the way with the initiation of 5G pilot projects in major cities in Denmark.

Main reasons why TDC Group's network was once again named the best mobile network included its steady coverage of peripheral parts of Denmark, the strengthened 4G network, and significant progress with 5G technology. TDC Group's network is designed to provide the best experience across high and low density areas, both inside and outside buildings.

Improved digital self service

TDC Business achieved a 17% increase in digital customer self-service interactions. The increase in online interactions was driven by an improved self-service universe with easier navigation, better onboarding and improved functionalities.

In 2018, we launched a 'Call Manager' service, an intuitive tool that visualises the customers' inbound call flows and helps them redirect calls to the right department in the business. This service simplifies call flows at the customers' premises, enabling them to resolve issues themselves. It has therefore also reduced inbound calls to TDC Group enquiring about call flows and redirecting calls.

'Mit YouSee' app and web also saw a 20% increase in the use of self-service offerings. More than 500k active YouSee customers access self-service every month.

17%

increase in self-service interactions among our B2B customers

Risk management

Risk assessment
Six key risks

Did you know that ...

... with subscriptions to just two products, you can enjoy our converged offering YouSee More, including services such as access to C More, doubling your available data and donating to the charity Børns Vilkår

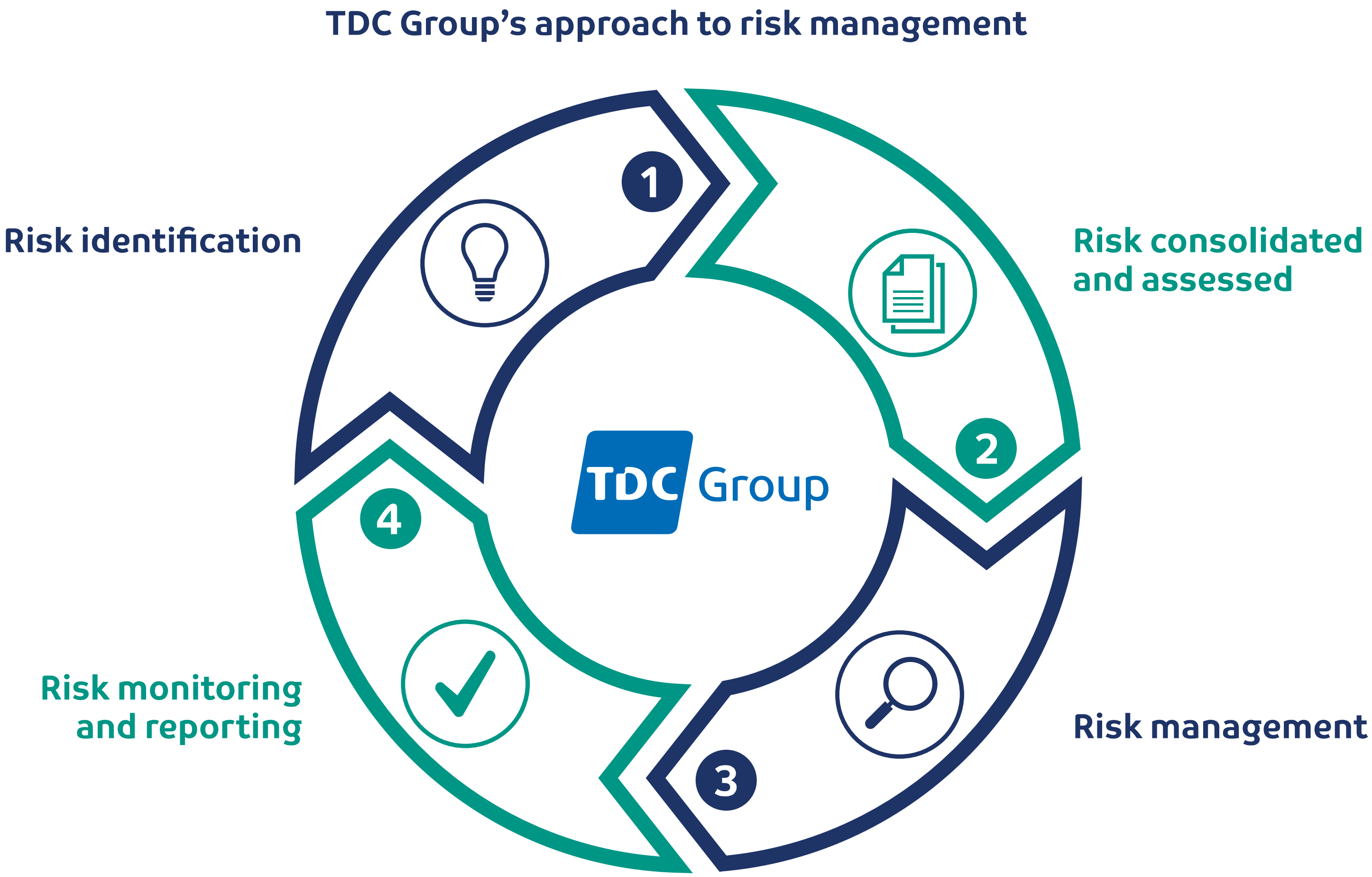
Risk assessment

Risk assessment

TDC Group faces both internal and external risks. Also, TDC Group focuses on risks in the short, medium as well as long term. The following pages describe short and medium-term risks. TDC Group has identified risks that could influence long-term growth where TDC Group will become a low-margin *service provider* and could lose its footprint and network utilisation. However, strategic initiatives focus on mitigating this risk.

Risk management is an integrated aspect of TDC Group's business operations. On a yearly basis, an extensive risk assessment is conducted in which **business** lines and corporate functions identify all significant risks. The risks are then consolidated and assessed 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.



Six key risks

Change in consumer behaviour & market disruption

Description: TV consumer behaviour in our markets is continuing to change faster, which favours more flexible viewing solutions. The trend is leading towards customers deselecting *flow TV* and migrating to cheaper price plans, with reduced *ARPU* and further pressure on margins and profits. Content owners are changing their business models selling directly to end customers and increasingly taking over the role of aggregating content, leaving TDC Group as a pure distribution company. Increased pressure on premium content rights could raise prices to levels that cannot be passed to consumers.

Impact in 2018: Not materialised. The TDC Group market share remained stable in 2018 and the *churn rate* declined. The customer trend in 2018 entailed migration from basic and full packages to medium packages with *SVoD* services as part of the Mix-it-yourself 'Bland Selv' packages. Overall, the basic and medium package share of the total customer base is increasing.

Potential impact: Accelerating pressure from *OTT* suppliers, content owners, content prices and customers terminating TV subscriptions could exert pressure on *ARPU* levels and net adds.

Mitigation initiatives

- Continue to offer the most flexible TV packages to customers by further developing the Bland Selv universe and providing exclusive content

Competitor behaviour impacting our strategy

Description: The competitive landscape is accelerating with renewed intense price competition within mobile. In fixed line broadband, TDC may lose retail or wholesale customers to faster networks. The entrance of new competitors with convergent products may increase competition and challenge TDC Group's ability to remain attractive and competitive. Technology developments, e.g. eSIM cards, can increase churn if TDC Group is not ready to adapt.

Impact in 2018: Partly materialised. *ARPU* has increased as expected in the mobile market (B2C) due to price increases, though the effect has been counterbalanced by reduced *roaming* revenue caused by EU regulation. *Fibre* rollout began in 2018 as scheduled.

Potential impact: Increased competition with continued price pressure, including new competitors, may result in TDC Group failing to execute sustainable pricing in the B2C and B2B mobile markets. Fewer households connected to the *fibre* network could lead to lower revenue and potentially higher churn from customers on existing broadband solutions. Technology developments may lead to higher churn if TDC Group is not ready to remain level with the market.

Mitigation initiatives

- Focus on premium mobile products including the best mobile network in Denmark to retain and attract customers
- Ensure successful *fibre* rollout through capacity planning and smart area selection
- Secure right positioning towards device manufacturers and other operators

IT, networks and cyber attacks

Description: More frequent network breakdowns during large events, TDC's legacy IT cannot match the speed and functionality of newer IT software held by competitors. Continuously increasing threats of cyber attacks impacting TDC's business.

Impact in 2018: Partly materialised. A few network and instability errors especially during the first half of the year led to negative customer experiences, which were expressed in social media.

Potential impact: Instability in TDC Group's network, IT systems and platforms as well as cyber attacks could have a negative effect on the customer experience and reputation, which may increase the risk of customer churn and further pressure profits.

Mitigation initiatives

- TDC Group's Security Operations Centre receives continuous threat intelligence through monitoring systems, and actively enables the right mitigating actions to cope with the threats
- Highlight security as a differentiator by continuously providing the highest standards of security to keep customers safe

Six key risks

Political & macro-economic impacts

Description: TDC Group's business may be impacted on from various angles. First, new or updated regulation or legislation may lead to reduced sector profit and reduce the incentive to invest. Second, higher interest levels may lead to higher financing costs when refinancing. Third, uncertainty about the outcome of the multi-band mobile spectrum auction may result in inadequate spectrum for TDC compared with competitors or more expensive spectrum than expected. Fourth, public sentiment regarding TDC or TDC's suppliers may weaken TDC's ability to engage with political and regulatory stakeholders.

Impact in 2018: Partly materialised. TDC Group terminated the paper communication fee in mid-2018, which was announced to the ombudsman. The multi-band spectrum auction has been postponed until early 2019.

Potential impact: An increased level of regulation and increasing interest levels may lead to lower profits and higher financing costs. An unfortunate outcome of the spectrum auction could result in TDC Group losing its claim to having Denmark's best mobile network.

Mitigation initiatives
- Proactive dialogue with stakeholders, politicians and regulators
- Storytelling about the new TDC and clear communication about TDC's strategy

Reputation & attracting the right competences

Description: Pressure on TDC Group's reputation may influence the ability to attract and retain customers and employees, especially with competences within areas such as IT and technology. This may potentially prevent efficiency improvements as well as improved services and experiences for customers. Bad publicity for business-as-usual activities, such as poor customer service, challenged stability and network breakdowns could put additional pressure on our image.

Impact in 2018: Partly materialised. The use of consultants has been higher than expected and moving to an internal workforce is an ongoing priority. TDC Group's reputation was adversely impacted by negative media coverage on a couple of occasions during the year due to operational and external issues. However, reputation and brand perception were recouped during the year.

Potential impact: Negative effects on TDC Group's reputation from network breakdown, IT instability, squeezed customer service levels or price structure could make it more difficult to attract and retain customers and the right competences.

Mitigation initiatives
- Continue to focus on best customer experience and delivering stable, high-quality and reliable services and solutions
- Strengthen cooperation with educational institutions
- Promote public affairs activities telling about TDC Group's success stories and the contribution made to Danish society

Transition

Description: The transition of splitting TDC Group into two business lines, OpCo and NetCo, could turn out to be more comprehensive when splitting IT systems and establishing new processes, and may also demand more resources than anticipated. Furthermore, a clear focus on the transition and changes following the split could have negative effects on the core business e.g. customers and employees.

Impact in 2018: New risk identified.

Potential impact: The level of costs may be higher than assumed for splitting TDC Group into two business lines. In addition, the fact that many employees are being allocated to execute the transition could push our focus away from optimising the core business leading to lower efficiency.

Mitigation initiatives
- A transition organisation has been established, and a plan is in place to execute the split
- A clear focus and engagement from top management
- An IT foundation that enables IT of the future

Corporate matters

Investor information
Corporate governance
Management

Did you know that ...

... TDC Group's busiest site single-handedly provided more than 50,000 GB of data to its customers during the unlimited data campaign in July

Investor information

Shareholders

On 4 May 2018, DK Telekommunikation ApS (DKT) acquired 90.9% of the outstanding share capital of TDC A/S. The share capital was acquired pursuant to a tender offer for all TDC shares at a price of DKK 50.25 per share. The TDC shares were delisted from trading and official listing on Nasdaq Copenhagen A/S with effect from 5 June 2018. Thereafter, the remaining 9.1% minority shareholders were acquired in accordance with the Danish Companies Act on 8 June 2018, resulting in DKT owning 100% of the outstanding shares in TDC A/S.

DKT is owned by a consortium comprising:
- DKTUK Limited (50%), managed by Macquarie Infrastructure and Real Assets Europe Limited
- ATP Infrastructure III K/S (16.7%), managed by Arbejdsmarkedets Tillægspension (ATP)
- PFA Ophelia InvestCo I 2018 K/S (16.7%), managed by PFA Pension Forsikringsaktieselskab
- PKA Ophelia Holding K/S (16.7%), managed by Pensionskassernes Administration[1]

Investor communication

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 securities. TDC's disclosure practices are designed to give all investors fair and equal access to this information.

The company's Investor Relations site investor.tdc.com provides access to information on TDC Group's debt, financial information, financial reports, announcements, financial calendar and contact details for Investor Relations. The site also provides investors with webcasts, presentations and analyst conference calls.

Capital structure

As a consequence of the takeover of TDC by DKT, a change of control event occurred, resulting in the triggering of various repayment clauses under the terms of TDC Group's outstanding EMTN bonds and bank loans. TDC Group's Hybrid Bond (EUR 750m), the EMTN bond maturing in 2027 (EUR 800m) as well as the loans from KfW and the European Investment Bank were ultimately repaid with drawings under a newly established Senior Facility Agreement (SFA) (EUR 2,700m and USD 1,418m) entered into in May 2018.

On 28 June 2018, TDC paid an extraordinary dividend of DKK 10.8bn financed with drawings under the newly established SFA. On 13 December 2018, an interim dividend of DKK 500m was paid with cash available. The dividends were applied by TDC's indirect parent company DKT Finance ApS to repay external bridge term loans related to the acquisition of TDC as well as interests on Senior Notes issued in connection with the refinancing of the remaining external bridge term loans.

On 30 October 2018, a substantial part of the proceeds from TDC Group's divestment of Get was applied towards prepayment at par of the TLB under TDC's SFA.

TDC's net reported net debt to *EBITDA* had increased from 2.8x *EBITDA* at the end of 2017 to 2.9x *EBITDA* at the end of 2018.

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.

Dividend for 2018

At the Annual General Meeting on, the Board of Directors will not propose any dividend.

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

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.

[1] On behalf of Pensionskassen for Sygeplejersker og Lægesekretærer, Pensionskassen for Socialrådgivere, Socialpædagoger og Kontorpersonale and Pensionskassen for Sundhedsfaglige.

Investor information

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

Flemming Jacobsen
Head of Treasury and Investor Relations
investorrelations@tdc.dk
investor.tdc.com

TDC Investor Relations
Teglholmsgade 1
DK-0900 Copenhagen C
Denmark
Tel: +45 66 63 76 80

Financial calendar 2019 (extract)

16 May	Interim financial statements Q1 2019
13 August	Interim financial statements Q2 2019
8 November	Interim financial statements Q3 2019
31 December	End of financial year 2019

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
Following its delisting, TDC is no longer covered by the recommendations issued by the Committee on Corporate Governance (CCG). As an advocate for transparency, TDC has chosen to 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 2018 statement is based on the CCG's recommendations from November 2017. The recommendations are available on the CCG website at www.corporate-governance.dk.

TDC's focus on corporate governance compliance is clearly reflected in our compliance with 42 of the 47 numbered recommendations and partial compliance with three 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/corporategovernance.

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 Group'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 10 members, six 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 diverse 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 the composition of TDC's Board of Directors.

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 both private and public companies. The competences and experience of the individual Board members are presented in the Management section.

In 2018, the Board of Directors determined, as an objective for its own composition by gender, that by the end of 2020, 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 17% and 83%, respectively, in 2018.

In 2018, the Board of Directors decided that the number of female leaders in TDC Group, including subsidiaries, at all management levels below the Board of Directors and the Executive Committee shall no longer reflect the proportionate dispersion of the number of women in the company, corresponding to a factor of 100, but has set an ambition to reach a 50/50 gender balance at all management levels by 2025.

From 2019, the Board has decided to have yearly check-ins on diversity progress, and by 2020 will report diversity progress and numbers in an independent diversity report. Furthermore, selected diversity numbers are reported as part of TDC´s CSR strategy.

In 2018, as in recent years, the Board of Directors formally evaluated its performance. The purpose was to identify any possible improve-

Corporate governance

ment areas for the Board of Directors concerning the quality of its work and thereby its value creation for the 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 2018, the Board of Directors held six ordinary meetings, with an overall attendance rate of 96%.

Board committees

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

In 2018, the Audit Committee held three ordinary meetings, with an overall attendance rate of 100%.

In 2018, the Nomination Committee held five ordinary meetings, with an overall attendance rate of 92%.

In 2018, the Compensation Committee held five ordinary meetings, with an overall attendance rate of 92%.

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, and the assurance that true and fair financial statements without material misstatements and irregularities are presented. TDC's detailed statutory reporting for 2018 on internal control and risk management systems for financial reporting is included as part of TDC's Corporate Governance Statement 2018 at tdcgroup.com/en/who-we-are/corporate-governance.

Whistleblower scheme

TDC adopted a 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 prepares a recommendation for decision by the Board of Directors. Other notifications of wrongdoings are a matter for the Chairman of the Board of Directors. In 2018, two reports were submitted to the whistleblower system.

Management

Board of Directors

Bert Nordberg
Chairman.
Education: Degree in Electronic Engineering, 1979, Malmö Tekniska Läroverk, Engineer in the Swedish Marines from Berge, 1980, and courses in International Management, Marketing and Finance, 1985-1986, INSEAD University.
Management duties: Public companies; Chairman of the Board of Directors and Chairman of the Nomination and Compensation Committee of Vestas Wind Systems A/S, member of the Board of Directors of AB Electrolux, member of the Board of Directors and member of the Remuneration Committee and Audit Committee of Essity AB, member of the Board of Directors and member of the Remuneration Committee of Saab Group AB, and member of the Board of Directors and member of the Remuneration Committee of Svenska Cellulose Aktiebolaget SCA. Private companies; Chairman of the Board of Directors of Sigma Connectivity AB.

Michael Parton,
Vice Chairman.
Member of the Compensation Committee and the Nomination Committee
Education: Trained as Chartered Management Accountant.
Management duties: Chairman of the Board of Directors of Arqiva and member of the Chartered Institute of Management Accountants.

Nathan Luckey
Member of the Audit Committee, the Compensation Committee and the Nomination Committee
Education: BSc in Engineering (first class honours), 2003, and BSc of Business (with distinction), 2003 University of Technology, Sydney, Australia.
Management duties: Managing Director at Macquarie Infrastructure and Real Assets; head of European Communications Infrastructure team. Member of the board of Directors of DKT holding ApS, DKT Finance ApS and Telekommunikation ApS (DKT Group), member of the Board of Directors of Arqiva Group Limited, member of the Board of Directors of České Radiokomunikace a.s., member of the Board of Directors of Towercom a.s., and member of the Board of Directors of Inea S.A.

