Annual Report 2006

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Financial highlights for the year

The TDC Group's (TDC's) revenue rose by 1.8% to DKK 47,429m, with income before depreciation, amortization and special items (EBITDA) up 5.0% to DKK 13,655m. Including special items and fair value adjustments, net income was DKK 3,443m, which is DKK 4,007m below 2005. Net income, excluding special items and fair value adjustments, was DKK 3,362m, down 28.5% compared with 2005. Net income, excluding special items and fair value adjustments, decreased primarily as a consequence of changed capital structure resulting from the financing of interim dividends paid in April 2006. The decrease in net income including special items and fair value adjustments primarily reflects the profit on the disposal of TDC Directories in 2005.

The EBITDA growth was supported by TDC's growth in the domestic and international mobile businesses, the successful sale of broadband and fiber solutions in TDC Solutions, and the effect of redundancy programs. Also, TDC Cable TV continued to increase its customer base and earnings. The growth in TDC was achieved despite considerable competition and a general decline in traditional landline telephony. The performance was impacted by acquired and divested companies, especially the acquisitions of HTCC and TDC Dotcom, in 2005.

TDC's EBITDA increased from 2002 to 2006 and in the same period the CAGR (Compounded Annual Growth Rate) was 7.5%. Also in the period from 2002 – 2006, the EBITDA margin improved from 25.1% to 28.8%, with a decrease in 2005 to 27.9% due to acquired companies with lower EBITDA margins.

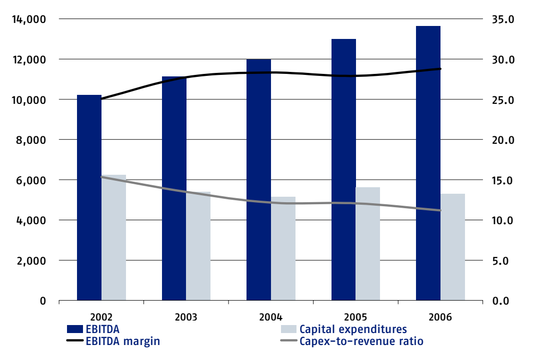
Compared with the Outlook for 2006 described in the Annual Report 2005, TDC's revenue was DKK 0.6bn lower, impacted by lower revenue in TDC Solutions, TDC Mobile International and TDC Switzerland. The lower revenue was compensated for by an increase in EBITDA margin driven by increased efficiency. EBITDA was DKK 0.3bn higher than the Outlook. Compared with the Outlook, net income, excluding special items and fair value adjustments, was DKK 1.1bn lower, and related to the change in the capital structure. The Outlook provided with the Annual Report 2005 was based on an assumption of an unchanged capital structure.

Revenue and EBITDA, respectively, were DKK 0.1bn and DKK 0.3bn higher than stated in the latest Outlook for 2006 presented in the third-quarter report. The higher revenue stemmed mainly from TDC Mobile International due to higher average revenue per user (ARPU) and more customers. The higher EBITDA stemmed mainly from TDC Mobile International as well as TDC Switzerland. Net Income, excluding special items and fair value adjustments, was DKK 0.2bn higher due to the higher EBITDA.

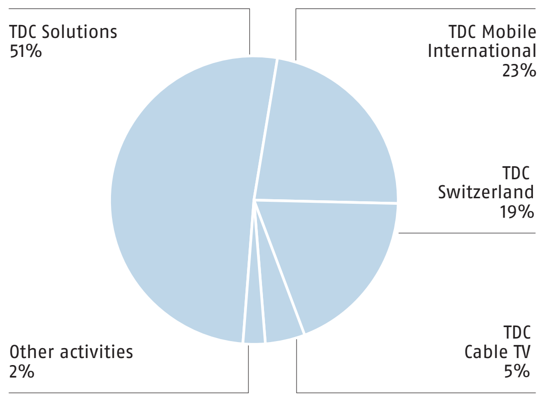
The above results are reviewed in detail in Management's Discussion and Analysis of Financial Statements.

EBITDA
Capital expenditures (DKKm)

Capex-to-revenue ratio
EBITDA margin (%)



TDC Group
EBITDA per business line



Major events in 2006

Redundancy program in TDC's domestic business

On January 20, 2006, TDC announced its decision to initiate a redundancy program for up to 570 employees in TDC's domestic business in the course of 2006. The redundancy program ended up covering 554 employees. The total costs related to the redundancies were DKK 407m before tax. This amount was expensed as a special item in 2006.

Change of ownership and new Board of Directors

On February 1, 2006, Nordic Telephone Company ApS (NTC) settled its public tender offer of December 2, 2005, for TDC, and thereby became the owner of 88.2% of the common shares in TDC entailing that a change of ownership had occurred (after redelivery of the employee shares in December 2006, NTC's ownership share was reduced to 87.9%, cf. also "Extraordinary General Meeting, initiation of compulsory redemption of shares, legal proceedings and redelivery of tied-up employee shares" below). At an Extraordinary General Meeting on February 28, 2006, each of the 6 directors elected by the General Meeting resigned and 5 new directors, nominated by NTC, were elected. The Board of Directors elected Kurt Björklund as Chairman.

Polkomtel

As a consequence of the change of ownership, in accordance with the shareholders' agreement and the Articles of Association of the Polish mobile operator Polkomtel, in February 2006, TDC offered its entire 19.6% stake for sale to the other existing shareholders in Polkomtel at a price per share of EUR 214.04, reflecting a value of 100% of the share capital of Polkomtel of EUR 4,388m. On March 10, 2006, the Polish shareholders accepted TDC's offer. This acceptance represents 14.8% of the total share capital of Polkomtel or approximately 76% of TDC's shares in Polkomtel. The only remaining shareholder, Vodafone, has contested the procedure initiated by TDC and the offer price. In Polish courts, Vodafone has obtained an injunction against the transfer of TDC's shares in Polkomtel. In order to maintain the injunction, Vodafone has initiated arbitration proceedings. It is a condition for the closing of the sale to the Polish shareholders that such closing is not prevented by the legal actions taken by Vodafone.