Martin Bradley
Chairman of the Compensation Committee
Education: BSc in Financing, 1993, Loughborough University, United Kingdom.
Management duties: Senior Managing Director at Macquarie Infrastructure and Real Assets; Head of European Utilities and Networks team. Chairman of the Board of Directors of DKT Holding ApS, DKT Finance ApS and Telekommunikation ApS (DKT Group).

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 of Scandinavian Tobacco Group A/S and member of the Boards of Directors of 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 member of the Compensation and Nomination Committee of Kemp & Lauritzen A/S. Member of the Board of Directors of Axel Muusfeldts Fond.

Arthur Rakowski
Chairman of the Nomination Committee and Member of the Audit Committee
Education: BSc in Commerce, Finance degree (with Merit), 1986, University of New South Wales, Australia and Fellow of the Institute of Chartered Accountants in Australia and New Zealand.
Management duties: Senior Managing Director at Macquarie Bank. Chairman of Investor Solutions Group. MEIF Investment Committee Member. Member of the Macquarie European Infrastructure Fund's Investment Committee. Member of the Global Capital Committee of the British Private Equity Association (BVCA). Member of the Board of Directors of DKT Holdings ApS, DKT Finance ApS and DK Telekommunikation ApS (DKT Group), member of the Board of Directors of DCT Gdansk, member of the Board of Directors of Green Investment Group, member of the Board of Directors of Macquarie Infrastructure and Real Assets (Europe) and member of the Board of Directors of the East London Business Alliance.

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.

Thomas Lech Pedersen
Senior Consultant at TDC Group
Education: AU, Human Resources, Business Academy Aarhus
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
Bert Nordberg (m)	28 June 2018	-	2019	Swedish	1956	Independent[1]
Mike Parton (m)	14 May 2018	-	2019	British	1954	Dependent[2]
Martin Bradley	14 May 2018	-	2019	British	1971	Dependent[3]
Marianne Rørslev Bock (f)	10 March 2016	9 March 2017	2019	Danish	1963	Independent[1]
Nathan Luckey (m)	14 May 2018	-	2019	British	1979	Dependent[3]
Arthur Rakowski (m)	14 May 2018	-	2019	Australian	1957	Dependent[3]
Mogens Jensen (m)	10 March 2016	-	2020	Danish	1963	Employee member[4]
John Schwartzbach (m)	8 March 2012	10 March 2016	2020	Danish	1959	Employee member[4]
Zanne Stensballe (f)	10 March 2016	-	2020	Danish	1969	Employee member[4]
Thomas Lech Pedersen (m)	10 March 2016	10 March 2016	2020	Danish	1976	Employee member[4]

[1] Elected by the shareholders at an Annual or Extraordinary General Meeting.
[2] Due to provision of consultant service contract with DK Telekommunikation, Parent Company to TDC A/S, in addition to the membership of the Board of Directors.
[3] Due to the fact that the Board member is employed by one of TDC A/S Consortium Investors.
[4] Elected by the employees.
[5] Elected by the employees on 19 March 2016 as alternate, joined the Board of Directors 1 April 2018

Management

Executive Committee

Allison Kirkby
Group Chief Executive Officer and President.
Born 1967.
Appointed to the Executive Committee in 2018.
Appointed as Group CEO in 2018.
Education: Accounting, 1987, Glasgow Caledonian University, Fellow Chartered Management Accountant, 1990, Chartered Global Management Accountant
Management duties: Member of the Board of Directors and Chairman of the Audit Committee of Greggs PLC

Stig Pastwa
Senior Executive Vice President, Chief Financial Officer. Born 1967. Appointed to the Executive Committee in 2016.
Education: Graduate Diploma in Business Administration (1995), Copenhagen Business School.
Management duties: Chairman of the Board of Directors of Chr. Olesen & Co. A/S. Member of the Board of Directors of Global Knowledge Inc., Apleona GmbH and Nordic Investment Opportunities A/S.

Michael Moyell Juul
Senior Executive Vice President of TDC Business.
Born 1974.
Appointed to the Executive Committee in 2018.
Education: MSc in Economics (2002), University of Copenhagen.

Lasse Pilgaard
Senior Executive Vice President,
Chief Strategy Officer.
Born 1987.
Appointed to the Executive Committee in 2018.
Education: MSc in Business and Economics (2011), Aarhus University.

Jaap Postma
Senior Executive Vice President of OpCo.
Born 1974.
Appointed to the Executive Committee in 2016.
Education: MSc in Economics (1998), University of Groningen, the Netherlands.

Andreas Pfisterer
Senior Executive Vice President of NetCo
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. Vice Chairman of the Boards of Directors of Topdanmark A/S and FDM Travel A/S.

Consolidated financial statements

Consolidated financial statement
Parent Company financial statement

Did you know that ...

... every day, the average Dane spends around four hours on products TDC Group offers such as TV & internet for personal use

Financial statements

Management statement and independent auditor's report **55**
Management statement 55
Independent auditor's report 56

Consolidated financial statements **60**
Consolidated income statement 60
Consolidated statement of comprehensive income 60
Consolidated balance sheet 61
Consolidated statement of cash flow 62
Consolidated statement of changes in equity 63

Notes to consolidated financial statements **64**

Parent Company financial statements **117**

Section 1
Basis of preparation
1.1 Accounting policies 64
1.2 Critical accounting estimates and judgements 67

Section 2
Profit for the year
2.1 Segment reporting 68
2.2 Revenue 70
2.3 Cost of sales 72
2.4 External expenses 72
2.5 Personnel expenses 73
2.6 Depreciation, amortisation and impairment losses 75
2.7 Special items 75
2.8 Income taxes 77
2.9 Discontinued operations 79

Section 3
Operating assets and liabilities
3.1 Intangible assets 80
3.2 Property, plant and equipment 85
3.3 Receivables 87
3.4 Contract assets and liabilities 88
3.5 Prepaid expenses 88
3.6 Provisions 89
3.7 Trade and other payables 91
3.8 Pension assets and pension obligations 91

Section 4
Capital structure and financing costs
4.1 Equity 96
4.2 Loans and derivatives 98
4.3 Financial risks 100
4.4 Credit ratings and net interest-bearing debt 102
4.5 Financial income and expenses 104
4.6 Maturity profiles of financial instruments 106

Section 5
Cash flow
5.1 Adjustment for non-cash items 107
5.2 Change in working capital 107
5.3 Investment in enterprises 108
5.4 Divestment of enterprise 110
5.5 Cash flow from investing activities in discontinued operations 110

Section 6
Other disclosures
6.1 Incentive programmes 111
6.2 Related parties 113
6.3 Fees to auditors 113
6.4 Other financial commitments 114
6.5 Pledges and contingencies 115
6.6 Events after the balance sheet date 115
6.7 New accounting standards 115
6.8 Overview of Group companies at 31 December 2018 116

Management statement

Today, the Board of Directors and the Executive Committee considered and approved the Annual Report of TDC A/S for 2018.

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 2018 of the Group and the Parent Company and of the results of the Group and Parent Company operations and cash flows for 2018.

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, 21 February 2019

Executive Committee

Allison Kirkby
Group Chief Executive Officer and President

Stig Pastwa
Senior Executive Vice President, Group Chief Financial Officer

Michael Moyell Juul
Senior Executive Vice President of TDC Business

Lasse Pilgaard
Senior Executive Vice President, Chief Strategy Officer

Jaap Postma
Senior Executive Vice President of OpCo

Andreas Pfisterer
Senior Executive Vice President of NetCo

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

Board of Directors

Bert Nordberg
Chairman

Michael Parton
Vice Chairman

Marianne Rørslev Bock

Martin Bradley

Nathan Luckey

Arthur Rakowski

Mogens Jensen

Thomas Lech Pedersen

John Schwartzbach

Zanne Stensballe

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 2018 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 2018 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 2018 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 the 4 May 1992 for the financial year 1992. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 27 years including the financial year 2018.

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 2018. 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 matter	How our audit addressed the key audit matter
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 3.4 to the Consolidated Financial Statement.	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. We reviewed and discussed Management's assessment of implementing IFRS 15, including the impact on the income statement, the balance sheet, equity and the disclosures.

Key audit matter

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 matter

We tested the 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. Furthermore, the result of Management's goodwill impairment test was compared to the acquisition price paid for the TDC Group by TDC's new owner in May 2018.

Expected cash flows were tested by analysing the bridge between historical and future cash flow to understand the business dynamics and to assess whether cash flow expectations were reasonable. This included analysing the effect from the new strategy with further investments in infrastructure and the impact it has on future earnings.

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 matter

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 matter

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.

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.

Hellerup, 21 February 2019

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Lars Baungaard
State Authorised Public Accountant
mme23331

Tue Stensgård Sørensen
State Authorised Public Accountant
mme32200

Consolidated income statement

DKKm

	Note	2018	2017
Revenue	2.1,2.2	17,356	17,386
Cost of sales	2.3	(4,899)	(4,750)
Gross profit		12,457	12,636
External expenses	2.4	(2,532)	(2,634)
Personnel expenses	2.5	(3,336)	(3,181)
Other income	2.2	102	99
Operating profit before depreciation, amortisation and special items (*EBITDA*)		6,691	6,920
Depreciation, amortisation and impairment losses	2.6	(4,088)	(4,244)
Special items	2.7	(858)	(221)
Operating profit (EBIT)		1,745	2,455
Financial income and expenses	4.5	(1,360)	(582)
Profit before income taxes		385	1,873
Income taxes	2.8	(377)	(481)
Profit for the year from continuing operations		8	1,392
Profit from discontinued operations	2.9	5,714	149
Profit for the year		**5,722**	**1,541**
Attributable to:			
Shareholders of TDC A/S		5,489	1,377
Coupon payments on hybrid capital, net of tax		235	164
Non-controlling interests		(2)	0
Profit/(loss) for the year		5,722	1,541

Consolidated statement of comprehensive income

DKKm

	Note	2018	2017
Profit for the year		5,722	1,541
Items that may subsequently be reclassified to the income statement:			
Exchange-rate adjustments of foreign enterprises	4.5	1,514	(672)
Value adjustments of hedging instruments	4.5	(10)	30
Items that cannot subsequently be reclassified to the income statement:			
Remeasurement of defined benefit pension plans	3.8	131	1,172
Income tax relating to remeasurement of defined benefit pension plans	2.8	(29)	(258)
Other comprehensive income/(loss)		1,606	272
Total comprehensive income/(loss)		**7,328**	**1,813**
Attributable to:			
Shareholders of TDC A/S		7,095	1,649
Coupon payments on hybrid capital, net of tax		235	164
Non-controlling interests		(2)	0
Total comprehensive income/(loss)		7,328	1,813
Total comprehensive income attributable to shareholders of TDC A/S arising from:			
Continuing operations		(150)	2,151
Discontinued operations		7,245	(502)
Total		7,095	1,649

Consolidated balance sheet

Assets

DKKm

	Note	2018	2017	2016
Non-current assets				
Intangible assets	3.1	23,764	32,606	34,208
Property, plant and equipment	3.2	14,597	17,840	18,041
Joint ventures, associates and other investments		91	80	87
Pension assets	3.8	6,854	6,752	5,595
Receivables	3.3	194	197	256
Derivative financial instruments	4.6	0	50	88
Prepaid expenses	3.5	43	13	32
Total non-current assets		**45,543**	**57,538**	**58,307**
Current assets				
Inventories		187	246	243
Receivables	3.3	1,760	2,189	2,406
Contract assets	3.4	359	463	422
Income tax receivable	2.8	77	9	25
Derivative financial instruments	4.6	309	455	612
Prepaid expenses	3.5	427	473	593
Cash		2,244	1,767	1,687
Total current assets		**5,363**	**5,602**	**5,988**
Total assets		**50,906**	**63,140**	**64,295**

Equity and liabilities

DKKm

	Note	2018	2017	2016
Equity				
Share capital	4.1	812	812	812
Other reserves		(178)	(1,682)	(1,040)
Retained earnings		14,826	20,881	19,284
Equity attributable to shareholders of TDC A/S		**15,460**	**20,011**	**19,056**
Hybrid capital	4.1	0	5,552	5,552
Non-controlling interests		2	1	1
Total equity		**15,462**	**25,564**	**24,609**
Non-current liabilities				
Deferred tax liabilities	2.8	3,653	4,341	4,249
Provisions	3.6	972	983	935
Pension liabilities		0	29	39
Loans	4.2,4.6	21,691	17,282	23,966
Derivative financial instruments	4.6	0	406	290
Total non-current liabilities		**26,316**	**23,041**	**29,479**
Current liabilities				
Loans	4.2,4.6	117	4,651	220
Trade and other payables	3.7	5,551	6,215	6,404
Contract liabilities	3.4	2,583	3,057	2,731
Derivative financial instruments	4.6	761	485	659
Provisions	3.6	116	127	193
Total current liabilities		**9,128**	**14,535**	**10,207**
Total liabilities		**35,444**	**37,576**	**39,686**
Total equity and liabilities		**50,906**	**63,140**	**64,295**

Consolidated statement of cash flow

DKKm

	Note	2018	2017
Operating profit before depreciation, amortisation and special items (*EBITDA*)		6,691	6,920
Adjustment for non-cash items	5.1	157	178
Pension contributions	3.8	(8)	(90)
Payments related to provisions	3.6	(27)	(15)
Special items	2.7	(1,121)	(362)
Change in working capital	5.2	471	266
Interest received	4.5	573	424
Interest paid	4.5	(1,665)	(1,082)
Income tax paid	2.8	(502)	(556)
Operating activities in continuing operations		4,569	5,683
Operating activities in discontinued operations		788	1,530
Total cash flow from operating activities		**5,357**	**7,213**
Investments			
Investment in enterprises	5.3	(342)	(197)
Investment in property, plant and equipment	3.2	(2,162)	(2,534)
Investment in intangible assets	3.1	(1,484)	(1,274)
Investment in other non-current assets		(60)	(19)
Divestment of enterprises		(1)	491
Sale of other non-current assets		66	56
Dividends received from joint ventures and associates		0	1
Investing activities in continuing operations		(3,983)	(3,476)
Investing activities in discontinued operations	5.5	16,857	(674)
Total cash flow from investing activities		**12,874**	**(4,150)**

	Note	2018	2017
Financing			
Proceeds from long-term loans		46,603	0
Repayment of long-term loans		(47,351)	(1,860)
Cost relating to short-term credit facilities		(87)	0
Settlement of derivatives related to long-term loans		285	0
Finance lease repayments		(42)	(82)
Change in short-term loans		0	(5)
Coupon payments on hybrid capital		(261)	(195)
Dividend paid		(11,316)	(802)
Repayment of hybrid capital		(5,588)	0
Dividends to non-controlling interest		(1)	0
Other changes in non-controlling interests		1	0
Financing activities in continuing operations		(17,757)	(2,944)
Financing activities in discontinued operations		0	0
Total cash flow from financing activities		**(17,757)**	**(2,944)**
Total cash flow		**474**	**119**
Cash and cash equivalents at 1 January		1,767	1,687
Effect of exchange-rate changes on cash and cash equivalents		3	(39)
Cash and cash equivalents at 31 December		**2,244**	**1,767**

Consolidated statement of changes in equity

DKKm

	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 2017	812	(835)	(205)	18,882	18,654	5,552	1	24,207
Effect of change in accounting policies	-	-	-	402	402	-	0	402
Shareholders' equity at 1 January 2017 after change in accounting policies	812	(835)	(205)	19,284	19,056	5,552	1	24,609
Profit for the year	-	-	-	1,377	1,377	164	0	1,541
Exchange-rate adjustments of foreign enterprises, cf. note 4.5	-	(672)	-	-	(672)	-	-	(672)
Value adjustments of hedging instruments, cf. note 4.5	-	-	30	-	30	-	-	30
Remeasurement of defined benefit pension plans	-	-	-	1,172	1,172	-	-	1,172
Income tax relating to remeasurement of defined benefit pension plans	-	-	-	(258)	(258)	-	-	(258)
Total comprehensive income	-	(672)	30	2,291	1,649	164	0	1,813
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**	**(1,507)**	**(175)**	**20,881**	**20,011**	**5,552**	**1**	**25,564**
Profit for the year	-	-	-	5,489	5,489	235	(2)	5,722
Exchange-rate adjustments of foreign enterprises, cf. note 4.5	-	1,514	-	-	1,514	-	-	1,514
Value adjustments of hedging instruments, cf. note 4.5	-	-	(10)	-	(10)	-	-	(10)
Remeasurement of defined benefit pension plans	-	-	-	131	131	-	-	131
Income tax relating to remeasurement of defined benefit pension plans	-	-	-	(29)	(29)	-	-	(29)
Total comprehensive income	-	1,514	(10)	5,591	7,095	235	(2)	7,328
Share-based remuneration	-	-	-	180	180	-	-	180
Settlement of performance share programme	-	-	-	(472)	(472)	-	-	(472)
Income tax relating to share-based remuneration	-	-	-	(2)	(2)	-	-	(2)
Coupon payments on hybrid capital	-	-	-	-	-	(261)	-	(261)
Income tax relating to coupon payments on hybrid capital	-	-	-	-	-	26	-	26
Repayment of hybrid capital	-	-	-	(36)	(36)	(5,552)	-	(5,588)
Addition to non-controlling interests	-	-	-	-	-	-	4	4
Distributed dividend	-	-	-	(11,316)	(11,316)	-	(1)	(11,317)
Total transactions with shareholders	-	-	-	(11,646)	(11,646)	(5,787)	3	(17,430)
Equity at 31 December 2018	**812**	**7**	**(185)**	**14,826**	**15,460**	**0**	**2**	**15,462**

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

Basis of preparation

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

1.1 Accounting policies

TDC Group's consolidated financial statements for 2018 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 judgements considered material to the preparation of the consolidated financial statements are shown in note 1.2 below.

Changes to accounting policies
TDC Group has adopted the new standards, amendments to standards and interpretations that are effective for the financial year 2018.

The standard IFRS 15 Revenue from contracts with customers, effective from 1 January 2018, has been implemented fully retrospectively with the comparative figures for previous periods restated accordingly. As mentioned in the Annual Report for 2017, the new standard impacts on the financial statements as follows:

- Revenue arrangements with multiple deliverables – Discounts on bundled sales of handsets and subscriptions are now allocated between handsets and subscriptions based on their respective fair values, resulting in earlier recognition of revenue. Previously, the discounts were fully allocated to the handsets.

- Handsets sold below cost – Handsets sold below costs are now recognised as revenue. Previously, sales of handsets below cost in an arrangement that could not be separated from the provision of services were not recognised as revenue. The net losses were recognised as external expenses.

- Subscriber acquisition costs – Costs that are incremental to obtaining contracts with customers are now capitalised and subsequently recognised as operating expenses over the expected lifetime of the customer relationships. Previously, all subscriber acquisition costs were expensed as incurred.

- Non-refundable up-front connection fees – Such fees are now included in the total transaction price for the contract with the customer and allocated to the identified performance obligations (services). Previously, such fees were seen as payment for a separate service and recognised over the expected lifetime of the customer relationships.

- Fulfilment costs – Fulfilment costs are only capitalised if they are directly related to a contract or an anticipated contract. Previously, expenses related to non-refundable up-front connection fees were capitalised even if they were not directly related to a contract.

- The impact on the financial statements is shown in the tables below.

- The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies but no material changes to the amounts recognised in the financial statements. The new accounting policies relate to classification and measurement of financial assets, impairment of financial assets and hedge accounting.

- According to IFRS 9, financial assets should be classified as either amortised cost, fair value through other comprehensive income or fair value through profit and loss depending on the characteristic of the instrument and the business model for holding the instrument. TDC has assessed its holdings of financial items and the new classification did not result in any changes to measurement.

TDC has three types of financial assets that are subject to IFRS 9's new expected credit loss model:
- Trade receivables
- Contract assets
- Lease receivables

1.1 Accounting policies (continued)

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The Group applies the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables, contract assets, and lease receivables, and the resulting changes to impairment loss were not material.

In relation to hedge accounting, TDC Group has not adopted IFRS 9 and continues in accordance with IAS 39.

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

Impact on consolidated income statements from the adoption of IFRS 15

DKKm

	Previous accounting policy		Changed accounting policy		New accounting policy	
	2018	2017	2018	2017	2018	2017
Revenue	17,021	17,165	335	221	17,356	17,386
Costs of sales	(4,385)	(4,323)	(514)	(427)	(4,899)	(4,750)
Gross profit	12,636	12,842	(179)	(206)	12,457	12,636
External expenses	(2,734)	(2,818)	202	184	(2,532)	(2,634)
Personnel expenses	(3,347)	(3,184)	11	3	(3,336)	(3,181)
Operating profit before depreciation, amortisation and special items (EBITDA)	**6,657**	**6,939**	**34**	**(19)**	**6,691**	**6,920**
Income taxes	(370)	(485)	(7)	4	(377)	(481)
Profit for the year from continuing operations	(19)	1,407	27	(15)	8	1,392
Profit from discontinued operations	5,759	146	-45	3	5,714	149
Profit for the year	**5,740**	**1,553**	**-18**	(12)	**5,722**	**1,541**

1.1 Accounting policies (continued)

Impact on consolidated balance sheets from the adoption of IFRS 15

DKKm

	Previous accounting policy			Changed accounting policy			New accounting policy		
	2018	**2017**	**2016**	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**
Prepaid expenses	337	301	314	(294)	(288)	(282)	43	13	32
Total non-current assets	**45,837**	**57,826**	**58,589**	**(294)**	**(288)**	**(282)**	**45,543**	**57,538**	**58,307**
Contract assets	0	0	0	359	463	422	359	463	422
Receivables	1,835	2,312	2,495	(75)	(123)	(89)	1,760	2,189	2,406
Prepaid expenses	505	553	681	(78)	(80)	(88)	427	473	593
Total current assets	**5,157**	**5,342**	**5,743**	**206**	**260**	**245**	**5,363**	**5,602**	**5,988**
Total assets	**50,994**	**63,168**	**64,332**	**(88)**	**(28)**	**(37)**	**50,906**	**63,140**	**64,295**
Other reserves	(178)	(1,679)	(1,040)	0	(3)	0	(178)	(1,682)	(1,040)
Retained earnings	14,454	20,491	18,882	372	390	402	14,826	20,881	19,284
Total equity	**15,090**	**25,177**	**24,207**	**372**	**387**	**402**	**15,462**	**25,564**	**24,609**
Deferred tax liabilities	3,548	4,231	4,133	105	110	116	3,653	4,341	4,249
Deferred income	373	375	372	**(373)**	(375)	(372)	0	0	0
Total non-current liabilities	**26,584**	**23,306**	**29,735**	**(268)**	**(265)**	**(256)**	**26,316**	**23,041**	**29,479**
Trade and other payables	5,533	6,160	6,186	18	55	218	5,551	6,215	6,404
Contract liabilities	0	0	0	2,583	3,057	2,731	2,583	3,057	2,731
Deferred income	2,793	3,262	3,132	(2,793)	(3,262)	(3,132)	0	0	0
Total current liabilities	9,320	**14,685**	**10,390**	**(192)**	**(150)**	**(183)**	**9,128**	**14,535**	**10,207**
Total liabilities	35,904	37,991	40,125	**(460)**	**(415)**	**(439)**	**35,444**	**37,576**	**39,686**
Total equity and liabilities	50,994	63,168	64,332	**(88)**	**(28)**	**(37)**	**50,906**	**63,140**	**64,295**

1.1 Accounting policies (continued)

Changed accounting presentation
Following the divestment of Get and TDC Norway in 2018, these activities are classified as discontinued operations in TDC Group's consolidated financial statements. Comparative figures in the income statements and cash flow statements are restated accordingly.

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

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

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

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; and Wholesale, delivering services to *service providers* in Denmark. Other operations consists of the three operating segments Operations, Digital and Headquarters and includes shared Danish functions such as, IT, procurement, installation, etc. For further information, see 'Our business lines and markets' on page 18.

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. *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.

Changes in segment reporting

In 2018, TDC made certain changes that impacted on TDC's segment reporting:

- The segment Digital was split from Operations. Digital is reported under Other operations together with Operations and Headquarters.
- As a result of the divestment of TDC's Norwegian business, the segment Norway is reported as a discontinued operation.

Comparative figures have been restated accordingly.

Cost allocation

Cost allocation in Denmark is used only in relation to postage, freight 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 and Digital 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 under Headquarters.

All costs related to the short-term bonus, deferred bonus and performance share programmes are included under Other operations.

2.1 Segment reporting (continued)

Activities

DKKm

	Consumer[1]		Business		Wholesale	
	2018	2017	2018	2017	2018	2017
Mobility services	3,033	2,845	1,142	1,175	553	574
Landline voice	593	695	672	752	152	185
Internet & network	2,454	2,404	1,248	1,457	821	794
TV	3,962	4,113	30	32	53	53
Other services	909	773	1,152	1,016	149	140
Revenue	**10,951**	**10,830**	**4,244**	**4,432**	**1,728**	**1,746**
Cost of sales	**(3,164)**	**(3,068)**	**(1,034)**	**(973)**	**(535)**	(587)
Gross profit	**7,787**	**7,762**	**3,210**	**3,459**	**1,193**	**1,159**
Operating expenses	**(1,709)**	**(1,676)**	**(843)**	**(901)**	**(138)**	(118)
Other income and expenses	-	-	-	-	-	-
EBITDA	**6,078**	**6,086**	**2,367**	**2,558**	**1,055**	**1,041**
Specification of revenue:						
External revenue	10,940	10,823	4,180	4,344	1,705	1,723
Revenue across segments	11	7	64	88	23	23

	Other operations[2]		Eliminations		Total	
	2018	2017	2018	2017	2018	2017
Mobility services	2	2	(7)	(13)	4,723	4,583
Landline voice	10	12	(1)	0	1,426	1,644
Internet & network	173	173	(20)	(44)	4,676	4,784
TV	0	1	(1)	1	4,044	4,200
Other services	348	312	(71)	(66)	2,487	2,175
Revenue	**533**	**500**	**(100)**	**(122)**	**17,356**	**17,386**
Cost of sales	(220)	(174)	54	52	(4,899)	(4,750)
Gross profit	**313**	**326**	**(46)**	**(70)**	**12,457**	**12,636**
Operating expenses	(3,257)	(3,223)	79	103	(5,868)	(5,815)
Other income and expenses	141	136	(39)	(37)	102	99
EBITDA	**(2,803)**	**(2,761)**	**(6)**	**(4)**	**6,691**	**6,920**
Specification of revenue:						
External revenue	531	496	-	-	17,356	17,386
Revenue across segments	2	4	(100)	(122)	-	-

[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 three operating segments Operations, Digital and Headquarters. At Operations, external revenue amounted to DKK 504m (2017: DKK 464m), revenue across segments amounted to DKK 12m (2017: DKK 10m) and EBITDA amounted to DKK (1,228)m (2017: DKK (1,320)m). At Digital, external revenue amounted to DKK 14m (2017: DKK 11m), revenue across segments amounted to DKK 0m (2017: DKK 0m) and EBITDA amounted to DKK (238)m (2017: DKK (227)m). At Headquarters, external revenue amounted to DKK 13m (2017: DKK 21m), revenue across segments amounted to DKK 36m (2017: DKK 12m) and EBITDA amounted to DKK (1,337m) (2017: DKK (1,214m)). Some service functions and the related costs were transferred from Operations and Headquarters to Digital with effect from 1 January 2018. The comparative figures have been restated accordingly.

2.1 Segment reporting (continued)

Reconciliation of EBITDA to profit before income taxes

DKKm

	2018	2017
Total *EBITDA* from reportable segments	6,691	6,920
Unallocated:		
Depreciation, amortisation and impairment losses	(4,088)	(4,244)
Special items	(858)	(221)
Financial income and expenses	(1,360)	(582)
Consolidated profit before income taxes	**385**	**1,873**

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 allocating the transaction price to the individual elements based on their respective fair values, if judged to be recognised separately. For example, business customer contracts can comprise several elements related to mobile phones, subscriptions, leases, etc.

2.2 Revenue

DKKm

	2018	2017
Sales of goods recognised at a point in time	1,301	1,144
Sales of services recognised over time	16,055	16,242
Total	**17,356**	**17,386**

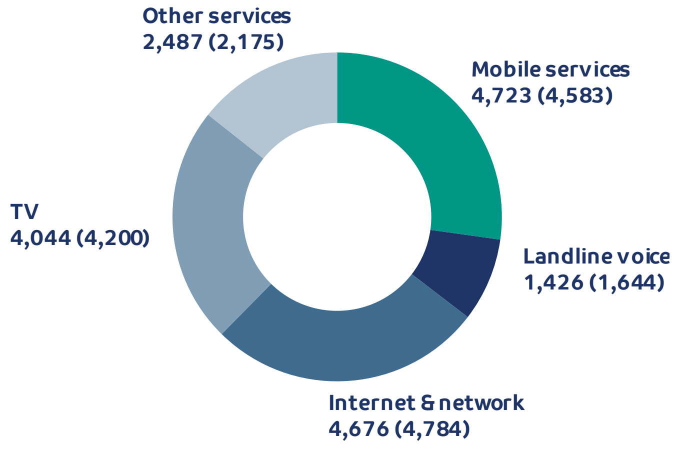
Critical accounting estimates

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 on the amounts of recognised revenue and operating expenses, but do not impact on net profit for the year or cash flows.

External revenue[1] from products and services

DKKm



[1] 2017 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 Group derives revenue from transfer of goods and services to customers in the main segments as shown in the segment reporting, see note 2.1.

Consumer sells to households and the contracts are primarily perpetual where the same service is provided until the customer terminates the contract. Some of the contracts include a non-cancellation period of 6 months. Consumer also has contracts with antenna associations that are for longer periods.

Business sells digital solutions to enterprises and public segments. Business offers modular solutions for small and medium-sized enterprises, as well as customised solutions for public and large enterprises. Modular self-service contracts are perpetual and contracts with customised solutions are for longer periods i.e. 3-5 years.

Wholesale delivers services from plain access to full service packages to *service providers*. Wholesale revenue is partly regulated.

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

- revenues from subscription fees and flat-rate services are recognised over the subscription period
- 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 the sale of equipment are recognised upon delivery. Revenues from the equipment maintenance 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.

The transaction price in revenue arrangements with multiple deliverables, such as handsets and subscriptions, are allocated to each performance obligation based on the stand-alone selling price. Where the selling price is not directly observable, it is estimated on expected cost plus a margin. Discounts on bundled sales are allocated to each element in the contract.

Contracts with similar characteristics have been valuated using a portfolio approach due to the large number of similar contracts.

In case of contracts for longer periods and if the payment exceeds the services rendered, contract liabilities are recognised, see note 3.4.

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.

Non-refundable up-front connection fees are included in the total transaction price for the contract with the customer and thereby allocated to the identified performance obligations (services).

The period between the transfer of the service to the customer and the payment by the customer is not of an extent that gives reason to adjust the transaction prices for the time value of money.

For changes in revenue recognition, please refer to note 1.1

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

DKKm

	2018	2017
Mobile services	(507)	(575)
Landline voice	(160)	(168)
Internet & network	(394)	(431)
TV	(2,075)	(2,065)
Other services	(1,763)	(1,511)
Total	**(4,899)**	**(4,750)**

§ 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.

2.4 External expenses

DKKm

	2018	2017
Marketing and advertising expenses	(202)	(207)
Subscriber acquisition and retention expenses	(235)	(263)
Property expenses	(636)	(644)
IT expenses	(376)	(311)
Temps and personnel-related expenses	(198)	(177)
Other expenses	(885)	(1,032)
Total	**(2,532)**	**(2,634)**

§ Accounting policies

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

Subscriber acquisition costs and fulfilment costs
The most common subscriber acquisition costs are dealer commissions. Subscriber acquisition costs and fulfilment costs are capitalised and recognised as expenses in external expenses and personnel expenses over the expected term of the related customer relationship. The term is estimated using historical customer *churn rates*. Change of management estimates may have a significant impact on the amount and timing of the expenses for any period.

For changes in accounting policies, please refer to note 1.1.

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.

Rental expenses for the year for all operating leases

DKKm

	2018	2017
Lease payments	(613)	(605)
Sublease payments	151	148
Total	**(462)**	**(457)**

2.5 Personnel expenses

DKKm

	2018	2017
Wages and salaries (including short-term bonuses)	(3,636)	(3,351)
Pensions:		
• defined benefit plans	(122)	(137)
• defined contribution plans	(287)	(278)
Share-based remuneration	(16)	(35)
Social security	(83)	(75)
Total	**(4,144)**	**(3,876)**
Of which capitalised as non-current assets	808	695
Total personnel expenses recognised in the income statement[1]	**(3,336)**	**(3,181)**

[1] The figures cover only continuing operations. Calculated including discontinued operations, personnel expenses totalled DKK 3,646m (2017: DKK 3,626m).

The increase in personnel expenses is primarily due to the insourcing of the YouSee support call centre at 1 December 2017.

Remuneration for the Executive Committee and the Board of Directors

DKKm

	2018	2017
Base salary (incl. benefits)	30.2	30.6
Cash bonus	29.5	18.4
Retention allowance	32.1	0.7
One-off consideration	6.5	7.9
Pensions	5.1	5.4
Performance share remuneration	9.3	7.7
Share-based incentive programme in Norway	1.5	27.3
Employer social security contribution	1.1	4.9
	115.3	102.9
Redundancy compensation	50.7	4.1
Executive Committee in total	166.0	107.0
Fee to the Board of Directors	5.2	6.5
Total	**171.2**	**113.5**

[1] During 2018, the remuneration to the Executive Committee (excluding redundancy compensation) comprises 7.0 members on average (2017: 6.6 members).

The amounts for performance share remuneration included in the table above (DKK 9.3m) are the fair values of instruments granted during the year.

The fair values are expensed over the vesting period. The expense for 2018 amounted to DKK 25.5m (2017: DKK 4.4m). Total remuneration for the Executive Committee when including the expense rather than the fair values amounted to DKK 182.4m (2017: DKK 104.9m).

2.5 Personnel expenses (continued)

Number of full-time employee equivalents

	2018	2017
1 January	7,362	7,963
Transferred to discontinued operations	-	(795)
Redundancy programmes	(203)	(463)
Acquisitions and divestments	109	(205)
Insourcing	0	869
Hirings and resignations	(142)	(7)
31 December	**7,126**	**7,362**
Former Danish civil servants	77	88
Employees entitled to pension from TDC Group's pension fund	806	935
Other employees	6,243	6,339
31 December	**7,126**	**7,362**
Of which in Denmark	**7,011**	**7,242**
Average number of full-time employee equivalents, TDC Group[1,2]	**7,109**	**6,801**

[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 (108 in 2018 and 98 in 2017).

[2] The figures cover only continuing operations. Calculated including discontinued operations, the average number of full-time employee equivalents amounted to 7,603 in 2018 (2017: 7,555).

§ 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.

Employees in discontinued operations are not included in the number of full-time employee equivalents. The total number of full-time employee equivalents including discontinued operations is disclosed in a footnote.

2.6 Depreciation, amortisation and impairment losses

DKKm

	2018	2017
Depreciation of property, plant and equipment, cf. note 3.2	(2,363)	(2,590)
Amortisation of intangible assets, cf. note 3.1	(1,657)	(1,595)
Impairment losses, cf. notes 3.1 and 3.2	(68)	(59)
Total	**(4,088)**	**(4,244)**

Comments

The decrease in depreciation from 2017 to 2018 was driven primarily by a decreased depreciation base due to various fully depreciated assets.

The increase in amortisation was driven by an increased amortisation base on software and licenses and was partly offset by lower amortisation on customer values due to the diminishing-balance method.

2.7 Special items

DKKm

	2018	2017
Costs related to redundancy programmes and vacant tenancies	(221)	(307)
Other restructuring costs, etc.	(470)	(91)
Gain on sale of enterprises	0	137
Loss on sale of enterprises	(34)	0
Income from rulings	85	54
Loss from rulings	(3)	(3)
Settlement of performance share programme, cf. note 6.1	(192)	0
Costs related to acquisition of enterprises	(23)	(11)
Special items before income taxes	**(858)**	**(221)**
Income taxes related to special items	93	57
Special items related to joint ventures and associates	0	0
Special items related to discontinued operations	5,280	19
Total special items	**4,515**	**(145)**

Cash flow from special items (excl. discontinued operations)

DKKm

	2018	2017
Redundancy programmes and vacant tenancies	(188)	(213)
Rulings	83	54
Settlement of performance share programme	(444)	0
Other	(572)	(203)
Total	**(1,121)**	**(362)**

Comments

The negative development in special items related to continuing operations was due to the takeover of TDC by DK Telekommunikation ApS.