Extraordinary General Meeting, initiation of compulsory redemption of shares, legal proceedings and redelivery of tied-up employee shares

Following completion of the public tender offer for the shares in TDC and at NTC's request, the Board of Directors of TDC convened an Extraordinary General Meeting held on February 28, 2006. The Extraordinary General Meeting adopted among other things the proposals from NTC regarding (i) a new Board of Directors, (ii) an authorization for the Board of Directors to distribute interim dividends, and (iii) amendments of the Articles of Association enabling NTC to compulsorily redeem the remaining outstanding shares.

At the beginning of March, NTC initiated a compulsory redemption of the remaining outstanding shares in TDC based on the amendments of the Articles of Association adopted at the Extraordinary General Meeting. However, on March 8, 2006, the Danish Commerce and Companies Agency rejected the request to register these amendments and NTC suspended the compulsory redemption of the remaining outstanding shares.

In May, TDC and NTC brought the decision of the Danish Commerce and Companies Agency before the courts. In parallel, the Danish Labor Market Supplementary Pension Scheme (ATP) initiated legal proceedings against TDC and NTC in March claiming among other things that the provision in the Articles of Association regarding compulsory redemption is invalid. Both these proceedings are now pending.

The employee shareholders' acceptance of NTC's public tender offer in December 2005/January 2006 was conditional upon NTC irrevocably effecting a compulsory redemption of the outstanding shares in TDC by December 1, 2006, this being due to the tied-up nature of the employee shares.

On December 1, 2006, NTC informed TDC that the Danish Commerce and Companies Agency's rejection to carry out the registration had resulted in NTC being unable to irrevocably effect the compulsory redemption by December 1, 2006, and therefore NTC had to redeliver the employee shares to the employee shareholders in accordance with the special terms for tied-up employee shares set out in

NTC's offer document. The redelivery was carried out in December. After the redelivery NTC owns app. 87.9% of TDC's share capital.

Senior Facilities Agreement

On March 3, 2006, TDC entered into a senior facilities agreement as borrower and guarantor (the "Senior Facilities Agreement") originally entered into between, amongst others, Nordic Telephone Company Holding ApS as the original borrower and the original guarantor and Barclays Capital, Credit Suisse First Boston International, Deutsche Bank AG, London Branch, J.P. Morgan plc and The Royal Bank of Scotland plc as the original lenders.

The Senior Facilities Agreement is a secured multi-currency term facility originally in an amount of up to EUR 9,600,000,000. It is composed of three term loan facilities of originally up to EUR 7,800,000,000 in aggregate, a revolving credit facility of up to EUR 700,000,000, and a term loan facility (the "Cash Bridge Facility") of up to EUR 1,100,000,000 (together the "Senior Facilities"). On December 31, 2006, the aggregate nominal debt of the three term loan facilities amounted to EUR 6,408,209,239. The Cash Bridge Facility has been cancelled.

TDC has among other things used the Senior Facilities for refinancing certain existing interest-bearing debt and for financing certain dividend payments.

Interim dividends

On April 11, 2006, interim dividends of DKK 219.50 per share of a nominal value of DKK 5 each, totaling DKK 43,481m, excluding dividends of treasury shares, were paid out after the decision by TDC's Board of Directors using the authorization adopted at the Extraordinary General Meeting on February 28, 2006.

On June 29, 2006, interim dividends of DKK 4.35 per share of a nominal value of DKK 5 each, totaling DKK 862m, excluding dividends of treasury shares, were paid out after the decision by TDC's Board of Directors using an authorization adopted at the Annual General Meeting on April 26, 2006.

Updated TDC Credit Rating by Standard & Poor's and Moody's Investor Service (Moody's) as well as New Credit Rating by Fitch Ratings

Following a downgrading by Standard & Poor's on January 26, 2006, of the credit rating for long-term debt from BBB+ with a negative outlook on April 11, 2006, to BB with a negative outlook Standard & Poor's published another change of TDC's credit rating. The credit rating for long-term debt for TDC was adjusted downwards to BB- with a stable outlook. The Senior Facilities Agreement was rated at BB-. The credit rating for TDC's outstanding EMTN program (senior debt without security in TDC's assets) was adjusted downwards to B from BB. The credit rating regarding the short-term debt was unchanged at B.

On April 12, 2006, Fitch Ratings published their credit rating of TDC. Fitch Ratings assigned TDC a rating of BB- with a stable outlook and a short-term rating of B. The Senior Facilities Agreement was assigned BB+, and the unsecured long-term rating of the outstanding bonds under TDC's EMTN program was assigned a BB- rating.

Following a downgrading by Moody's in November 2005 of the credit rating for long-term debt from Baa1 to Ba1 on review for downgrade Moody's on April 13, 2006, downgraded TDC's long-term corporate credit rating to Ba3 with a stable outlook. The Senior Facilities Agreement was assigned Ba2, while the unsecured long-term rating of the EMTN bonds was lowered to Ba3 from Ba1. TDC's short-term credit rating was withdrawn by Moody's.

The credit ratings by Standard & Poor's, Moody's and Fitch Ratings reflect the new leveraged capital structure of TDC following the completion of the public tender offer by NTC to TDC's shareholders in January 2006.

Delisting from the New York Stock Exchange, Termination of ADR-program and SEC-registration

On April 19, 2006, the US Securities and Exchange Commission (SEC) approved TDC's application to withdraw TDC's American Depository Shares (ADSs) under its American Depository Receipts program (ADR program) and ordinary shares from listing and registration on the New York Stock Exchange.

On June 21, 2006, TDC instructed the Bank of New York (BoNY), as the depositary under the deposit agreement, to stop offering ADSs as of June 26, 2006. Furthermore, the deposit agreement was amended allowing BoNY to sell all remaining deposited shares 30 days after termination of the deposit agreement. Finally, the deposit agreement was terminated as of September 26, 2006. TDC's ADR program was finally terminated at the end of October 2006.

On November 13, 2006, TDC filed a Notice of Termination of Registration under section 12(g) of the Securities Exchange Act of 1934 with the SEC. TDC's duty to file reports under sections 13(a) and 15(d) of the Securities Exchange Act was suspended with effect from the filing date and was finally terminated in February 2007.