Special items related to discontinued operations is primarily the gain on the divestment of TDC's Norwegian business.

2.7 Special items (continued)

Worth noting

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

Reconciliation of special items

DKKm

	2018			2017		
	Reported income statement	Special items	Adjusted income statement	Reported income statement	Special items	Adjusted income statement
Revenue	17,356	0	17,356	17,386	0	17,386
Cost of sales	(4,899)	0	(4,899)	(4,750)	0	(4,750)
Gross profit	12,457	0	12,457	12,636	0	12,636
External expenses	(2,532)	(575)	(3,107)	(2,634)	(282)	(2,916)
Personnel expenses	(3,336)	(334)	(3,670)	(3,181)	(145)	(3,326)
Other income	102	59	161	99	206	305
Other expenses	0	(34)	(34)	0	0	0
Operating profit before depreciation and amortisation	6,691	(884)	5,807	6,920	(221)	6,699
Depreciation, amortisation and impairment losses	(4,088)	0	(4,088)	(4,244)	0	(4,244)
Special items	(858)	858	0	(221)	221	0
Operating profit	1,745	(26)	1,719	2,455	0	2,455
Financial income and expenses	(1,360)	26	(1,334)	(582)	0	(582)
Profit before income taxes	**385**	**0**	**385**	**1,873**	**0**	**1,873**

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

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 both 2018 and 2017, all income taxes paid related to the Danish business.

In Sweden, the Group had a non-recognised tax loss of DKK 5m (2017: DKK 11m).

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.

Reconciliation of income taxes

DKKm

	2018			2017		
	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	-	(9)	4,341	-	(25)	4,133
Effect of changes in accounting policies	-	-	-	-	-	116
Transferred to discontinued operations	-	0	(649)	-	-	-
Additions relating to acquisition of enterprises	-	2	10	-	0	8
Disposal relating to divestment of enterprise	-	-	-	-	1	(5)
Income taxes for the year	(403)	462	(56)	(508)	605	(97)
Adjustment of tax for previous years	26	(30)	4	(2)	(34)	36
Change in tax rate	-	-	-	26	0	(26)
Tax relating to remeasurement effects from defined benefit pension plans	-	-	29	-		258
Tax relating to coupon payments on hybrid capital	-		(26)	-		(31)
Tax relating to share-based remuneration	-	-	2			
Income tax paid	-	(502)		-	(556)	-
Currency translation adjustment	-	0	0	-	0	(51)
Transferred to discontinued operations	-	-	-	3	-	-
Total	**(377)**	**(77)**	**3,653**	**(481)**	**(9)**	**4,341**
Shown in the balance sheet as:						
Tax payable/deferred tax liabilities			3,653			4,341
Tax receivable/deferred tax assets		(77)			(9)	0
Total		**(77)**	**3,653**		**(9)**	**4,341**
Income taxes are specified as follows:						
Income excluding special items	(470)			(538)		
Special items	93			57		
Total	**(340)**			**(481)**		

2.8 Income taxes (continued)

Specification of deferred tax

	2018			2017
	Deferred tax assets	Deferred tax liabilities	Total[1]	
Intangible assets	0	110	110	0
Other	0	26	26	41
Current	**0**	**136**	**136**	**41**
Intangible assets	0	2,226	2,226	3,175
Property, plant and equipment	(100)	0	(100)	(15)
Pension assets and pension liabilities	0	1,508	1,508	1,486
Tax value of tax-loss carryforwards	(7)	0	(7)	(168)
Other	(100)	0	(110)	(178)
Non-current	**(217)**	**3,734**	**3,517**	**4,300**
Deferred tax at 31 December	**(217)**	**3,870**	**3,653**	**4,341**

The value of tax-loss carryforwards in 2017 related primarily to the Norwegian business and is included in the transfer to discontinued operations in 2018.

TDC A/S participates in joint taxation with all its Danish subsidiaries. With effect from 4 May 2018, TDC A/S also participates in joint taxation with DK Telekommunikation ApS, DKT Finance ApS and DKT Holdings ApS, which is the new administration company in the joint taxation. The jointly taxed companies 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

	2018		2017	
	DKKm	%	DKKm	%
Danish corporate income tax rate	273	22.0	461	22.0
Limitation on the tax deductibility of interest expenses	230	18.6	77	3.7
Other non-taxable income and non-tax deductible expenses	2	0.1	43	2.1
Tax value of non-capitalised tax losses and utilised tax losses, net	(9)	(0.7)	0	-
Deviation in foreign subsidiaries' tax rates compared with the Danish tax rate	0	-	2	0.1
Adjustment of tax for previous years	(26)	(2.2)	(39)	(1.9)
Other	0	-	(6)	(0.3)
Effective tax excluding special items	**470**	**37.8**	**538**	**25.7**
Other special items	(93)	60.1	(57)	0.0
Effective tax including special items	**377**	**97.9**	**481**	**25.7**

Reconciliation of effective tax rate

The increasing effective tax rate (excluding special items) was due primarily to the increased impact of the Danish limitation on the deductibility of interest due to increased interest expenses 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

DKKm

	2018	2017
Revenue	**2,353**	**3,092**
Total operating costs	(1,428)	(1,784)
Income taxes	(81)	(3)
Results from discontinued operations excluding gain from divestment	434	130
Gain from divestment of discontinued operations (special items)	5,293	26
Other special items relating to discontinued operations	(13)	(7)
Profit for the year from discontinued operations	**5,714**	**149**

Discontinued operations comprise the former 100% owned subsidiaries Get AS and TDC Norway AS. 2017 also includes a gain of DKK 26m stemming from 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 above.

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.

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

DKKm

	2018					2017				
	Goodwill	Customer relationships	Brands	Other rights, software, etc.	Total	Goodwill	Customer relationships	Brands	Other rights, software, etc.	Total
Accumulated cost at 1 January	20,962	18,490	6,065	12,314	57,831	21,675	18,927	6,104	11,909	58,615
Transferred to discontinued operations	(5,018)	(4,124)	(596)	(4)	(9,742)	0	0	0	0	0
Additions relating to the acquisition of enterprises	192	81	13	10	296	171	60	11	3	245
Disposal relating to the divestment of enterprises	-	-	-	-	-	(449)	(109)	0	(143)	(701)
Additions	0	1	0	1,357	1,358	0	0	0	1,152	1,152
Assets disposed of or fully amortised	0	(39)	(13)	(237)	(289)	0	(52)	0	(607)	(659)
Currency translation adjustments	0	0	0	0	0	(435)	(336)	(50)	0	(821)
Accumulated cost at 31 December	**16,136**	**14,409**	**5,469**	**13,440**	**49,454**	**20,962**	**18,490**	**6,065**	**12,314**	**57,831**
Accumulated amortisation and write-downs for impairment at 1 January	(3,692)	(12,214)	(159)	(9,160)	(25,225)	(3,900)	(11,528)	(159)	(8,820)	(24,407)
Transferred to discontinued operations	0	909	42	0	951	0	0	0	0	0
Amortisation	0	(494)	(4)	(1,159)	(1,657)	0	(889)	(4)	(1,037)	(1,930)
Write-downs for impairment	0	(5)	(9)	(34)	(48)	0	(3)	0	(9)	(12)
Disposal relating to the divestment of enterprises	-	-	-	-	-	208	89	0	99	396
Assets disposed of or fully amortised	0	39	13	237	289	0	52	0	607	659
Currency translation adjustments	0	0	0	0	0	0	65	4	0	69
Accumulated amortisation and write-downs for impairment at 31 December	**(3,692)**	**(11,765)**	**(117)**	**(10,116)**	**(25,690)**	**(3,692)**	**(12,214)**	**(159)**	**(9,160)**	**(25,225)**
Carrying amount at 31 December	**12,444**	**2,644**	**5,352**	**3,324**	**23,764**	**17,270**	**6,276**	**5,906**	**3,154**	**32,606**

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 18,523m (2017: DKK 19,046m).

Comments

Write-downs for impairment of intangible assets, etc. totalled DKK 48m (2017: DKK 12m) of which DKK 5m related to various customer relation values in Business and DKK 9m related to the write-down of a minor brand in Consumer. The remaining DKK 34m related to write-downs stemming from termination of various software projects in Other operations.

Assets with indefinite useful lives other than goodwill amounted to DKK 5,339m (2017: DKK 5,893m). The decrease in carrying amount related primarily to the divestment of TDC's Norwegian business. As in 2017 DKK, 5,339m related to the TDC brand in Denmark.

The carrying amount of software amounted to DKK 1,945m (2017: DKK 1,781m). The addition of internally developed software totalled DKK 415m (2017: DKK 310m).

The carrying amount of individually material Danish mobile licences included in other rights, software etc., amounted to DKK 1,062m (2017: DKK 1,197m) 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

DKKm

Spectrum (MHz)	Bandwidth (MHz)	Type/Technology	Licence expiration	Carrying amount
800	2 x 20	Technology neutral	2034	406
900	2 x 9	Technology neutral	2020	133
1800	2 x 20	Technology neutral	2032	267
2100	2 x 15 + 1 x 5	Technology neutral	2021	71
2600	2 x 20	Technology neutral	2030	185

Cash flow

DKKm

	2018	2017
Additions, cf. table above	(1,358)	(1,152)
Instalments regarding mobile licences	(126)	(126)
Of which related to discontinued operations	-	4
Cash flow from investment in intangible assets	**(1,484)**	**(1,274)**

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 2018 and at 1 October 2017, respectively.

Impairment testing is an integral part of TDC Group's budget and planning process, which was previously based on three-year budget plans, but as a consequence of a new strategic focus following the recent ownership change in TDC, impairment testing will be based on long-term business plans with projection to 2030. 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 long-term 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 Digital, 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. We apply an expected market-based growth rate of 1.9% corresponding to the inflation (0% real growth rate) reflecting expectations of relatively saturated markets.

The long-term 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 and Business. 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 significant[1] goodwill amounts

DKKm

	YouSee	Online Brands	Business
Carrying amount of goodwill at 31 December 2018 (DKKm)	6,745	1,438	4,233
Carrying amount of goodwill at 31 December 2017 (DKKm)	6,733	1,110	4,236
Market-based growth rate applied to extrapolated projected future cash flows for the period following 2030	1.9%	1.9%	1.9%
Market-based growth rate applied at 1 October 2017	0.0%	0.0%	0.0%
Applied pre-tax discount rate at 1 October 2018	7.1%	6.8%	7.8%
Applied pre-tax discount rate at 1 October 2017	7.2%	6.9%	7.9%

[1] Representing 100% of the total carrying amount in 2018.

3.1 Intangible assets (continued)

Assumptions regarding recoverable amounts and projected earnings
The ownership change in TDC Group achieved at a purchase price of DKK 50.25 per share, or a total of DKK 40.5bn, shows that previous years' headroom was cautiously estimated.

A new long-term strategic focus has been developed requiring significant investments, which are expected to stabilise future cash flow and secure that TDC Group can match the inflation in the period after the projected long-term business plan. If growth is excluded in the terminal period, it will cause a minor write-down in the Business segment.

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

YouSee
Projections are based on the assumption of a slightly declining *EBITDA* development, stabilising towards the end of the long-term business plan based on the following assumptions:

- Landline voice decline from continuation of lower churn and improved product mix
- Growth in mobility services from higher *ARPU*s partly offset by increased *roaming* costs on mobile voice, and the ambition to continue to have superior networks
- Decline in broadband gross profit as customers switch to new technology (e.g. *fibre*). Mixed overall gross profit effect due to increased churn from customers migrating to new technology, however, offset by higher *ARPU*-level on *fibre*
- 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 and higher content cost following these offerings, partly offset by price increases. Churn will improve after revitalisation of the TV offering, leading to a stable TV market share
- *Opex* savings driven by digital transformation, focus on moving customers to a digital universe and call reductions

Online Brands
Projections are based on the assumption of significant *EBITDA* growth in the long-term business plan based on the following assumptions:

- Growth in the mobile voice and broadband segments from the acquisition of Plenti and Hiper
- Adjusted for acquisitions, growth is driven mainly by mobility services from an increasing customer base and moderate rise in *ARPU* and increases in broadband *ARPU* along with new customers on high-*ARPU fibre* connections

Business
Projections are based on assumptions of a gradual improvement in the declining *EBITDA* development, turning into slightly increasing *EBITDA* growth in the long-term business plans 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
- New products and services and improvement of the overall end-to-end processes are expected to have a positive impact on gross profit
- Entering the emerging IoT market with our current machine-to-machine market as a stepping stone and continued focus on *cloud* and integrator services
- *Opex* savings from *FTE* reductions driven by our continued focus and investments in the digital transformation

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	3-10 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

DKKm

	2018					2017				
	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	598	39,099	2,030	1,501	43,228	599	36,849	2,305	1,310	41,063
Transferred to discontinued operations	(43)	(4,657)	0	(793)	(5,493)	0	0	0	0	0
Transfers (to)/from other items	1	530	40	(571)	0	0	1,056	31	(1,087)	0
Additions relating to the acquisition of enterprises	0	40	(2)	0	38	0	0	12	0	12
Disposals relating to the divestment of enterprises	0	0	0	0	0	0	0	(364)	0	(364)
Additions	18	1,387	169	568	2,142	4	1,828	169	1,334	3,335
Assets disposed of	(1)	(154)	(89)	0	(244)	(2)	(268)	(123)	0	(393)
Currency translation adjustments	0	0	0	0	0	(3)	(366)	0	(56)	(425)
Accumulated cost at 31 December	**573**	**36,245**	**2,148**	**705**	**39,671**	**598**	**39,099**	**2,030**	**1,501**	**43,228**
Accumulated depreciation and write-downs for impairment at 1 January	(148)	(23,325)	(1,585)	(330)	(25,388)	(129)	(20,777)	(1,804)	(312)	(23,022)
Transferred to discontinued operations	20	2,430	0	5	2,455	0	0	0	0	0
Depreciation	(10)	(2,171)	(182)	0	(2,363)	(13)	(2,973)	(180)	0	(3,166)
Write-downs for impairment	0	(12)	(2)	(6)	(20)	(9)	(25)	0	(18)	(52)
Disposal relating to the divestment of enterprises	0	0	0	0	0	0	0	277	0	277
Assets disposed of	0	154	88	0	242	2	268	122	0	392
Currency translation adjustments	0	0	0	0	0	1	182	0	0	183
Accumulated depreciation and write-downs for impairment at 31 December	**(138)**	**(22,924)**	**(1,681)**	**(331)**	**(25,074)**	**(148)**	**(23,325)**	**(1,585)**	**(330)**	**(25,388)**
Carrying amount at 31 December	**435**	**13,321**	**467**	**374**	**14,597**	**450**	**15,774**	**445**	**1,171**	**17,840**
Carrying amount of finance leases at 31 December	**46**	**24**	**0**	**-**	**70**	**49**	**37**	**0**	**-**	**86**

Comments

In 2018, write-downs for impairment totalled DKK 20m related to assets in Denmark operated by Operations.

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.

3.2 Property, plant and equipment (continued)

Cash flow

DKKm

	2018	2017
Additions, cf. table above	(2,142)	(3,335)
Non-cash additions regarding decommissioning obligations	(4)	4
Additions not yet paid	(16)	118
Of which related to discontinued operations	-	679
Cash flow from investment in property, plant and equipment	**(2,162)**	**(2,534)**

§ 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	3-15 years
other network equipment	3-20 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

	2018	2017
Trade receivables	1,922	2,379
Allowances for doubtful debts	(242)	(260)
Trade receivables, net	**1,680**	**2,119**
Receivables from joint ventures and associates	3	3
Other receivables	271	264
Total	**1,954**	**2,386**
Recognised as follows in the balance sheet:		
Non-current assets	194	197
Current assets	1,760	2,189
Total	**1,954**	**2,386**
Allowances for doubtful debts at 1 January	(260)	(259)
Transferred to discontinued operations	12	0
Deduction relating to divestment of subsidiaries	-	1
Additions	(95)	(103)
Realised losses	67	52
Reversed allowances	34	49
Allowances for doubtful debts at 31 December	**(242)**	**(260)**

Trade receivables

DKKm

2018	Not yet due	Less than 1 month past due	More than 1 month past due	More than 3 months past due	More than 6 months past due	**Total**
Expected loss rate	1%	2%	3%	23%	78%	13%
Gross carrying amount	1,170	326	105	52	269	1,922
Loss allowance	(10)	(6)	(3)	(12)	(211)	(242)

2017	Not yet due	Less than 1 month past due	More than 1 month past due	More than 3 months past due	More than 6 months past due	**Total**
Expected loss rate	0%	2%	3%	9%	63%	11%
Gross carrying amount	1,369	393	152	96	369	2,379
Loss allowance	(4)	(9)	(5)	(8)	(232)	(260)

Comments

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 19m falls due after more than one year (2017: DKK 15m).

Accounting policies

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. TDC operates with standard customer payment terms where customer subscriptions are billed and paid in advance of the subscription period, while usage and one-off services are billed and paid after the subscription period. The receivables are generally due for settlement within 20-30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

TDC applies the simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables, contract assets and lease receivables. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

3.4 Contract assets and liabilities

DKKm

	2018	2017
Assets recognised from costs to obtain a contract (SAC)	284	340
Work in progress for the account of third parties	75	123
Total contract assets	**359**	**463**
Deferred subscription income	2,560	3,028
Work in progress for the account of third parties, liabilities	23	29
Total contract liabilities	**2,583**	**3,057**

Comments

Of the deferred subscription income, DKK 39m (2017 DKK 54m) will be recognised as income after more than one year.

Revenue recognised in 2018 that was included in deferred subscription income at the beginning of the period amounted to DKK 2,974m (2017 DKK 2,602m).

Costs recognised in 2018 that were included in assets recognised from costs to obtain a contract (SAC) at the beginning of the period amounted to DKK 207m (2017 DKK 209m).

Of the assets recognised from costs to obtain a contract, (SAC) DKK 110m (2017 DKK 141m) will be recognised as costs after more than one year.

The decrease in contract assets and liabilities related primarily to the divestment of Norway.

Accounting policies

Deferred subscription income recognised as a liability comprises payments received from customers covering income in subsequent years.

Assets recognised from costs to obtain a contract are costs deferred and recognised as expenses over the expected term of the related customer relationship. The term is estimated using historical customer *churn rates*.

3.5 Prepaid expenses

DKKm

	2018	2017
Prepaid expenses related to service contracts	138	101
Other prepaid expenses	332	385
Total	**470**	**486**
Recognised as follows in the balance sheet:		
Non-current assets	43	13
Current assets	427	473
Total	**470**	**486**

Accounting policies

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

3.6 Provisions

DKKm

	2018				2017
	Decommis-sioning obligations	Restructur-ing obliga-tions	Other provisions	Total	
Provisions at 1 January	241	733	136	1,110	1,128
Transferred to discontinued operations	(4)	(15)	-	(19)	-
Disposal related to the divestment of enterprises	-	-	-	-	(4)
Additions relating to the acquisition of enterprises	0	0	8	8	1
Provisions made	5	214	0	219	265
Change in present value	(5)	8	-	3	15
Provisions used (payments)	(4)	(186)	(36)	(226)	(274)
Reversal of unused provisions	(2)	0	(5)	(7)	(20)
Currency translation adjustments	0	0	0	0	(1)
Provisions at 31 December	**231**	**754**	**103**	**1,088**	**1,110**
Of which recognised through special items in the income statement	**0**	**728**	**34**	**762**	**777**
Recognised as follows in the balance sheet:					
Non-current liabilities	231	659	82	972	983
Current liabilities	0	95	21	116	127
Total	**231**	**754**	**103**	**1,088**	**1,110**

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 167,763 square metres of leased tenancies no longer used by the Group (2017: 150,002). Of this 88,582 (2017: 90,802) square metres were sublet. 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.

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

DKKm

	2018	2017
Payments related to provisions	(27)	(15)
Cash flow related to special items	(199)	(223)
Investment in property, plant and equipment	0	(4)
Payments related to discontinued operations	-	(32)
Total	**(226)**	**(274)**

Average redundancy cost per full-time employee equivalent[1]

DKK thousands

	2018	2017
Non-civil servants	372	198
Former Danish civil servants	1,406	1,198
Employees with civil-servant status	911	699
Weighted average per full-time employee equivalent	667	457
Number of redundancies	79	296

[1] Excluding corporate management.

3.6 Provisions (continued)

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 above.

Critical accounting estimates

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 657m (2017: DKK 630m). The actual amounts may differ from this estimate, and may therefore materially impact 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.

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

	2018	2017
Trade payables	3,814	4,091
Prepayments from customers	145	141
Accrued interest	315	547
Holiday allowance provision	596	601
VAT and other taxes	252	286
Personnel expense payables	272	260
Other payables	157	289
Total	**5,551**	**6,215**

Of the current liabilities, DKK 43m falls due after more than one year (2017: DKK 215m).

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 our 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).

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

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, 923 of TDC Group's employees (2017: 1,062) were entitled to pensions from the pension fund related to the Group. Of these, 102 (2017: 94) employees were seconded to external parties in connection with outsourcing tasks or divesting operations. In addition, 7,886 (2017: 8,005) 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 stem from 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 3.5bn (2017: DKK 2.7bn). The equity of the pension fund amounted to approx. DKK 4.4bn (2017: DKK 3.7bn). The equity differs from the pension assets recognised in accordance with IFRS (DKK 6.9bn) 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 41m used by Group companies (2017: DKK 39m).

Pension (costs)/income

DKKm

	Expected 2019	2018	2017
Service cost	(91)	(108)	(127)
Administrative expenses	(10)	(14)	(10)
Personnel expenses (included in *EBITDA*)	(101)	(122)	(137)
Interest on pension assets	106	108	78
Pension (costs)/income	**5**	**(14)**	**(59)**
Domestic redundancy programmes recognised in special items		(29)	(59)
Total pension (costs)/income recognised in the income statement	**-**	**(43)**	**(118)**

3.8 Pension assets and pension obligations (continued)

Assets and obligations

DKKm	2018	2017
Specification of pension assets		
Fair value of plan assets	29,990	30,959
Defined benefit obligation	(23,136)	(24,207)
Pension assets recognised in the balance sheet	**6,854**	**6,752**
Change in defined benefit obligation		
Defined benefit obligation at 1 January	(24,207)	(25,241)
Service cost	(108)	(127)
Administrative expenses	(14)	(10)
Interest cost on the defined benefit obligation	(369)	(349)
Termination benefits	(29)	(59)
Remeasurement effect:		
Demographic experience	(167)	136
Financial assumptions	680	377
Benefit paid	1,078	1,066
Projected benefit obligations at 31 December	**(23,136)**	**(24,207)**
Change in fair value of plan assets		
Fair value of plan assets at 1 January	30,959	30,836
Interest income on plan assets	477	427
Actual return on plan assets greater/(less) than discount rate (remeasurement effect)	(382)	659
TDC's contribution	14	103
Benefit paid	(1,078)	(1,066)
Fair value of plan assets at 31 December	**29,990**	**30,959**
Change in pension assets		
Pension assets at 1 January	6,752	5,595
Pension (costs)/income	(43)	(118)
Remeasurement effects	131	1,172
TDC's contribution (see also table below)	14	103
Pension assets recognised in the balance sheet at 31 December	**6,854**	**6,752**

Asset allocation by asset categories at 31 December

DKKm	2018	2017
Assets with quoted prices:		
Government and mortgage bonds (incl. hedges and repos)	13,819	15,473
High-yield bonds	3,671	3,584
Investment grade bonds	1,682	2,007
Emerging markets-debt	3,228	3,262
Property	2,301	2,201
Equities	361	403
Cash	(38)	13
Other	340	(52)
Assets without quoted prices:		
High-yield bonds	1,050	1,179
Investment grade bonds	1,510	1,242
Property	1,684	1,480
Alternatives	63	85
Equities	319	82
Fair value of plan assets	**29,990**	**30,959**

Assumptions used to determine defined benefit obligations (balance sheet)

%	2018	2017
Discount rate	1.55	1.56
General price/wage inflation	1.51	1.73

Assumptions used to determine pension (costs)/income

%	2019	2018	2017
Discount rate	1.55	1.56	1.41
General price/wage inflation	1.51	1.73	1.69

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 1.56% (1.41% in 2017) and inflation was 1.73% (1.69% in 2017). The assumptions for 2019 reflect a discount rate decrease to 1.55% and a decrease of the assumed inflation rate to 1.51%.

The decreased inflation rate during 2018 resulted in a decreased pension benefit obligation compared with year-end 2017.

In 2019, with these changed assumptions, pension income from the domestic defined benefit plan is expected to amount to DKK 5m (2018: cost of DKK 14m), assuming all other factors remain unchanged.

The remeasurement effects of DKK 131m covered primarily a gain related to the benefit obligation (DKK 513m) resulting from the decreasing inflation rate (from 1.73% to 1.51%), partly offset by a decreasing discount rate (from 1.56% to 1.55%) and a loss related to the plan assets (DKK 382m) as the actual return was lower than the expected return[1].

In 2017, the remeasuring 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 return[1] 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 the increasing inflation rate (from 1.69% to 1.73%).

The mortality assumptions are based on a yearly mortality study, which analyses 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.

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.

[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.

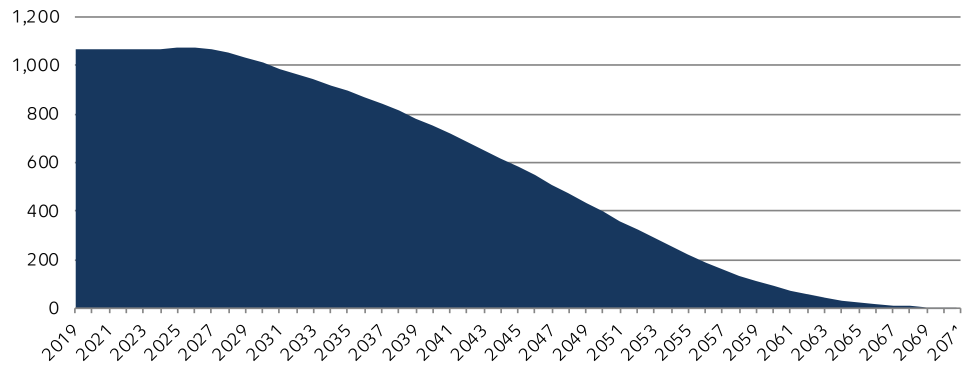
Sensitivity analysis

DKKm

	2018	2017
Reported defined benefit obligation	23,136	24,207
Discount rate sensitivity	**1.55%**	**1.56%**
Assumption -0.5%	24,801	26,025
Assumption +0.5%	21,644	22,582
General price/wage inflation sensitivity	**1.51%**	**1.73%**
Assumption +0.25%	23,977	25,121
Assumption –0.25%	22,337	23,339
Mortality sensitivity		
Assumption +1 year longevity	24,339	25,285
Assumption -1 year longevity	21,913	23,142

Projected benefit payments[1]

DKKm



[1] The duration of the pension plan is approximately 14 years.

3.8 Pension assets and pension obligations (continued)

TDC Group's contributions

DKKm

	Expected 2019	2018	2017
Ordinary contributions	3	5	90
Extraordinary contributions in connection with retirements	8	9	13
Capital contributions	0	0	0
Total	**11**	**14**	**103**

Other information

Ultimately, 506 members of the defined benefit plans will have part of their pension payment reimbursed by the Danish government.

The related benefit obligations of DKK 404m (2017: DKK 432m) have been deducted in the projected benefit obligation.

Critical accounting estimates

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. 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.

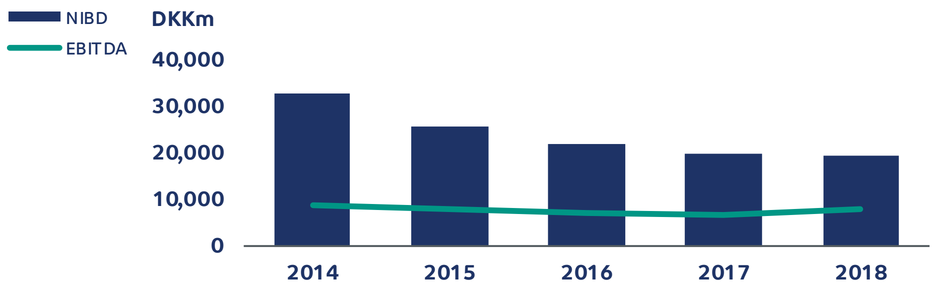
Pension assets are recognised to the extent that they represent future repayments from the pension plan.

Pension income/costs from defined benefit plans comprise 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 risks 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

Comments

The total authorised number of shares is 812,000,000 with a par value of DKK 1 per share (unchanged in 2018 and 2017). All issued shares have been fully paid up.

During 2018, total equity decreased by DKK 10.1bn to DKK 15.5bn due mainly to distributed dividends (DKK 11.3bn) and repayment of hybrid capital (DKK 5.6bn) partly offset by the positive total comprehensive income (DKK 7.3bn).

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).

The Parent Company statement of changes in equity specifies which reserves are available for distribution. The distributable reserves amounted to DKK 13,415m at 31 December 2018 before proposed dividend (2017: DKK 18,046m before proposed dividend). At the Annual General Meeting, the Board of Directors will not propose any dividend.

Dividend payments during the financial year 2018 amounted to DKK 11,316m (2017: DKK 802m). The dividends have been applied by TDC's indirect parent DKT Finance ApS to repay external bridge term loans related to the acquisition of TDC as well as interest on Senior Notes issued in connection with the refinancing of the remaining external bridge term loans.

Treasury shares

	Shares (number)	Nominal value (DKKm)	% of share capital
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 1 January 2018	**9,299,380**	**9**	**1.15**
Used to settle share-based incentive programmes	(3,312,584)	(3)	(0.41)
Holding at 31 December 2018	**5,986,796**	**6**	**0.74**

Hybrid capital

Until repayment in June 2018, TDC Group had EUR 750m in callable subordinated capital securities (hybrid bonds) outstanding that were accounted for as equity. The hybrid capital was subordinated to the Group's other creditors.

Coupon payments were recognised directly in equity at the time the payment obligation arose.

Coupon payments were recognised in the statement of cash flow as a separate item within financing activities.

The hybrid bonds issued by TDC Group provided 50% equity credit from rating agencies. Accordingly, 50% of the hybrid capital is included in *NIBD*.

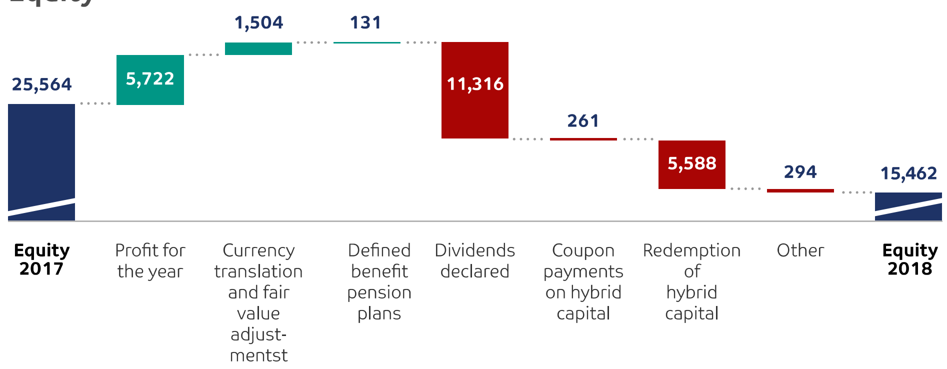
4.1 Equity (continued)

§ 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.

Equity



On redemption of the hybrid capital, the payment will be distributed between the liability and equity applying the same principles as used when the hybrid capital was issued. This means that the difference between the payment on redemption and the net proceeds received on issue is recognised directly in equity as the debt portion of the existing hybrid capital is nil. On the date on which the Board of Directors decides to exercise an option to redeem the hybrid capital, the part of the hybrid capital that will be redeemed will be reclassified to loans. The reclassification will be made at the market value of the hybrid capital at the date the decision is made. Coupon payments and exchange-rate adjustments following the reclassification to loans and borrowings will be recognised in profit (loss) for the year as financial income or expenses.

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
The 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
The 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.

4.2 Loans and derivatives

Worth noting

TDC Group is financed through the European bond market (EMTN) and the market for syndicated senior secured bank loans (Senior Facility Agreement or SFA).

As a consequence of the takeover of TDC by DKT, a change of control event occurred resulting in the triggering of various repayment clauses under the terms of TDC's outstanding EMTN bonds and bank loans. TDC's Hybrid Bond (EUR 750m), the EMTN bond maturing in 2027 (EUR 800m) as well as the loans from KfW and the European Investment Bank ended up being repaid with drawings under a newly established senior secured financing (EUR 2,700m and USD 1,418m) entered into in May 2018.

On 30 October 2018, a substantial part of the proceeds from TDC's divestment of Get was applied towards prepayment at par of the TLB under TDC's Senior Facility Agreement. All the USD denominated tranche (USD 1,414,854,000) and EUR 650,000,000 were repaid.

The next upcoming maturity is the EUR 500m EMTN bond that will mature in March 2022.

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 2018, TDC Group had a floating-rate share of debt of 30%, which is within the maximum of 60% as defined in TDC Group´s Financial Strategy.

On 30 June 2018, TDC decided to stop using the hedge accounting rules in accordance with IAS 39. As a result of this, values recognised in other comprehensive income or fair value adjustments on loans at 30 June 2018 were fixed and will be reversed to the income statement over the lifetime of the underlying hedged item.

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

Loans

DKKm

	2018	2017
SFA loan	14,140	0
EMTN	7,285	17,669
European Investment Bank and bank loans	0	3,719
Debt regarding financial leasing	72	102
Other long-term loans	311	443
Total	**21,808**	**21,933**
Recognised as follows in the balance sheet:		
Non-current liabilities	**21,691**	**17,282**
Current liabilities	**117**	**4,651**
Total	**21,808**	**21,933**
Fair value of debt (see note 4.6)		

Debts relating to finance leases

DKKm

	Minimum payments		Present value	
	2018	**2017**	**2018**	**2017**
Maturing within 1 year	12	37	11	36
Maturing between 1 and 3 years	16	18	15	17
Maturing between 3 and 5 years	11	12	9	10
Maturing after 5 years	74	80	37	39
Total	**113**	**147**	**72**	**102**

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 Senior Facility Agreement (SFA) loan

	2022	2023	2025	Total
Maturity	Mar 2022	Feb 2023	Jun 2025	
Fixed/floating rate	Fixed	Fixed	Floating	
Coupon	3.750%	5.625%	2.75% floor	
Currency	EUR	GBP	EUR	
Type	EMTN Bond	EMTN Bond	SFA loan	
Nominal value (DKKm)	3,733	3,529	14,185	21,447
Nominal value (Currency)	500	425	1,900	-
Nominal value including cross currency swaps (EURm)[1]	500	508	1,900	2,908
– Of which nominal value swapped to or with floating interest rate (EURm)[2]	0	150	725	875
– Of which nominal value swapped to or with fixed interest rate (EURm)[2]	500	358	1,175	2,033

[1] The nominal value of the GBP 425m Febrary 2023 EMTN bond is fully swapped to EUR 508m using cross currency swaps.
[2] The maturity of interest rate swaps used for hedging of long-term EMTN bonds matches the maturity of the underlying EMTN bonds. Derivatives of nominal EUR 925m used for hedging of long-term SFA loan matures in June 2020 and nominal EUR 250m matures in later periods.

§ 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 the 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 in the balance sheet and in the income statement. Depending on the type of instrument, different recognised measurement methods are applied for derivative financial instruments.

On 30 June 2018, TDC decided to stop using the hedge accounting rules in accordance with IAS 39. As a result, values recognised in other comprehensive income or fair value adjustments on loans at 30 June 2018 were fixed and will be reversed to the income statement over the lifetime of the underlying hedged item.

Before 30 June 2018, the following recognition methods applied. 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.

Following the acquisition of TDC Group by a consortium of long-term infrastructure investors, the new financing includes financial covenants and undertakings to which TDC Group must adhere. TDC Group's current financial strategy which was approved in June 2017, will be updated during H1 2019 to reflect the new covenants. It 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 2018, 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 one month, 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	Average 2018	Average 2017
Share of floating interest-rate debt	Max. 60%[1]	47%	35%
Actual financial portfolio BPV (DKKm)		7.2	11.8
Max. BPV of the financial portfolio (DKKm)[2]		15.2	13.4
Duration of financial assets (years)	Max. 0.25	0.0	0.0
The maximum share of fixed interest-rate gross debt to be reset within one year in year two[3]	Max. 25%[4]	5%	0%
The maximum share of fixed interest-rate gross debt to be reset within one year in year three[3]	Max. 30%	7%	0%

[1] Due to the new floating SFA loan and hedging obligations in the Senior Facility Agreement, this share of floating interest rate of max 60% was breached in Q2 and Q3 2018.This will be resolved by updating the financial strategy in H1 2019.
[2] At 31 December 2018, a +/- 1 percentage point parallel shift in the interest-rate curve would impact profit for the year by approx. DKK +47/ -188m due to changes in fair value adjustments and paid interest (2017: +111,7/-123,7m). A negative 1 percentage point parallel shift will not impact the receivable interest on the SFA loan due to a 2.75% floor. The impact on equity is estimated to be immaterial in both years.
[3] Average figures for reset risk in 2018 and 2017 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] Due to hedging obligations in the Senior Facility Agreement this maximum of 25% was breached in Q4 2018.This will be resolved by updating the financial strategy in H1 2019.