Annual General Meeting 2006

TDC's Annual General Meeting 2006 was held on April 26. Among other things a series of amendments to the Articles of Association were adopted and Vagn Sørensen was elected as a new member of the Board of Directors. At a subsequent board meeting the Board of Directors elected Kurt Björklund as Chairman and Vagn Sørensen as Vice Chairman.

Workforce in TDC Switzerland reduced by 145 employees

On May 17, 2006, TDC decided to implement a redundancy program covering 145 employees in TDC Switzerland. In collaboration with employee representatives and labor unions, TDC Switzerland had created a social compensation plan. Total costs related to workforce reductions were DKK 46m before tax. This amount was expensed as a special item in 2006.

LRIC TDC Switzerland

On May 22, 2006, TDC Switzerland received the final ruling from the Swiss Federal Court (the Court) in the interconnection proceedings that have been pending since April 2000. Since January 1, 2000, Swisscom has been required to calculate its prices for interconnection services based on the Long Run Incremental Cost (LRIC) principle. However, the prices charged by Swisscom had been disputed by TDC Switzerland.

For the period 2000-2003, the Court finally approved in principle the prices previously set by the Federal Communications Commission (ComCom) in June 2005. The approved prices of ComCom are substantially lower than the prices charged by Swisscom. Only on a minor point, ComCom had to recalculate the prices of Swisscom. The prices for 2004-2007 will be defined in accordance with the principles for the final prices for 2000-2003.

On July 4, 2006, TDC finalized its assessment of the ruling and applied certain assumptions regarding the final outcome of the proceedings. In accordance with IFRS, TDC estimated the income that was assessed to be virtually certain and accordingly estimated that the financial impact for TDC Switzerland for the years 2000-2005 would be an income before tax of CHF 186m or DKK 890m.

At the end of 2006, TDC assessed the financial impact a second time and adjusted the recognition in the financial statements of income before tax to CHF 208m or DKK 995m for the years 2000-2005. The impact for 2006 of the adjustment amounted to approximately CHF 5m or DKK 24m before tax.

Invitation to subscribe for shares in Nordic Telephone Company Investment ApS

On September 22, 2006, TDC was notified by the board of directors of Nordic Telephone Company Investment ApS (NTCI) that NTCI had invited a group of approximately 40 senior executives and directors to subscribe for shares in NTCI.

NTCI is the ultimate Danish holding company in the group of companies with an ownership interest in TDC at that time of app. 88.2% (after redelivery of the employee shares in December 2006, NTC's ownership share was reduced to 87.9%, cf. also "Extraordinary General Meeting, initiation of compulsory redemption of shares, legal proceedings and redelivery of tied-up employee shares" above).

On October 30, 2006, NTCI informed TDC that 41 participants had accepted the invitation. The participants had subscribed shares for a total of DKK 51.5m amounting to 4.3% of the ordinary share capital of NTCI (if fully subscribed, the contribution would have amounted to DKK 53m corresponding to 4.5% of the ordinary share capital). TDC's CEO, Jens Alder, had subscribed shares for an amount of DKK 10m; CFO, Hans Munk Nielsen, for an amount of DKK 4.5m; the previous CEO of TDC and expected future Chairman, Henning Dyremose, for an amount of DKK 3m; and the Vice Chairman, Vagn Sørensen, for an amount of DKK 1m. The remaining 37 participants had subscribed shares for a total of DKK 33m.

Acquisition of Esbjerg Municipality's cable TV and internet

On September 25, 2006, TDC announced the acquisition of Esbjerg Municipality's cable TV and internet assets and activities, a television and internet service provider for approximately 39,000 households, at a price of DKK 265m. The transaction was effective from November 15, 2006, and was concluded as an acquisition of assets whereby TDC acquired networks and customers and took over a number of employees. Prior to the acquisition, TDC supplied cable TV to Esbjerg Municipality's cable TV.

Change and enlargement of the Executive Committee

On November 1, 2006, Jens Alder became President and Chief Executive Officer (CEO) of TDC after Henning Dyremose. Until the end of January 2006, Jens Alder was President and CEO of Swisscom.

On November 29, 2006, TDC announced the Board of Directors' decision to enlarge the Executive Committee with three new members as of January 1, 2007; the three new members being Kim Frimer, CEO of TDC Solutions, Mads Middelboe, CEO of TDC Mobil, and Henriette Fenger Ellekrog, Group HR Manager. Besides being members of the Executive Committee, Kim Frimer and Mads Middelboe would continue as CEOs of TDC Solutions and TDC Mobil respectively. See "Note 43 Events after the balance sheet date" in the Financial Statements, regarding Kim Frimer's resignation from his positions in TDC and TDC Solutions on January 9, 2007.

Management changes in TDC subsidiaries

On November 1, 2006, Christoph Brand took up the position as CEO of TDC's wholly owned subsidiary TDC Switzerland. Christoph Brand left Swisscom in April 2006, in which company he has had various management positions. Christoph Brand replaced Jesper Theill Eriksen, who took up the position as CEO of TDC's wholly owned subsidiary TDC Mobile International also on November 1, 2006, while the previous CEO of TDC Mobile International left TDC.