4.3 Financial risks (continued)

Exchange-rate risks

TDC Group is exposed primarily to exchange-rate risks from USD, GBP and EUR. The GBP bonds have been swapped to EUR.

The USD 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 21.7bn in 2018 (2017: DKK 27.2bn).

Throughout 2018, 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 the highest of either DKK 35m or 1.75% of total *EFCF*. This is measured and tested on a monthly 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.

The change in the carrying amounts was due primarily to the divestment of TDC's Norwegian business and dividend payments.

Credit risks

TDC Group is exposed to credit risks principally as a provider of telecommunications services in Denmark and abroad, and as 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.

Net investments in foreign subsidiaries, joint ventures and associates

DKKm

	2018 Carrying amount	2017 Carrying amount	2016 Carrying amount
SEK	271	569	1,350
EUR	3	2	1
NOK	0	7,121	8,932
Total at 31 December	**274**	**7,692**	**10,283**

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

DKKm

	Maxima	Average 2018	Average 2017
Total open gross position in other currencies than DKK and EUR[1,2]	500	59	233

[1] Including payables and receivables, cash accounts and financing (including derivatives).
[2] At 31 December 2018, foreign currencies constituted a maximum translation risk of approx. DKK 17m in relation to *EFCF* (2017: approx. DKK 35m, with 90% certainty within a time frame of one year).

4.3 Financial risks (continued)

TDC Group's maximum credit risks, including both commercial and financial contracts, amounted to DKK 4,224m at 31 December 2018 (2017: DKK 4,212m).

Liquidity risks
TDC Group has no short-term refinancing risk as the next debt maturity is in March 2022.

The committed Revolving Credit Facilities under the Senior Facility Agreement (SFA) totalling EUR 500m (or DKK 3,733m), the available cash and cash generated by the business activities, are deemed sufficient to maintain current operations, to complete projects underway and to finance stated objectives and plans.

Undrawn credit lines
At year-end 2018, TDC Group had undrawn committed credit lines totalling DKK 3,733m provided by a group of banks.

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.

TDC Group financing contains cross-default provisions and change of control clauses.

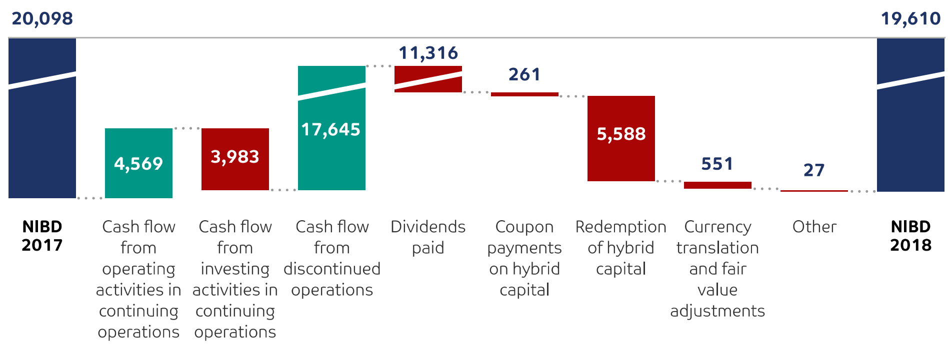
The Group's rating agencies downgraded TDC Group from an investment grade rating to a non-investment grade rating due to new debt structure following the leveraged buyout.

TDC Group's company ratings at 31 December 2018

Rating	Corporate rating	Senior unsecured debt	Senior secured debt	Outlook
S&P	B+	BB-	BB-	Stable
Moody's		Ba3	Ba3	Stable
Fitch		BB-	BB	Stable

NIBD

DKKm



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

Net interest-bearing debt

DKKm

		Included in cash flows from		2018 Non-cash changes				
	At 1 January, 2018	Investing activities	Financing activities	Acquisitions /disposals	Amortisation of borrowing costs	Currency translation adjustment	Fair value adjustments	At 31 December, 2018
Long-term loans incl. short-term part	21,933	(141)	(790)	8	30	231	537	21,808
Interest-bearing payables	2	0	0	0	0	0	0	2
Corrections for derivatives and reversals of fixed fair values on loans due to hedge accounting[1]	133	0	285	0	0	(246)	28	200
Total interest-bearing debt	**22,068**	**(141)**	**(505)**	**8**	**30**	**(15)**	**565**	**22,010**
Interest-bearing receivables and investments	(203)							(156)
Cash	(1,767)							(2,244)
Net interest-bearing debt	**20,098**							**19,610**
50% of hybrid capital	2,776							-
Adjusted net interest-bearing debt	**22,874**							**19,610**

[1] Currency adjustment effect from derivatives that hedge long-term loans and fixed hedge accounting effects that will be reversed to the income statement over the lifetime of the underlying hedged long-term loans.

		Included in cash flows from		2017 Non-cash changes				
	At 1 January, 2017	Investing activities	Financing activities	Acquisitions	New leases and debt re. mobile licences	Currency translation adjustment	Fair value adjustments	At 31 December, 2017
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 impacted on financial income and expenses in 2017 and earlier periods.

Comments

In 2018, *net interest-bearing debt* fell by DKK 488m. The *Equity Free Cash Flow* totalled DKK 620m and the net proceeds from the divestment of TDC's Norwegian business amounted to DKK 17,404m (after adjustment for cash and transaction costs). This was partly offset by the dividend payment of DKK 11,316m, the repayment of hybrid capital of DKK 5,588m and fair value adjustments of long-term loans of DKK 537m.

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). This was partly offset by the dividend payment of DKK 802m.

4.5 Financial income and expenses

DKKm

	2018	2017
Interest income	7	14
Interest expenses	(1,092)	(654)
Net interest	**(1,085)**	**(640)**
Currency translation adjustments	(209)	17
Fair value adjustments	(173)	(29)
Interest, currency translation adjustments and fair value adjustments	**(1,467)**	**(652)**
Profit/(loss) from joint ventures and associates	(1)	(8)
Interest on pension assets	108	78
Total	**(1,360)**	**(582)**

Comments

Financial income and expenses represented an expense of DKK 1,360m in 2018. The increase of DKK 778m compared with 2017 was driven primarily by a higher interest expenses following the refinancing in Q2 18 that resulted in higher level of debt from July until the proceeds from divestment of GET were received in October. Furthermore, fees relating to the refinancing impacted negatively on 2018.

In addition, the full redemption of the USD SFA loan, a redemption of the EUR 800m SFA loan and a full redemption of 2027 EMTNs resulted in a loss in 2018 (DKK 544m), which was partly offset by a gain (DKK 180m) related to the USD 1,418m SFA loan established on 28 June 2018 and pre-hedged from 11 June.

From 30 June and onwards, TDC Group no longer applies hedge accounting under IAS 39. As a consequence, currency translation adjustments and interest from derivatives are reported as fair value adjustments in the income statement.

In TDC´s internal reporting currency translation adjustments and interest from derivatives are reported as such, see the table below for a specification.

Interest, currency translation adjustments and fair value adjustments

DKKm

	2018			
	Net interest	Currency translation adjustments	Fair value adjustments	Total
Senior Facility Agreement (SFA) loans	(457)	149	(499)	(807)
Euro Medium Term Notes (EMTNs), European Investment Bank and other bank loans	(398)	(23)	(106)	(527)
Other	(135)	6	(4)	(133)
Total	**(990)**	**132**	**(609)**	**(1,467)**

	2017			
	Net interest	Currency translation adjustments	Fair value adjustments	Total
Euro Medium Term Notes (EMTNs), European Investment Bank and other bank loans	(593)	(26)	9	(610)
Other	(47)	43	(38)	(42)
Total	**(640)**	**17**	**(29)**	**(652)**

4.5 Financial income and expenses (continued)

Net financials recognised in other comprehensive income

DKKm	2018	2017
Currency translation adjustment, foreign enterprises	279	(672)
Reversal of currency translation adjustment related to disposal of foreign enterprises	1,235	0
Exchange-rate adjustments of foreign enterprises	**1,514**	**(672)**
Change in fair value adjustments of cash flow hedges	(30)	38
Change in fair value adjustments of cash flow hedges transferred to financial expenses	20	(8)
Value adjustments of hedging instruments	**(10)**	**30**

Comments

The divestment of TDC's Norwegian business impacted positively on other comprehensive income in 2018, and the increasing NOK/DKK currency rate also had a positive effect. In 2017, the decreasing NOK/DKK currency rate impacted negatively on other comprehensive income.

Cash flow from net interest

DKKm	2018	2017
Interest received	573	424
Interest paid	(1,665)	(1,082)
Net interest paid	**(1,092)**	**(658)**
Specified as follows:		
Senior Facility Agreement (SFA) loans incl. hedges	(400)	0
Euro Medium Term Notes (EMTNs) incl. hedges	(623)	(603)
Other	(69)	(55)
Net interest paid	**(1,092)**	**(658)**

Comments

Net interest of DKK 1,092m paid in 2018 represented a DKK 434m increase compared with 2017 (DKK 658m), driven primarily by interest payments on the SFA loans in H2 2018 (DKK 400m including hedges).

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 flows[1]

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
Assets[2]:							
Derivatives							
Inflow	80	143	89	18			
Outflow	(4)	(12)	(14)	(9)			
Total derivatives assets	**76**	**131**	**75**	**9**	**291**	**309**	**309**
Liabilities:							
Derivatives							
Inflow	203	400	3,943	15			
Outflow	(276)	(543)	(4,275)	(17)			
Total derivatives liabilities	**(73)**	**(143)**	**(332)**	**(2)**	**(550)**	**(761)**	**(761)**
Total derivatives	**3**	**(12)**	**(257)**	**7**	**(259)**	**(452)**	**(452)**
Financial liabilities measured at amortised cost							
Senior Facility Agreement (SFA) loan	0	0	0	(14,185)	(14,185)	(14,185)	(14,140)
Euro Medium Term Notes (EMTNs)	0	0	(7,262)	0	(7,262)	(8,018)	(7,285)
Debt relating to finance leases	(12)	(16)	(11)	(74)	(113)	(72)	(72)
Other loans	(108)	(123)	(60)	(30)	(321)	(311)	(311)
Total loans	(120)	(139)	(7,333)	(14,289)	(21,881)	(22,586)	(21,808)
SFA and EMTN, interest[3]	(730)	(1,454)	(1,316)	(655)	(4,155)	(313)	(313)
Trade and other payables[4]	(2,588)	0	0	0	(2,588)	(2,588)	(2,588)
Total financial liabilities measured at amortised cost	**(3,438)**	**(1,593)**	**(8,649)**	**(14,944)**	**(28,624)**	**(25,487)**	**(24,709)**
Total 2018	**(3,435)**	**(1,605)**	**(8,906)**	**(14,937)**	**(28,883)**	**(25,939)**	**(25,161)**
Total 2017	**(8,333)**	**(4,882)**	**(4,700)**	**(10,575)**	**(28,490)**	**(27,177)**	**(25,961)**

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 SFA loan and EMTNs at 31 December 2018.
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 provides 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. A 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

	2018	2017
Pension costs regarding defined benefit plans	122	137
Share-based remuneration	9	35
(Gain)/loss on disposal of property, plant and equipment, net	(12)	(4)
Other adjustments	38	10
Total	**157**	**178**

5.2 Change in working capital

DKKm

	2018	2017
Change in inventories	57	1
Change in receivables	166	321
Change in contract assets	38	(30)
Change in trade payables	203	23
Change in contract liabilities	(61)	(55)
Change in prepaid expenses	5	(1)
Change in other items, net	63	7
Total	**471**	**266**

§ 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 2018

Enterprises and activities acquired	Segment	Date of recognition	Proportion acquired
Mobilcenter Bagsværd A/S (formerly owned by 50%)	Business	1 January 2018	30%
CC Factory ApS	Business	17 September 2018	100%
Hiper A/S	Consumer	30 November 2018	100%

	Fair value at the time of acquisition
Intangible assets	104
Property, plant and equipment	38
Inventories	4
Receivables	32
Cash	3
Deferred tax	(10)
Long-term loans	(8)
Income tax	(2)
Trade and other payables	(43)
Acquired net assets	**118**
Goodwill	192
Non-controlling interest	(1)
Acquisition costs	**309**
Cash in acquired enterprises	(3)
Fair value of previously held equity interests	(3)
Payments in relation to acquisitions in previous years	39
Net cash flow on acquisitions	**342**

[1] Including immaterial adjustments regarding previous years' acquisitions.

The previously held ownership of 50% in Mobilcenter Bagsværd A/S was remeasured at its acquisition-date fair value and the resulting loss of DKK (1)m was recognised as Profit/(Loss) from joint ventures and associates in the income statement.

At the date of acquisition, the cost of the assets and liabilities acquired was DKK 118m. Following adjustment of net assets to fair value, goodwill was measured at DKK 192m. Goodwill represents the value of current employees and know-how as well as expected synergies arising from the business combinations.

The acquisitions had no significant impact on the income statement for 2018.

5.3 Investment in enterprises (continued)

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 (1)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.

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

§ 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 the 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

DKKm

	2018	2017
Intangible assets	0	305
Property, plant and equipment	0	87
Other non-current assets	0	40
Receivables	0	41
Income tax	0	1
Cash	0	23
Deferred tax	0	(5)
Provisions	0	(4)
Trade and other payables	0	(113)
Net assets	**0**	**375**
Profit/(loss) relating to divestment of enterprise	0	137
Of which share-based remuneration recognised in equity	0	1
Sales cost not yet paid	(1)	1
Cash and bank deposit in divested enterprise	0	(23)
Net cash flow on divestment	**(1)**	**491**

In 2017, TDC Group divested TDC Hosting A/S.

5.5 Cash flow from investing activities in discontinued operations

In 2018, TDC Group divested Get and TDC Norway. These divestments have been presented as discontinued operations.

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

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

DKKm

	2018	2017
Intangible assets	9,028	0
Property, plant and equipment	3,347	0
Other non-current assets	3	0
Inventories	7	0
Receivables and contract assets	421	0
Cash	334	0
Provisions	(814)	0
Trade and other payables	(1,173)	0
Net assets	**11,153**	**0**
Non-controlling interest in discontinued operations	**3**	**0**
TDC's share of net assets	**11,156**	**0**
Gain relating to divestment of discontinued operations including tax	5,293	26
Reversal of provision relating to divestment	0	(14)
Cost of hedges relating to the disposal	(56)	0
Reversal of currency adjustments recognised in equity	1,235	0
Sales costs not paid yet/(reversal of provision for sales costs)	3	(6)
Cash and bank deposit in discontinued operations	(227)	0
Net cash flow on divestment	**17,404**	**6**
Cash flow from investing activities in discontinued operations excluding divestment	(547)	(680)
Net cash flow from investing activities in discontinued operations	**16,857**	**(674)**

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 300 TDC Group top managers participate in a short-term bonus programme called the Top Managers' Compensation Programme, and approximately 100 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.

Performance share programme

Until May 2018, approximately 200 TDC Group managers, including the Executive Committee, participated in a performance share programme that rewarded long-term performance. The programme was settled with cash payments due to the takeover of TDC by DK Telekommunikation ApS. The settlement was based on vesting in the range of 140-200% for the various grants.

The settlement of the programme is accounted for as an acceleration of vesting, and the amount that would otherwise have been recognised as expenses over the remainder of the vesting period has been recognised as special items. The cash payments to the participants have been recognised directly in equity.

All eligible participants were granted performance share units annually. Vested performance share units were converted into shares in TDC A/S. The value of performance share units granted was 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 corresponded 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 would vest into TDC A/S shares, provided that satisfactory performance had been achieved.

For the Executive Committee, performance was measured by:

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

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

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

TSR was 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).

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

6.1 Incentive programmes (continued)

Share units

	2018				2017			
	Performance share units (EFCF-based)		Performance share units (TSR-based)		Performance share units (EFCF-based)		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	139,179	1,484,699	276,732	2,497,482	0	0	281,797	3,457,294
Granted	134,029	1,191,628	133,729	27,327	139,179	1,513,728	114,494	75,448
Vested	0	0	(46,463)	(1,040,471)	0	0	(63,109)	(948,594)
Forfeited	0	(9,250)	0	(11,493)	0	(29,029)	(56,450)	(86,666)
Settled	(273,208)	(2,667,077)	(363,998)	(1,472,845)	0	0	0	0
Outstanding at 31 December	**0**	**0**	**0**	**0**	**139,179**	**1,484,699**	**276,732**	**2,497,482**

[1] Incl. retired Executive Committee members.

The fair value at grant date for the *EFCF*-based units was DKK 34.74 per unit for the 2018 grant (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 34.82 per unit for the 2018 grant (DKK 33.40 per unit for the 2017 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

	2018	2017
Interest rate	-0.42%	-0.51%
Volatility	23.7%	27.6%
Average correlation between TDC A/S and peers	32.7%	34.4%
Share price at time of granting (DKK)	38.60	35.68

§ Accounting policies

Share-based remuneration

TDC Group operated share-based incentive programmes, under which TDC Group granted 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 performance share programme, employees provided 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 performance share programme was an equity-settled programme.

6.2 Related parties

Name of related party	Nature of relationship	Domicile
DKTUK Limited, managed by Macquarie Infrastructure and Real Assets Europe Limited	Indirect ownership	London, United Kingdom
ATP Infrastructure III K/S, managed by ATP Infrastructure III GP ApS, an entity owned by Arbejdsmarkedets Tillægspension (ATP)	Indirect ownership	Hillerød, Denmark
PFA Ophelia InvestCo I 2018 K/S, managed by PFA Pension Forsikringsaktieselskab	Indirect ownership	Copenhagen, Denmark
PKA Ophelia Holding K/S, managed by Pensionskassernes Administration	Indirect ownership	Hellerup, Denmark
DKT Holdings ApS	Indirect ownership	Copenhagen, Denmark
DKT Finance ApS	Indirect ownership	Copenhagen, Denmark
DK Telekommunikation ApS	Ownership	Copenhagen, Denmark
TDC Pensionskasse	Pension fund	Copenhagen, Denmark

The Group has one lease contract with the pension fund, TDC Pensionskasse. 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.

The Group has property lease contracts with Arbejdsmarkedets Tillægspension (ATP) and PFA Pension Forsikringsaktieselskab who are shareholders of TDC's ultimate parent company, DKT Holdings ApS.

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 specified in note 2.5.

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

Related parties

DKKm

	2018	2017
TDC Pensionskasse		
Rental expense	(3)	(3)
Investment advisory fees	17	16
Interest income of subordinated loan and other income	2	2
Debt regarding lease agreements and other payables	(2)	(7)
Subordinated loan	149	149
Other receivables	3	3
Joint ventures and associates		
Income	2	2
Expenses	(5)	(4)
Receivables	3	3

6.3 Fees to auditors

Fees to auditors elected by the Annual General Meeting

DKKm

	2018	2017
Statutory audit, PricewaterhouseCoopers	**7**	**8**
Other assurance engagements	3	2
Tax advisory services	1	1
Other services	5	5
Total non-statutory audit services, PricewaterhouseCoopers	**9**	**8**
Total, PricewaterhouseCoopers	**16**	**16**

Fee for other services than statutory audit services rendered by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab to the Group amounted to DKK 9m and consisted mainly of auditor's statements to customers regarding services provided by the Group and advisory services regarding the separating of TDC Group into two entities, mergers and acquisition of enterprises, IT, etc.

6.4 Other financial commitments

	2018	2017
Lease commitments for all operating leases[1]		
Properties and mobile sites	5,381	5,796
Machinery, equipment, computers, etc.	313	570
Total	**5,694**	**6,366**
Future sublease payments	(211)	(265)
Net commitments	**5,483**	**6,101**
Total lease commitments can be specified as follows:		
Due not later than 1 year	537	676
Due later than 1 year and not later than 5 years	1,529	1,779
Due later than 5 years	3,628	3,911
Total	**5,694**	**6,366**
Capital and purchase commitments		
Investments in intangible assets	523	913
Investments in property, plant and equipment	307	458
Commitments related to outsourcing agreements	382	355

[1] Lease commitments include commitments on vacant tenancies for which a provision of DKK 657m has been recognised in the balance sheet (2017: DKK 630m), cf. note 3.6.

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.

Comments

Some of the leases are expected to be transferred to new lessees instead of being subleased. This will reduce the commitments.

Operating leases, for which TDC Group is the lessee, are related primarily to agreements on *fibre* networks, sea *cable*s, cars, property leases and mobile sites. The lease agreements will terminate in 2041 at the latest.

6.5 Pledges and contingencies

Pledges
Cash with a carrying amount of DKK 2,244m is pledged as security for the Senior Facility Agreement.

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.

6.6 Events after the balance sheet date

[There have been no events that materially affect the assessment of this Annual Report 2018 after the balance sheet date and up to today.]

Note 6.7 New accounting standards

At 21 February 2019, 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 16 Leases amends the rules for the lessee's accounting treatment of operating leases. In future, all operating leases (with a few exceptions) must therefore be recognised in the balance sheet as lease assets and corresponding lease liabilities. The lease expenses, which are currently recognised as a single amount (operating expenses), will in the future consist of two elements: depreciation and interest expenses.
  The standard will become effective from 2019, and TDC Group will implement the standard when it becomes effective.
- IFRS 16 is expected to have some effect on the financial statements as TDC Group has a number of operating leases that will be covered by the new standard. It is estimated that the change in accounting policy will increase *EBITDA* by approximately DKK 0.4-0.5bn, increase non-current assets by approximately DKK 4.7bn, increase net interest-bearing debt by approximately DKK 5.4bn and reduce provisions related to vacant tenancies by approximately DKK 0.7bn.

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 2018

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	Bagsværd, Denmark	DKK	80
CC Factory ApS	Brøndby, Denmark	DKK	100
Cloudeon A/S[2]	Søborg, Denmark	DKK	40
Wholesale			
OCH A/S[2]	Copenhagen, Denmark	DKK	25
4T af 1. oktober 2012 ApS[2]	Copenhagen, Denmark	DKK	25
Operations			
Dansk Kabel TV A/S	Copenhagen, Denmark	DKK	100
Consumer			
Contact Center Europe GmbH	Flensburg, Germany	EUR	100
Hiper A/S	Copenhagen, 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

[1] In order to give readers a clear presentation, seven 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, TDCH III ApS, TDC N A/S and TDC O A/S.
[2] The enterprise is included under the equity method.

Parent Company financial statements

Parent Company income statement

DKKm

	Note	2018	2017
Revenue	2.1	16,719	16,715
Cost of sales		(4,638)	(4,451)
Gross profit		12,081	12,264
External expenses		(2,808)	(2,941)
Personnel expenses	2.2	(2,876)	(2,730)
Other income		132	143
Operating profit before depreciation, amortisation and special items (*EBITDA*)		6,529	6,736
Depreciation, amortisation and impairment losses		(4,071)	(4,215)
Special items	2.3	4,228	(213)
Operating profit (EBIT)		6,686	2,308
Profit from subsidiaries	3.3	535	288
Profit/(loss) from joint ventures and associates		0	(9)
Financial income and expenses	4.3	(1,132)	(660)
Profit before income taxes		6,089	1,927
Income taxes	2.4	(365)	(386)
Profit for the year		**5,724**	**1,541**

Parent Company statement of comprehensive income

DKKm

	Note	2018	2017
Profit for the year		5,724	1,541
Items that may subsequently be reclassified to the income statement:			
Exchange-rate adjustments of foreign subsidiaries, joint ventures and associates	4.3	1,514	(672)
Value adjustments of hedging instruments	4.3	(10)	30
Share of other comprehensive income in subsidiaries		(170)	85
Items that cannot subsequently be reclassified to the income statement:			
Remeasurement of the defined benefit pension plan		131	1,172
Income tax relating to remeasurement of defined benefit pension plan	2.4	(29)	(258)
Other comprehensive income		1,436	357
Total comprehensive income		**7,160**	**1,898**

Parent Company balance sheet

Assets

DKKm

	Note	2018	2017	2016
Non-current assets				
Intangible assets	3.1	23,119	22,951	23,591
Property, plant and equipment	3.2	14,701	14,936	14,903
Investments in subsidiaries	3.3	1,220	8,454	11,056
Joint ventures, associates and other investments		90	30	37
Pension assets	3.4	6,854	6,752	5,595
Receivables	3.5	194	4,071	3,554
Derivative financial instruments	4.4	0	51	88
Prepaid expenses	3.7	43	12	32
Total non-current assets		**46,221**	**57,257**	**58,856**
Current assets				
Inventories		166	217	220
Receivables	3.5	1,659	2,019	2,126
Contract assets	3.6	284	274	286
Income tax receivables	2.4	110	33	32
Derivative financial instruments	4.4	308	456	613
Prepaid expenses	3.7	398	391	519
Cash		2,236	1,639	1,567
Total current assets		**5,161**	**5,029**	**5,363**
Total assets		**51,382**	**62,286**	**64,219**

Equity and liabilities

DKKm

	Note	2018	2017	2016
Equity				
Share capital	4.1	812	812	812
Other reserves		1,048	978	413
Retained earnings		13,600	18,221	17,831
Equity attributable to owners		**15,460**	**20,011**	**19,056**
Hybrid capital		0	5,552	5,552
Total equity		**15,460**	**25,563**	**24,608**
Non-current liabilities				
Deferred tax liabilities	2.4	3,688	3,737	3,662
Provisions	3.9	971	949	886
Loans	4.2	21,686	17,278	23,963
Derivative financial instruments	4.4	0	406	290
Total non-current liabilities		**26,345**	**22,370**	**28,801**
Current liabilities				
Loans	4.2	113	4,650	220
Trade and other payables	3.8	5,283	5,181	5,106
Contract liabilities	3.6	2,569	2,621	2,687
Payables to group enterprises		734	1,303	1,995
Derivative financial instruments	4.4	762	485	658
Provisions	3.9	116	113	144
Total current liabilities		**9,577**	**14,353**	**10,810**
Total liabilities		**35,922**	**36,723**	**39,611**
Total equity and liabilities		**51,382**	**62,286**	**64,219**

Parent Company statement of cash flow

DKKm

	Note	2018	2017
Operating profit before depreciation, amortisation and special items (*EBITDA*)		6,529	6,736
Adjustment for non-cash items	5.1	182	174
Pension contributions		(8)	(90)
Payments related to provisions		(4)	(3)
Special items		(1,089)	(360)
Change in working capital	5.2	485	351
Interest received		804	559
Interest paid		(1,750)	(1,055)
Income tax paid		(479)	(539)
Cash flow from operating activities		**4,670**	**5,773**
Investment in subsidiaries		(278)	(79)
Investment in property, plant and equipment		(2,190)	(2,523)
Investment in intangible assets		(1,494)	(1,289)
Investment in associates and joint ventures		(54)	0
Investment in other non-current assets		(6)	(1)
Divestment of subsidiary		13,439	514
Sale of non-current assets		20	37
Loan to subsidiary		0	(809)
Repayment of loans to subsidiaries, joint ventures and associates		4,007	0
Dividends received from subsidiaries, joint ventures and associates		583	2,230
Cash flow from investing activities		**14,027**	**(1,920)**
Proceeds from long-term loans		46,603	0
Repayments on long-term loans		(47,366)	(1,875)
Settlement of derivatives related to long-term loans		285	0
Cost relating to short-term credit facilities		(87)	0
Finance lease repayments		(40)	(82)
Change in interest-bearing receivables and payables		(451)	(853)
Coupon payments on hybrid capital		(261)	(195)
Repayment of hybrid capital		(5,588)	0
Dividends paid		(11,316)	(802)
Sale of treasury shares		118	2
Cash flow from financing activities		**(18,103)**	**(3,805)**
Total cash flow		**594**	**48**
Cash and cash equivalents at 1 January		1,639	1,567
Cash in merged subsidiary		5	-
Effect of exchange-rate changes on cash and cash equivalents		(2)	24
Cash and cash equivalents at 31 December		**2,236**	**1,639**

Parent Company statement of changes in equity

DKKm

	Share capital	Reserve for cash flow hedges	Reserve for capitalised development projects	Retained earnings	Hybrid capital	Total
Equity at 31 December 2016	812	(205)	618	17,429	5,552	24,206
Effect of changes in accounting policies				402		402
Equity at 1 January 2017	812	(205)	618	17,831	5,552	24,608
Profit for the year	-	-	535	842	164	1,541
Exchange-rate adjustments of subsidiaries, joint ventures and associates	-	-	-	(672)	-	(672)
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	1,169	164	1,898
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	0	-		(779)	(164)	(943)
Equity at 31 December 2017	**812**	**(175)**	**1,153**	**18,221**	**5,552**	**25,563**
Profit for the year	-	-	80	5,409	235	5,724
Exchange rate adjustments of subsidiaries, joint ventures and associates	-	-	-	1,514	-	1,514
Value adjustments of hedging instruments	-	(10)	-		-	(10)
Share of other comprehensive income in subsidiaries	-	-	-	(170)	-	(170)
Remeasurement of the defined benefit pension plan	-	-	-	131	-	131
Income tax relating to remeasurement of the defined benefit pension plan	-	-	-	(29)	-	(29)
Total comprehensive income	-	(10)	80	6,855	235	7,160
Share-based remuneration	-	-	-	(240)	-	(240)
Tax on share-based remuneration				(2)	-	(2)
Sale of treasury shares	-	-	-	118	-	118
Distributed dividend				(11,316)	-	(11,316)
Coupon payments on hybrid capital	-	-	-		(261)	(261)
Income tax relating to coupon payments on hybrid capital	-	-	-		26	26
Repayment of hybrid capital				(36)	(5,552)	(5,588)
Total transactions with owners	-	-	-	(11,476)	(5,787)	(17,263)
Equity at 31 December 2018	**812**	**(185)**	**1,233**	**13,600**	**0**	**15,460**

Notes to Parent Company financial statements

Note 1.1 Accounting policies

The financial statements 2018 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 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.

Changes to accounting policies
TDC A/S has adopted the new standards, amendments to standards and interpretations that are effective for the financial year 2018.

For a description of the changes, see note 1.1 to the consolidated financial statements.

The implementation of IFRS 15 Revenue from contracts with customers has the following impact on the income statements and the balance sheets for 2018 and 2017 for the Parent Company:

Impact on income statements from the adoption of IFRS 15

DKKm

	Previous accounting policy		Changed accounting policy		New accounting policy	
	2018	2017	2018	2017	2018	2017
Revenue	16,384	16,494	335	221	16,719	16,715
Cost of sales	(4,124)	(4,024)	(514)	(427)	(4,638)	(4,451)
Gross profit	**12,260**	12,470	(179)	(206)	**12,081**	12,264
External expenses	(3,010)	(3,125)	202	184	(2,808)	(2,941)
Personel expenses	(2,887)	(2,733)	11	3	(2,876)	(2,730)
Operating profit before depreciation, amortisation and special items (*EBITDA*)	**6,495**	**6,755**	**34**	**(19)**	**6,529**	**6,736**
Special items	**4,228**	(213)	(54)	0	**4,228**	(213)
Operating profit (EBIT)	**6,706**	**2,327**	**(20)**	**(19)**	**6,686**	**2,308**
Profit from subsidiaries	526	285	9	3	535	288
Profit before income taxes	**6,100**	1,943	(11)	(16)	**6,089**	1,927
Income taxes	(358)	(390)	(7)	4	(365)	(386)
Profit for the year	**5,742**	**1,553**	(18)	**(12)**	**5,724**	**1,541**

1.1 Accounting policies (continued)

Impact on Balance sheets from the adoption of IFRS 15

DKKm

	Previous accounting policy			Changed accounting policy			New accounting policy		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Investment in subsidiaries	1,220	8,409	11,011	0	45	45	1,220	8,454	11,056
Prepaid expenses	337	300	314	(294)	(288)	(282)	43	12	32
Total non-current assets	**46,515**	**57,500**	**59,093**	**(294)**	**(243)**	**(237)**	**46,221**	**57,257**	**58,856**
Receivables	1,659	2,019	2,134	0	0	(8)	1,659	2,019	2,126
Contract assets	0	0	0	284	274	286	284	274	286
Prepaid expenses	476	471	607	(78)	(80)	(88)	398	391	519
Total current assets	**4,955**	**4,835**	**5,173**	**206**	**194**	**190**	**5,161**	**5,029**	**5,363**
Total assets	**51,470**	**62,335**	**64,266**	**(88)**	**(49)**	**(47)**	**51,382**	**62,286**	**64,219**
Retained earnings	13,228	17,834	17,429	372	387	402	13,600	18,221	17,831
Total equity	**15,088**	**25,176**	**24,206**	**372**	**387**	**402**	**15,460**	**25,563**	**24,608**
Deferred tax liabilities	3,583	3,639	3,560	105	98	102	3,688	3,737	3,662
Deferred income	373	375	373	(373)	(375)	(373)	0	0	0
Total non-current liabilities	**26,613**	**22,647**	**29,072**	**(268)**	**(277)**	**(271)**	**26,345**	**22,370**	**28,801**
Trade and other liabilities	5,271	5,156	5,074	12	25	32	5,283	5,181	5,106
Contract liabilities	0	0	0	2,569	2,621	2,687	2,569	2,621	2,687
Deferred income	2,773	2,805	2,897	(2,773)	(2,805)	(2,897)	0	0	0
Total current liabilities	**9,769**	**14,512**	**10,988**	**(192)**	**(159)**	**(178)**	**9,577**	**14,353**	**10,810**
Total liabilities	**36,382**	**37,159**	**40,060**	**(460)**	**(436)**	**(449)**	**35,922**	**36,723**	**39,611**
Total equity and liabilities	**51,470**	**62,335**	**64,266**	**(88)**	**(49)**	**(47)**	**51,382**	**62,286**	**64,219**

Note 1.1 Accounting policies (continued)

Merger of TDC A/S and Plenti ApS
With effect from 1 January 2018, TDC A/S has been merged with the subsidiary Plenti ApS. Due to immateriality, the comparative figures for 2017 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 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	2018	2017
Sales of goods	972	879
Sales of services	15,747	15,836
Total	**16,719**	**16,715**

Note 2.2 Personnel expenses

DKKm	2018	2017
Wages and salaries (including short-term bonus)	(3,210)	(2,921)
Pensions	(383)	(393)
Share-based remuneration	(16)	(34)
Social security	(69)	(67)
Total	**(3,678)**	**(3,415)**
Of which capitalised as non-current assets	802	685
Total	**(2,876)**	**(2,730)**
Average number of full-time employee equivalents[1]	5,902	5,592

[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.