Selected financial and operational data

TDC Group[1]		2002	2003	2004	2005	2006	2006[3]	2006[4]
Statements of Income:	DKKm						USDm	EURm
Revenue		40,730	40,152	42,339	46,588	47,429	8,378	6,361
Income before depreciation, amortization and special items (EBITDA)		**10,216**	**11,139**	**11,996**	**13,003**	**13,655**	**2,412**	**1,831**
Depreciation, amortization and impairment losses		(6,078)	(6,162)	(6,661)	(6,790)	(6,551)	(1,157)	(878)
Operating income (EBIT), excluding special items		**4,138**	**4,977**	**5,335**	**6,213**	**7,104**	**1,255**	**953**
Special items		(346)	(1,060)	385	(968)	(319)	(57)	(43)
Operating income (EBIT), including special items		**3,792**	**3,917**	**5,720**	**5,245**	**6,785**	**1,198**	**910**
Income from associates and joint ventures		1,294	777	5,632	334	449	79	60
Net financials		1,654	(561)	(716)	(1,056)	(2,697)	(476)	(361)
Income before income taxes		**6,740**	**4,133**	**10,636**	**4,523**	**4,537**	**801**	**609**
Income taxes		(1,114)	(1,098)	(1,041)	(1,026)	(1,094)	(193)	(147)
Net income from continuing operations		**5,626**	**3,035**	**9,595**	**3,497**	**3,443**	**608**	**462**
Net income from discontinued operations		226	176	315	3,953	0	0	0
Net income		**5,852**	**3,211**	**9,910**	**7,450**	**3,443**	**608**	**462**
Attributable to:								
– Shareholders of the Parent Company		6,079	3,203	9,912	7,474	3,446	**609**	**462**
– Minority interests		(227)	8	(2)	(24)	(3)	**(1)**	**(0)**
Net income, excluding special items and fair value adjustments[2]:								
Operating income (EBIT), excluding special items		**4,138**	**4,977**	**5,335**	**6,213**	**7,104**	**1,255**	**953**
Income from associates and joint ventures		972	1,351	566	334	439	78	59
Net financials		(1,033)	(1,155)	(894)	(872)	(2,861)	(506)	(384)
Income before income taxes		**4,077**	**5,173**	**5,007**	**5,675**	**4,682**	**827**	**628**
Income taxes		(974)	(1,348)	(1,360)	(1,224)	(1,320)	(233)	(177)
Net income from continuing operations		**3,103**	**3,825**	**3,647**	**4,451**	**3,362**	**594**	**451**
Net income from discontinued operations		226	233	296	248	0	0	0
Net income		**3,329**	**4,058**	**3,943**	**4,699**	**3,362**	**594**	**451**
Balance Sheets	DKKbn						USDbn	EURbn
Total assets		85.0	92.6	90.3	93.5	80.8	14.3	10.8
Net interest-bearing debt		26.0	28.8	20.1	16.5	55.2	9.8	7.4
Total equity		36.0	35.9	38.9	43.8	3.6	0.6	0.5
Shares outstanding (million)		214.9	213.6	204.6	195.2	197.8	197.8	197.8
Statements of Cash Flow	DKKm						USDm	EURm
Operating activities		9,900	10,679	11,084	8,691	10,141	1,795	1,363
Investing activities		(2,102)	(12,618)	2,889	(1,226)	(989)	(166)	(126)
Financing activities		(6,771)	4,932	(12,573)	(4,229)	(15,760)	(2,796)	(2,123)
Total cash flow		1,027	2,993	1,400	3,236	(6,608)	(1,167)	(886)
Capital expenditures	DKKbn						USDbn	EURbn
Excluding share acquisitions		6.3	5.4	5.1	5.6	5.3	0.9	0.7
Including share acquisitions		7.2	13.5	10.0	6.3	5.7	1.0	0.8

[1] Pension costs are recognized in accordance with US GAAP FAS Nos. 87/88 for 2002-2003 and in accordance with IAS 19 with effect from 2004.
[2] Net income excluding special items and fair value adjustments excludes special items from income from associates and joint ventures as well as special items from income from discontinued activities.
[3] Translated solely for the convenience of the reader at a rate of DKK 5.6614 to $1.00, the exchange rate of Danmarks Nationalbank on December 29, 2006.
[4] Translated solely for the convenience of the reader at a rate of DKK 7.4560 to €1.00, the exchange rate of Danmarks Nationalbank on December 29, 2006.

TDC Group		2002	2003	2004	2005	2006
Key financial ratios						
Earnings per share (EPS) incl. special items and fair value adjustments	DKK	28.3	15.0	48.4	38.3	17.4
EPS excl. special items and fair value adjustments	DKK	16.5	19.0	19.3	24.2	17.0
Dividend payments per share	DKK	11.0	11.5	12.0	12.5	223.9
EBITDA margin (EBITDA divided by revenue)	%	25.1	27.7	28.3	27.9	28.8
Capex excl. share acquisitions-to-revenue ratio	%	15.3	13.5	12.2	12.1	11.2
Cash Earnings per share (CEPS) excl. special items and fair value adjustments[5]	DKK	38.8	41.5	49.3	57.2	47.5
Return on capital employed (ROCE)[6]	%	11.3	13.1	11.9	12.6	13.9
Subscriber base (end-of-period)[7]	(1,000)					
Landline		3,598	3,631	3,483	3,521	3,374
Mobile		4,939	6,199	7,126	9,022	9,937
Internet		1,285	1,696	1,814	1,769	1,767
TV customers		885	924	982	1,030	1,062
Total subscribers		**10,707**	**12,450**	**13,405**	**15,342**	**16,140**
Number of employee[8]		**21,009**	**20,034**	**19,497**	**20,225**	**19,011**

[5] CEPS is defined as (net income excluding special items and fair value adjustments attributable to shareholders of the Parent Company + depreciation, amortization and impairment losses + share-based compensation - income from associates and joint ventures - minority interests' share of depreciation, amortization and impairment losses together with share-based compensation) / number of average shares outstanding.
[6] ROCE is defined as EBIT excluding special items plus interest and other financial income excluding fair value adjustments plus income from associates and joint ventures divided by average equity attributable to Company shareholders plus interest-bearing debt.
[7] The number denotes end-of-year subscribers and includes customers with subscriptions and customers without subscriptions according to the following general principles:

- Landline subscribers who have generated traffic in the previous month.
- Mobile subscribers active for a certain period of time, up to 15 months.
- Internet subscribers active for a certain period of time, up to 3 months.

The number of subscribers also includes resale customers.
[8] The number denotes end-of-year full-time employee equivalents including permanent employees, trainees and temporary employees. The number of full-time employee equivalents is excluding discontinued operations.

The TDC Group

Today, TDC is the leading provider of communications solutions in Denmark, the second-largest telecoms provider in the Swiss market and is represented by significant presence in the pan-Nordic market and in selected markets in Central Europe.

By the end of 2006, the TDC Group had more than 16m customers in Europe: 3.4m landline customers, 9.9m mobile customers, 1.8m internet customers, and 1.1m cable-TV customers.

At year-end 2006, TDC had 19,011 full-time employee equivalents compared with 20,225 in 2005. At year-end 2006, our domestic operations accounted for 13,122 full-time employee equivalents compared with 13,876 in 2005. The decrease related mainly to the continued need to reduce our domestic workforce, primarily to adjust to the decline in traditional landline telephony and intensified competition in the domestic market. Increased customer interest in self-service and internet-based solutions continues to contribute to this trend. The reduction was effected by natural attrition and the redundancy programs implemented during 2005 to 2006. The lower number of full-time employee equivalents in Denmark also results from outsourcing primarily to external IT service providers.

TDC was partly privatized in 1994 and fully privatized in 1998. At year-end 2006, the share majority was held by Nordic Telephony Company, which is indirectly wholly-owned by certain equity funds that are directly or indirectly advised or managed by the five international equity firms Apax Partners Worldwide LLP, the Blackstone Group International Limited, Kohlberg Kravis Roberts & Co. L.P., Permira Advisers KB and Providence Equity Partners Limited.

Business activities

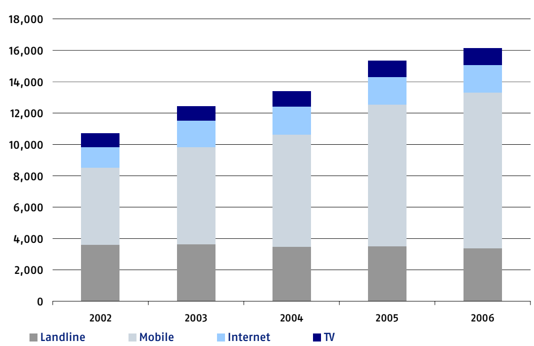
The Company

TDC is the leading provider of communications solutions in Denmark, the second-largest full-scale telecommunications provider in Switzerland, and has a significant presence in selected Northern and Central European telecommunications markets. At the end of 2006, TDC had more than 16m customers in Europe, including 9.9m mobile customers, revenue of DKK 47,429m and EBITDA of DKK 13,655m.

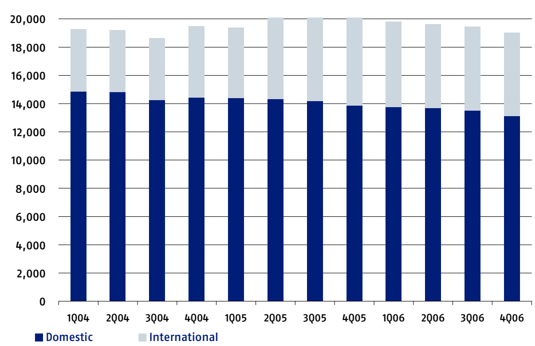
TDC's five main business lines and their contribution to revenue and EBITDA for the year ended December 31, 2006 are:

- *TDC Solutions* (46% of revenue, 51% of EBITDA) provides communications services primarily in Denmark and the other Nordic countries. Its activities include landline telephony services, convergence products (combined landline and mobile telephony), broadband solutions, data communications services and internet services, leased lines, sale of terminals and installation, advanced security and hosting services. In addition to offering telephony and data communications services through its Danish network, TDC Solutions operates a

Customers
End-of-period (1,000)



Number of employees
End-of-period



pan-Nordic network through its wholly-owned subsidiary TDC Song that is mainly for business customers. Furthermore, TDC Solutions provides telecommunications infrastructure products for Swedish business customers through its wholly-owned subsidiary TDC Dotcom and provides IP/LAN infrastructure for business customers through its wholly-owned subsidiary NetDesign. TDC Solutions also provides landline and data communications services in Hungary through its 63.3% owned subsidiary HTCC.

- *TDC Mobile International* (35% of revenue, 23% of EBITDA) provides mobile telecommunications services in Denmark and a number of other European countries. In addition to being the leading provider of mobile telecommunications services in Denmark, TDC Mobile International provides mobile telephony services in Germany through its wholly-owned subsidiary Talkline, and in Lithuania and Latvia through its wholly-owned subsidiary Bité (Bité was sold at the beginning of February 2007). TDC Mobile International also holds a 19.6% stake in the Polish mobile operator Polkomtel (which is in the process of being sold) and a 15.0% stake in the Austrian mobile operator One.

- *TDC Switzerland* (20% of revenue, 19% of EBITDA) is the second-largest full-scale telecommunications provider in Switzerland and is operating under the sunrise brand. Its activities include mobile and landline telephony and internet services. TDC Switzerland has its own national landline backbone, GSM/EDGE and ISP networks, and is further developing and expanding its mobile network based on UMTS/HSDPA technology. The Swiss Parliament recently adopted ULL legislation that will require the incumbent operator to grant local-loop access to alternative providers, which TDC Switzerland believes will benefit its landline business.

- *TDC Cable TV* (5% of revenue, 5% of EBITDA) is a Danish provider of cable TV, internet services and VoIP. TDC Cable TV supplies cable TV to almost 1.1m households by way of an 862 MHz fully digitized hybrid fiber coaxial cable network. TDC Cable TV offers its customers triple play service (voice, broadband and television in one package).

- *Other activities* include TDC Services, which mainly provides business services for the TDC Group's domestic business lines. The Other activities segment also includes TDC A/S and intercompany eliminations.

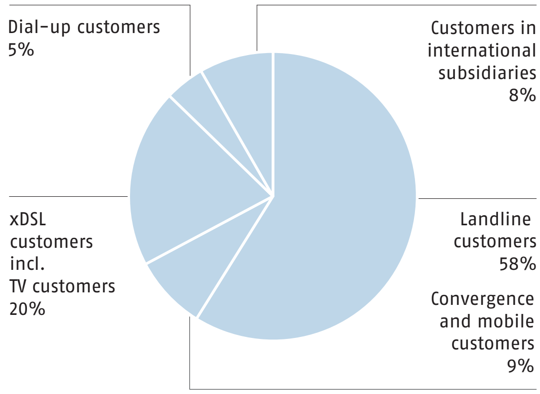
TDC Solutions

TDC Solutions offers a wide range of communications services in Denmark, the other Nordic countries and Hungary. Through the companies TDC Solutions A/S, TDC Song, HTCC (in which TDC holds a 63.3% interest), TDC Dotcom and NetDesign, TDC Solutions provides landline telephony services, data communications and internet services, including broadband solutions, convergence products, triple play services, security and hosting services, leased lines and sale of terminals and installation. Traditional landline telephony continues to be the largest business area, but traditional landline telephony is expected to become less significant as many of the company's customers switch to mobile and VoIP telephony.