Note 2.3 Special items

DKKm	2018	2017
Gain on sale of enterprises	5,053	137
Costs related to redundancy programmes and vacant tenancies	(218)	(304)
Other restructuring costs, etc.	(470)	(91)
Income from rulings	85	54
Loss from rulings	(3)	(3)
Gain on hedging of divestment of enterprises	0	0
Settlement of Performance share programme	(191)	0
Costs related to acquisition and divestment of enterprises	(28)	(6)
Special items before income taxes	**4,228**	**(213)**
Income taxes related to special items	84	57
Total special items	**4,312**	**(156)**

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

Note 2.4 Income taxes

DKKm

	2018			2017		
	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		(33)	3,737		(32)	3,560
Additions related to the merger between TDC A/S and Plenti ApS		(3)	0	-	-	-
Effects of changes in accounting policies		-	-		-	102
Tax receivable transferred from subsidiary in relation to dissolvement		(14)	-	-	-	-
Income taxes	(386)	440	(54)	(429)	515	(86)
Adjustment of tax for previous years	21	(21)	0	43	23	(66)
Tax relating to remeasurement effects from the defined benefit pension plan			29	-	-	258
Tax relating to coupon payments on hybrid capital			(26)	-	-	(31)
Tax relating to share-based remuneration			2	-	-	-
Tax paid		(479)			(539)	-
Total	**(365)**	**(110)**	**3,688**	**(386)**	**(33)**	**3,737**
Income taxes are specified as follows:						
Income excluding special items	(449)			(443)		
Special items	84			57		
Total	**(365)**			**(386)**		

TDC A/S participates in joint taxation with all its Danish subsidiaries. With effect from 4 May 2018, TDC A/S also participates in joint taxation with DK Telekommunikation ApS, DKT Finance ApS and DKT Holdings ApS, which is the management company in the joint taxation. The jointly taxed companies 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

%

	2018	2017
Danish corporate income tax rate	22.0	22.0
Profit from subsidiaries, joint ventures and associates	(6.3)	(2.8)
Other non-taxable income and non-tax deductible expenses	0.1	0.0
Adjustment of tax for previous years	(1.1)	(2.0)
Limitation on the tax deductibility of interest expenses	9.4	3.6
Other	(0.0)	(0.1)
Effective tax rate excluding special items	**24.1**	**20.7**
Other special items	(18.1)	(0.7)
Effective tax rate including special items	**6.0**	**20.0**

Specification of deferred tax

DKKm

	2018	2017
Intangible assets	110	0
Other	25	116
Current	**135**	**116**
Intangible assets	1,656	2,325
Property, plant and equipment	482	2
Pension assets	1,508	1,486
Other	(93)	(192)
Non-current	**3,553**	**3,621**
Deferred tax at 31 December	**3,688**	**3,737**

Note 3.1 Intangible assets

DKKm

	2018					2017				
	Goodwill	Customer relations	Brands	Rights, software, etc.	Total	Goodwill	Customer relations	Brands	Rights, software, etc.	Total
Accumulated cost at 1 January	15,149	14,314	5,459	12,259	47,181	15,581	14,343	5,459	11,730	47,113
Additions related to the merger between TDC A/S and Plenti ApS	131	0	11	4	146	-	-	-	-	-
Additions	344	1	0	1,367	1,712	0	27	0	1,136	1,163
Assets disposed of or fully amortised	0	(3)	(13)	(244)	(260)	(432)	(56)	0	(607)	(1,095)
Accumulated cost at 31 December	**15,624**	**14,312**	**5,457**	**13,386**	**48,779**	**15,149**	**14,314**	**5,459**	**12,259**	**47,181**
Accumulated amortisation and write-downs for impairment at 1 January	(3,693)	(11,292)	(117)	(9,128)	(24,230)	(3,900)	(10,808)	(114)	(8,700)	(23,522)
Additions related to the merger between TDC A/S and Plenti ApS	0	0	(1)	(1)	(2)	-	-	-	-	-
Amortisation	0	(472)	(4)	(1,149)	(1,625)	0	(537)	(3)	(1,025)	(1,565)
Write-downs for impairment	0	(5)	(9)	(49)	(63)	0	(3)	0	(10)	(13)
Assets disposed of or fully amortised	0	3	13	244	260	207	56	0	607	870
Accumulated amortisation and write-downs for impairment at 31 December	**(3,693)**	**(11,766)**	**(118)**	**(10,083)**	**(25,660)**	**(3,693)**	**(11,292)**	**(117)**	**(9,128)**	**(24,230)**
Carrying amount at 31 December	**11,931**	**2,546**	**5,339**	**3,303**	**23,119**	**11,456**	**3,022**	**5,342**	**3,131**	**22,951**

The carrying amount of software amounted to DKK 1,924m (2017: DKK 1,758m).
The addition of internally developed software amounted to DKK 415m (2017: DKK 304m).

Goodwill is related to YouSee, Online Brands and Business. The addition in 2018 of DKK 344m relates to transfer from the investment in Norwegian business to YouSee. 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

DKKm

	2018					2017				
	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	551	34,674	1,925	703	37,853	549	32,562	1,849	570	35,530
Transfers (to)/from other items	1	528	40	(569)	0	0	580	31	(611)	0
Additions	17	1,398	165	568	2,148	2	1,763	161	744	2,670
Assets disposed of	0	(150)	(37)	0	(187)	0	(231)	(116)	0	(347)
Accumulated cost at 31 December	**569**	**36,450**	**2,093**	**702**	**39,814**	**551**	**34,674**	**1,925**	**703**	**37,853**
Accumulated depreciation and write-downs for impairment at 1 January	(125)	(20,968)	(1,502)	(322)	(22,917)	(106)	(18,766)	(1,449)	(306)	(20,627)
Depreciation	(9)	(2,181)	(173)	0	(2,363)	(10)	(2,413)	(169)	0	(2,592)
Write-downs for impairment	0	(12)	(2)	(6)	(20)	(9)	(20)	0	(16)	(45)
Assets disposed of	0	150	37	0	187	0	231	116	0	347
Accumulated depreciation and write-downs for impairment at 31 December	**(134)**	**(23,011)**	**(1,640)**	**(328)**	**(25,113)**	**(125)**	**(20,968)**	**(1,502)**	**(322)**	**(22,917)**
Carrying amount at 31 December	**435**	**13,439**	**453**	**374**	**14,701**	**426**	**13,706**	**423**	**381**	**14,936**
Carrying amount of finance leases at 31 December	**46**	**19**	**0**	**-**	**65**	**49**	**37**	**0**	**-**	**86**

Note 3.3 Investments in subsidiaries

DKKm

	2018	2017
Accumulated cost at 1 January	18,178	19,345
Adjustment relating to the merger between TDC A/S and Plenti ApS	(74)	-
Additions	278	79
Disposals	(10,103)	(268)
Currency translation adjustments	140	(978)
Accumulated cost at 31 December	**8,419**	**18,178**
Accumulated write-downs at 1 January	(9,724)	(8,334)
Adjustment relating to the merger between TDC A/S and Plenti ApS	12	-
Adjustment relating to changes in accounting policies	-	45
Dividends from subsidiaries	(596)	(2,230)
Other adjustments through equity	(170)	85
Disposals	2,605	118
Share of profit/(loss)	535	288
Currency translation adjustments	139	304
Accumulated write-downs at 31 December	**(7,199)**	**(9,724)**
Carrying amount at 31 December	**1,220**	**8,454**

Overview of subsidiaries at 31 December 2018

Company name[1]	Domicile	Currency	Ownership share (%)
Subsidiaries:			
CC Factory ApS	Brøndby, Denmark	DKK	100
Contact Center Europe GmbH	Flensburg, Germany	EUR	100
Dansk Kabel TV A/S	Copenhagen, Denmark	DKK	100
Hiper A/S	Copenhagen, Denmark	DKK	100
TDC Mobil Center A/S	Odense, Denmark	DKK	100
TDC Nordic AB	Stockholm, Sweden	SEK	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

	2018	2017
Trade receivables	1,775	1,891
Allowances for doubtful debts	(232)	(233)
Trade receivables, net	1,543	1,658
Receivables from group enterprises	70	4,183
Receivables from joint ventures and associates	3	3
Other receivables	237	246
Total	**1,853**	**6,090**
Recognised as follows:		
Non-current assets	194	4,071
Current assets	1,659	2,019
Total	**1,853**	**6,090**
Allowances for doubtful debts at 1 January	(233)	(234)
Additions	(93)	(92)
Realised losses	61	50
Reversed allowances	33	43
Allowances for doubtful debts at 31 December	**(232)**	**(233)**

Receivables past due all related to trade receivables. Of receivables classified as current assets, DKK 19m (2017: DKK 15m) falls due after more than one year.

At 31 December 2017, the Parent Company had provided intra-group loans totalling NOK 4,781m to Get AS and NOK 300m to TDC Norge AS. The loans were repaid upon the divestment of the two subsidiaries.

Note 3.5 Receivables (continued)

Trade receivables

DKKm

2018	Not yet due	Less than 1 month past due	More than 1 month past due	More than 3 months past due	More than 6 months past due	Total
Expected loss rate	1%	1%	3%	22%	78%	13%
Gross carrying amount	1,121	237	102	50	265	1,775
Loss allowance	(10)	(2)	(3)	(11)	(206)	(232)

DKKm

2017	Not yet due	Less than 1 month past due	More than 1 month past due	More than 3 months past due	More than 6 months past due	Total
Expected loss rate	0%	1%	2%	13%	73%	12%
Gross carrying amount	1,181	274	95	40	301	1,891
Loss allowance	(4)	(2)	(2)	(5)	(220)	(233)

Note 3.6 Contract assets and liabilities

DKKm

	2018	2017
Assets recognised from costs to obtain a contract (Subscriber Acquisition Costs)	284	274
Work in process for the account of third parties	0	0
Total contract assets	**284**	**274**
Deferred subscription income	2,546	2,592
Work in process for the account of third parties, liabilities	23	29
Total contract liabilities	**2,569**	**2,621**

Note 3.7 Prepaid expenses

DKKm

	2018	2017
Prepaid expenses related to service contracts	138	101
Other prepaid expenses	303	302
Total	**441**	**403**
Recognised as follows:		
Non-current assets	43	12
Current assets	398	391
Total	**441**	**403**

Note 3.8 Trade and other payables

DKKm

	2018	2017
Trade payables	3,678	3,403
Prepayments from customers	126	119
Accrued interest	313	547
Holiday allowance provision	532	501
VAT and other taxes	218	202
Personnel expenses payables	260	172
Other payables	156	237
Total	**5,283**	**5,181**

Of the current liabilities, DKK 43m falls due after more than one year (2017: DKK 215m).

Note 3.9 Provisions

DKKm

	2018				2017
	Decommissioning obligations	Restructuring obligations	Other provisions	Total	Total
Provisions at 1 January	236	716	110	1,062	1,029
Additions related to the merger between TDC A/S and Plenti ApS	1	0	0	1	-
Provisions made	5	214	9	228	252
Change in present value	(5)	8	0	3	15
Provisions used (payments)	(5)	(183)	(15)	(203)	(228)
Reversal of unused provisions	0	(1)	(3)	(4)	(6)
Provisions at 31 December	**232**	**754**	**101**	**1,087**	**1,062**
Recognised as follows:					
Non-current liabilities	232	659	80	971	949
Current liabilities	0	95	21	116	113
Total	**232**	**754**	**101**	**1,087**	**1,062**

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 129 (2017: 131) 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

DKKm

	Minimum payments		Present value	
	2018	2017	2018	2017
Maturing within 1 year	7	36	7	35
Maturing between 1 and 3 years	11	16	10	15
Maturing between 3 and 5 years	11	11	8	9
Maturing after 5 years	74	80	37	39
Total	**103**	**143**	**62**	**98**

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

For further information on loans, see notes 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

DKKm

	2018	2017
Interest income	5	8
Interest expenses	(1,082)	(650)
Interest from group enterprises	139	166
Interest to group enterprises	(1)	(1)
Net interest	**(939)**	**(477)**
Currency adjustment	(60)	(260)
Fair value adjustment	(241)	(1)
Interest, currency translation adjustments and fair value adjustments	**(1,240)**	**(738)**
Interest on pension assets	108	78
Total	**(1,132)**	**(660)**

Net financials recognised in other comprehensive income

DKKm

	2018	2017
Currency translation adjustment, subsidiaries, joint ventures and associates	279	(672)
Reversal of currency translation adjustment related to disposal of subsidiaries, joint ventures and associates	1,235	0
Exchange-rate adjustments of subsidiaries, joint ventures and associates	**1,514**	**(672)**
Change in fair value adjustments of cash flow hedges	(30)	38
Change in fair value adjustments of cash flow hedges transferred to financial expenses	20	(8)
Value adjustments of hedging instruments	**(10)**	**30**

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

	2018	2017
Pension costs related to the defined benefit plan	122	137
Share-based remuneration	16	34
(Gain)/loss on disposal of enterprises and property, plant and equipment, net	(10)	(3)
Other adjustments	54	6
Total	**182**	**174**

Note 5.2 Change in working capital

DKKm

	2018	2017
Change in inventories	51	3
Change in receivables	275	253
Change in contract assets	(9)	11
Change in trade payables	238	(43)
Change in contract liabilities	(52)	(67)
Change in other items, net	(18)	194
Total	**485**	**351**

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

	2018	2017
Income	324	345
Expenses	(613)	(753)
Receivables	70	4,183
Debt	(734)	(1,303)
Guarantees	(56)	(59)

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

	2018	2017
Statutory audit	**6**	**6**
Other assurance engagements	3	1
Tax advisory services	1	1
Other services	5	4
Total non-statutory audit services	**9**	**6**
Total	**15**	**12**

Note 6.3 Other financial commitments

DKKm	2018	2017
Lease commitments		
Lease expenses relating to properties and mobile sites in the period of interminability	5,371	5,656
Accumulated lease commitments for machinery, equipment, computers, etc.	273	325
Total	**5,644**	**5,981**
specified as follows:		
Due not later than one year	517	521
Due later than one year but not later than five years	1,499	1,559
Due later than five years	3,628	3,901
Total	**5,644**	**5,981**
Lease expense for the year for all operating leases		
Lease payments	588	590
Sublease payments	(151)	(148)
Total	**437**	**442**
Capital and purchase commitments		
Investments in intangible assets	523	913
Investments in property, plant and equipment	307	458
Commitments related to outsourcing agreements	382	355

Operating leases, for which the Parent Company is the lessee, relate primarily to agreements for *fibre* networks and sea *cable*s, 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 211m at 31 December 2018 (2017: DKK 265m).

Note 6.4 Pledges and contingencies

Cash with a carrying amount of DKK 2,236m and receivables from group enterprises with a carrying amount of DKK 70m are pledged as security for long-term loans.

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

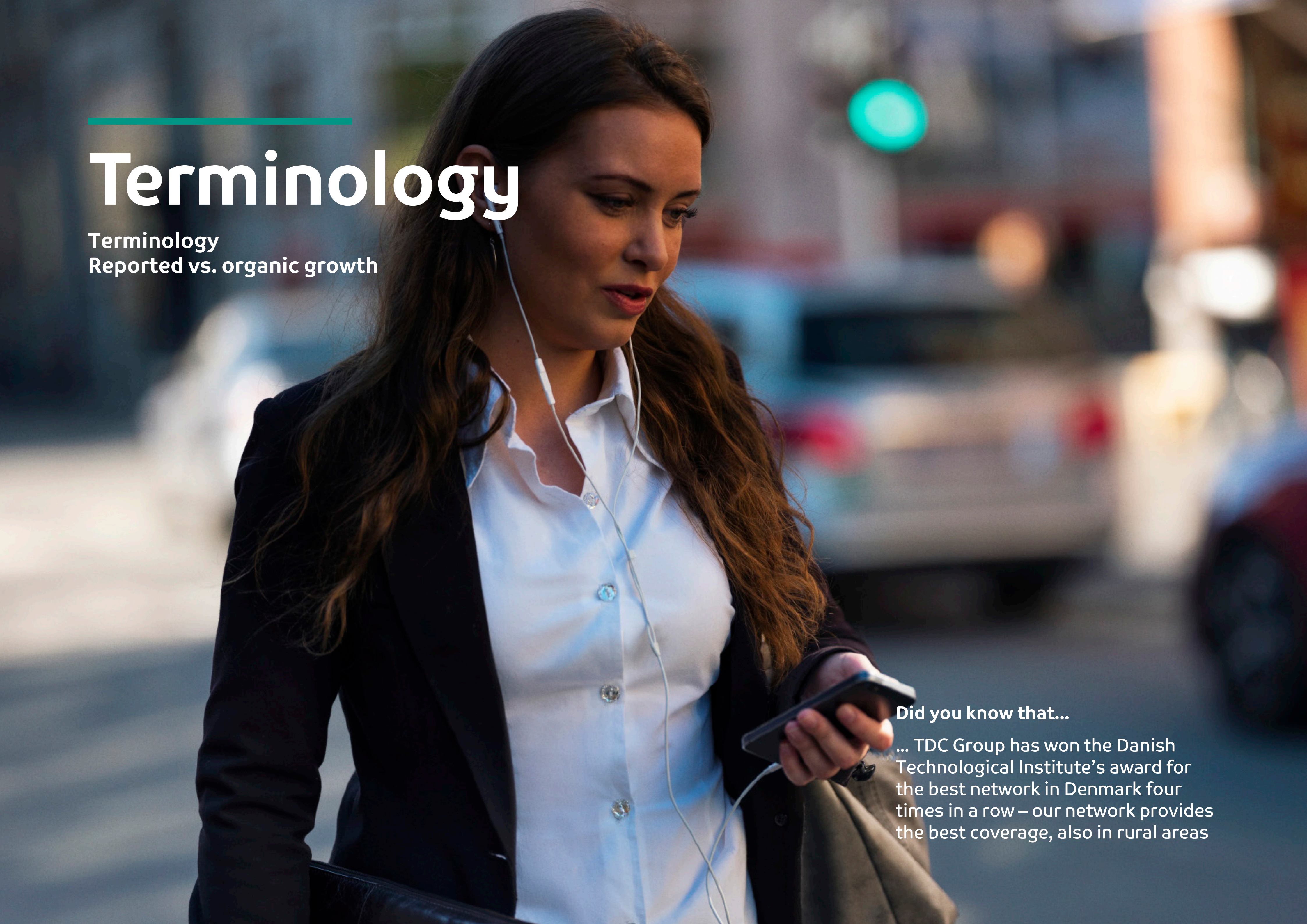
TDC A/S is jointly registered for Danish VAT with the majority of Danish subsidiaries and is jointly and severally liable for payment of VAT.

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.



Terminology

Terminology
Reported vs. organic growth

Did you know that...

... TDC Group has won the Danish Technological Institute's award for the best network in Denmark four times in a row – our network provides the best coverage, also in rural areas

Terminology

Financial terms

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.

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.

Cloud refers to online distributed computing, storage, and back-up.

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.

IoT or Internet of Things refers to a network of electronic devices that can collect and share data via sensors.

Integrated services refers to services encompassing communication, security and cloud.

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.

Managed services refer to services that are managed by the provider of the service.

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.

NPS or Net Promoter Score measures your customers experience and loyalty towards the company or brand.

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.

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.

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 effects from acquisitions and divestments, changes in regulation, and non-recurring items related to the split of TDC Group into two business lines OpCo and NetCo.

Acquisitions and divestments
In 2018, acquisitions and divestments were affected by the acquisitions of Plenti in late 2017 and Business Centre Jylland as of 1 January 2018 as well as divestment of Hosting finalised by the end of March 2017.

Regulation
The EU regulation on *roaming* affected TDC Group's financials negatively in 2018. 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. *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 2018 led to a price increase of 15% on regulated broadband prices resulting from the revised calculation of Cost of Capital. This led to a positive YoY financial impact for TDC Group in 2018.

Non-recurring items
In 2018, the split of TDC Group into two business lines, OpCo and NetCo was initiated. This resulted in costs to execute the analysis phase and start-up of the split.

Disclaimer

Design and layout
Bysted FFW and SkabelonDesign

Photos
Photos from TDC picture bank and others

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

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