HTTC is currently in the process of acquiring Invitel Távközlési Szolgáltató Zrt ("Invitel"), the second-largest landline telecommunications service provider in Hungary. The acquisition of Invitel, will make HTCC a strong contender with a much improved market position in line with the strategy for the Hungarian market.

At year-end 2006, TDC Solutions had approximately 4.4m customers, with approximately 4.0m in the domestic market and approximately 366,000 in international sub-

TDC Solutions
Customer 2006 (end-of-year)



sidiaries. TDC Solutions' largest customer segments are landline and DSL. In 2006, TDC Solutions' revenue was DKK 21,829m. Landline telephony, and data communications and internet services are the two largest business areas, accounting for 69% of revenue in 2006. At year-end 2006, TDC Solutions had 11,395 full-time employee equivalents.

Business areas

Landline telephony

TDC Solutions' landline telephony business consists of traditional landline telephony and IP telephony for the residential and business markets. TDC Solutions also provides wholesale network access to domestic and international telecommunications operators. With revenue of DKK 9,745m in 2006, traditional landline telephony represents the largest share of TDC Solutions' revenue, corresponding to 45%.

The product offerings for residential customers include traditional PSTN/ISDN telephony products, Duét convergence products and IP telephony, which was launched in 2006.

To counter migration toward mobile and IP-based telephony technologies and to meet the market's increased focus on flat-rate products, TDC Solutions launched "TDC Samtale" in 2004, a telephone service package giving unlimited landline minutes in off-peak hours at a flat monthly rate. As a continuation of the success of "TDC Samtale", TDC Solutions launched "TDC Samtale Døgn" in 2005, extending the hours of unlimited national landline minutes to both day and night at a flat monthly rate. In 2006, both "TDC Samtale Weekend", giving unlimited landline minutes at weekends and "TDC Telefoni", offering a "TDC Samtale" subscription with up to 5 mobile subscriptions, were launched. The number of customers subscribing to these products has grown significantly ever since and totaled 383,000 at year-end 2006. Furthermore, TDC Solutions introduced internet-based telephony (VoIP) for residential customers and flexible IP telephony for small businesses in 2006.

Duét is a convergence product which bundles landline with a mobile subscription and is offered in several feature packages. Duét offers the ability to forward calls from the landline telephone to the mobile phone at discount rates, as well as other benefits. It is assessed that the Duét product reduces churn resulting from landline-to-mobile substitution.

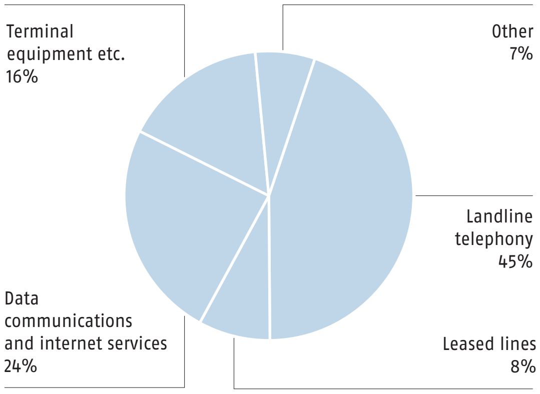
In 2006, TDC Solutions launched VoIP for residential customers. VoIP is an IP telephony product that provides voice quality comparable to the PSTN network.

TDC Solutions' product portfolio for business customers consists of the traditional PSTN telephone services, ISDN products, convergence products as well as IP telephony solutions. The basic PSTN product for business customers is similar to the one offered to residential customers, but is typically sold at discounted rates. ISDN products offered to business customers include products with multiple telephone lines.

In addition to traditional landline telephony, TDC offers business customers the convergence product Plusnet Connect (PNC) as well as IP telephony solutions, and is currently the largest supplier in the Danish business market.

PNC is a combined landline and mobile telephony product offered in one package in cooperation with TDC Mobil and sold by TDC Solutions. PNC operates as a virtual private network, enabling the customers' employees to use the same internal telephone numbers for both landline and mobile phones. PNC also offers discounts for all internal calls as well as advanced call-forwarding features.

TDC Solutions
Revenue per business area 2006



Data communications and internet services
TDC Solutions' data communications and internet services business consists mainly of broadband subscription packages, private IP-based networks, dial-up solutions and data communications services. In 2006, revenue from data communications and internet services was DKK 5,291m, corresponding to 24% of TDC Solution's revenue. TDC Solutions' broadband customer base rose to 862,000 at year-end 2006, thereby achieving a broadband market share of approximately 43% based on the number of subscriptions. In 2006, dial-up internet subscriptions decreased to 197,000.

TDC Solutions' broadband subscription packages are usually offered as a flat-rate service with unlimited uploads and downloads. The DSL product range for residential customers spans from a connection with a downstream bandwidth of 160 kbps and an upstream bandwidth of 128 kbps to a connection with a downstream bandwidth of 20 Mbps and an upstream bandwidth of 1024 kbps. TDC Solutions also offers a unit-priced broadband service targeting low-volume users such as existing internet dial-up customers. TDC Solutions also introduced "TDC Netway" in 2006, a combined broadband and VoIP product aimed at young people and students.

For business customers, TDC Solutions offers DSL at downstream bandwidths ranging between 160 kbps and 20 Mbps and SHDSL, which features symmetric upload and download speeds at bandwidths of up to 2 Mbps. Furthermore, TDC Solutions offers DSL solutions for business customers that include DSL connections to employees, allowing employees to work from home.

In addition to DSL and SHDSL products, TDC Solutions offers business customers a wide range of other services, including service-level agreements and security packages, such as firewall and antivirus programs. For some business customers, these services are delivered free of charge, which means that they are bundled with the line product. Residential customers pay an extra fee for these services.

Terminal equipment etc.
TDC Solutions' terminal equipment business consists of the sale and installation of hardware ranging from handsets and computers to large switchboards and the provision of related service agreements. With revenue of DKK 3,561m in 2006, terminal equipment was the third-largest contributor to TDC Solutions' revenue, corresponding to a 16% share in 2006.

Customer premises equipment (CPE) is the hardware required to handle telephony and data traffic for both business and residential customers. TDC Solutions sells CPE designed for the residential market at TDC shops. The TDC Business Centers sell CPE products and services to our business customers.

TDC Solutions sells two types of CPE, telephony CPE and data CPE. Telephony CPE includes products ranging from large PABX's, which are in-house telephone switching systems for the largest business corporations, to single telephone apparatuses sold to residential or small business customers. Data CPE consists mainly of routers, switches, DSL modems and other bridging equipment used to create LAN and WAN solutions.

Most CPE is sold to the customer while a small part of CPE is leased. TDC Solutions offers service agreements in conjunction with equipment sales, with agreements made for certain repairs to the equipment within specified time limits.

Leased lines
The leased-line business offers domestic and international leased-line services to businesses on a retail basis and to other telecommunications operators on a wholesale basis, and offers analog as well as digital circuits. Leased lines can be used for transporting both telephony and data traffic. Revenue from leased lines was DKK 1,795m in 2006, corresponding to 8% of TDC Solutions' revenue.

TDC Solutions offers point-to-point connections with guaranteed bandwidth to its leased-line customers. Digital leased lines are offered with different bandwidths ranging from 64 kbps to more than 1 Gbps.

TDC Song
In 2004, TDC Solutions acquired TDC Song, a leading Nordic telecommunications operator with an extensive pan-Nordic network. TDC Song offers a wide range of services in data communications and telephony in the Nordic re-

gion, with IP-VPN and internet access as its main services. TDC has integrated TDC Song's Danish network and operations into TDC Solutions.

TDC Song targets business and wholesale markets in Sweden, Norway and Finland. Revenue in 2006 amounted to DKK 2,511m, with 47% from traditional voice products and 40% from IP-VPN and internet products. EBITDA amounted to DKK 305m in 2006.

TDC Song's main competitive advantage is the ability to offer efficient and technically advanced communications solutions in combination with high-quality customer service. Business customers are connected at competitive prices to TDC Song's fiber network, which offers extensive pan-Nordic coverage.

HTCC (Hungary)

TDC holds 63.3% of the shares in HTCC, which, through its wholly-owned subsidiaries Hungarotel and PanTel, provides telephony, ISDN, internet, broadband and other telecommunications services in Hungary. The company owns and operates virtually all existing public telephone exchanges and local-loop telecommunications network facilities in the Hungarotel operating areas, covering 6.6% of the Hungarian population.

In addition, HTCC offers data transmission and other value-added services, including broadband DSL internet access and services, dial-up internet access and services as well as VoIP services for international calls. HTCC offers its business customers high-speed internet access, data transport services, including leased lines, ATM services and frame relay services, virtual private networks and web hosting.

HTCC is also a wholesaler providing capacity and transport services on its network to other wireline and wireless telecommunications providers and internet service providers. HTCC's international network allows it to transfer voice, data and internet traffic to and from Hungary.

As described above, HTTC is in the process of finalizing the acquisition of Invitel Távközlési Szolgáltató Zrt (Invitel). Invitel is the second-largest landline telecommunications service provider in Hungary, which has greatly improved its market position in line with its strategy in the Hungarian market.

Competition

In the Danish landline business, TDC has an 80% market share of landline telephony and 60% of broadband. Since the full liberalization of the Danish telecommunications market in mid-1996, TDC has faced intense competition in the market for domestic landline telephony services based primarily on price. Features of the domestic landline market include a large number of operators, many new entrants and public regulation aimed particularly at TDC. In the market for domestic and international long-distance telephony services, competition has been enhanced by regulations requiring TDC to permit other telecommunications companies to interconnect with TDC's network at rates controlled by the Danish telecom regulator (NITA). These rates have been reduced numerous times over the past ten years, resulting in a continuous reduction of end-user prices. New technology that enables VoIP has further intensified competition.

In 2006, the Danish telecommunications market was influenced by the more than 400,000 increase in the number of broadband customers and the development within broadband telephony. Compared with previous years, the number of new players on the telecommunications market was moderate, and the consolidation from 2005 continued.

Customer migration from dial-up internet to broadband solutions in Denmark continued in 2006, and the broadband penetration of Danish households rose to 63% in the first half of 2006. To counter the increasing competition in the broadband market, TDC Solutions introduced a number of product and pricing promotions in 2006, including higher speeds at unchanged prices, segment-focused products for young consumers, and reduced connection fees. Furthermore, in 2006, TDC Solutions more than doubled the maximum DSL speed for Danish residential customers by launching 20 Mbps.

Landline traffic volumes have declined steadily during the past years. This trend can be explained by mobile and VoIP substitution and increased competition. Furthermore, the emergence of competitively priced private networks has enabled business customers with several branches to establish their own networks based on IP-VPN or leased lines, allowing them to route traffic between branches within their own network instead of through the public telephone network. The result is a decline in total billed minutes and landline subscriptions for business customers, which has partly been offset by an increase in use of internet services and data communications.

The Danish PSTN market has little differentiation between products except through the packaging of different combinations of features. Accordingly, if a competitor in the PSTN market offers a successful PSTN package, TDC Solutions could offer a comparable product in a matter of weeks. A new possible threat is the emergence of new services integrating VoIP, broadband and mobile.

TDC Solutions has launched a VoIP product using DSL and, in cooperation with TDC Cable TV, IP telephony using the cable TV network. Both products compete for the customers migrating toward VoIP.

Power utility companies continued their roll-out of fiber to residential homes, adding to the strong competitive pressure on copper-based access. However, none of the power utility companies have a unique selling point, apart from the possibility of delivering very high bit rates via fiber. Despite a disappointingly low penetration in areas covered until now, the power utility companies are expected to continue their deployment of fiber.

TDC Mobile International

In Denmark, TDC Mobile International provides mobile telecommunications services through its domestic subsidiaries, TDC Mobil, a mobile network operator, and Telmore, which offers mobile products online through a self-service website. TDC Mobile International is the leading provider of mobile telecommunications services in Denmark.

TDC Mobile International's mobile businesses include the wholly-owned subsidiary Talkline in Germany. Talkline is a service provider with a 4% market share in Germany. It owns a 100% stake in the callmobile business (the former easyMobile DE), which is based on the Telmore concept. TDC Mobile International's mobile business also includes Bité, a mobile network operator in Lithuania and Latvia (Bité was sold at the beginning of February 2007).

TDC Mobile International also holds a 19.6% minority stake in Polkomtel, a Polish mobile operator (which is in the process of being sold), and a 15% minority stake in the Austrian mobile operator, One.

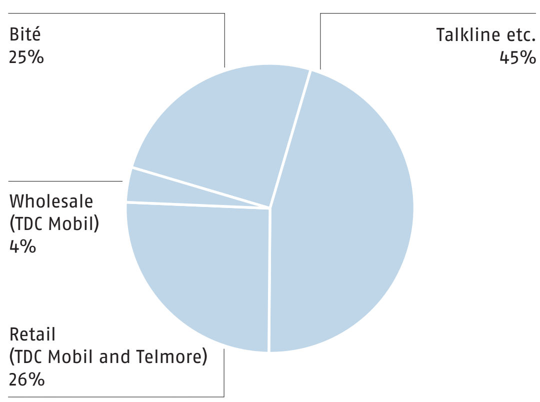
In 2006, TDC Mobile International's revenue was DKK 16,596m with an outgoing voice traffic volume of approximately 5.2 billion minutes, of which 2.9 billion outgoing minutes were generated in Denmark.

At year-end 2006, TDC Mobile International had 8.2m customers and 2,428 full-time employee equivalents.

Revenue from mobile telecommunications services comes primarily from voice traffic volumes, including incoming and outgoing calls, international calls and international inbound and outbound roaming. TDC Mobile International's residential customers are served with both post-paid and prepaid products. Customers using TDC Mobil's prepaid products pay an upfront fee for a set amount of services and receive a SIM card that can be replenished either online or offline. The mobile network operators TDC Mobil and Bité, as well as Telmore, gain revenue from both incoming and outgoing traffic, whereas the service provider Talkline benefits from outgoing traffic only.

Domestic Operations (TDC Mobil and Telmore)
In 2006, revenue from domestic operations was DKK

TDC Mobile International
Customers 2006 (end-of-year)



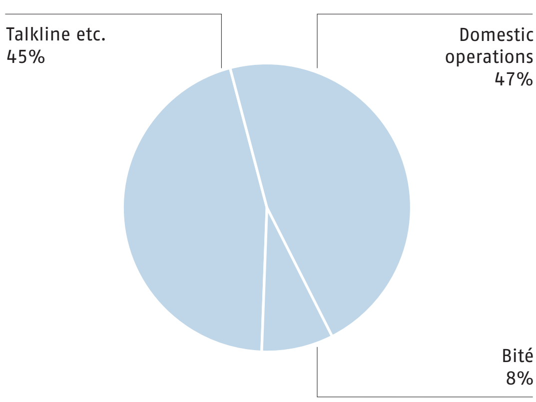
7,731m, corresponding to 47% of TDC Mobile International's revenue. TDC Mobil is engaged in both retail activities, including mobile voice, data transmission and sale of handsets, and wholesale activities, such as selling network access to service providers. In 2006, TDC Mobil's revenue from these areas was as follows: 49% from retail, 50% from wholesale, and 1% from other activities. As noted above, Telmore sells mobile products and services to retail customers via self-service websites. Transactions with TDC Mobil's group enterprises accounted for 48% of its wholesale revenue in 2006.

Products and services

TDC Mobil

TDC Mobil's main postpaid product family is "MobilExtra", a portfolio of price plans. This portfolio includes "MobilExtra 100", "MobilExtra 200" and "MobilExtra 400" (minimum usage of DKK 100, 200 and 400 per month, respectively, included in the subscription). Tariffs are charged for any additional minutes. The more expensive packages with higher included usage have more favorable minute prices and higher handset subsidies. The "Max" product family has been introduced for customers with a focus on high usage of either SMS or voice. The products are "MaxSMS+" (free SMS and MMS; voice charged per minute) and "MaxTale" (flat-rate voice). "MobilTid", another of TDC Mobil's major mobile products, is a prepaid mobile service package featuring a free subscription but

TDC Mobile International
Revenue per business area 2006



higher traffic tariffs. "MobilTid" users also have the added benefit of anonymity.

"MobilFlexConnect" is TDC Mobil's main product in the business market and is targeted at companies with more than 10 mobile subscriptions. With voice, SMS and data access, it links employees together through short number codes. "MobilFlexLet" has simpler functionality and is TDC Mobil's primary solution for SoHo customers. In 2006, business customers demanded TDC Mobil's mobile data solutions as laptop connectivity and PIM (Personal Information Management) solutions based on Microsoft or RIM (Blackberry) on a large scale. The public health care sector chose TDC Mobil's specific health care solutions, provided together with IT suppliers. In the machine-to-machine business area, TDC Mobil experienced considerable growth.

In 2005, TDC Mobil launched data services via the UMTS network, providing access to mobile broadband cards, increased speed and video telephony on 3G phones to both business and residential customers. At the end of 2006, TDC Mobil's UMTS network covered almost half of the Danish population with UMTS coverage, including the four largest cities in Denmark and selected business areas. All TDC Mobil customers with 3G handsets or a mobile broadband card have automatic access to the 3G network and any speed upgrades on the 3G network. Via a mobile broadband card from TDC Mobil, customers with a laptop PC can surf the internet via TDC Mobil's 3G network at speeds of up to approximately seven times faster than they are used to on the 2G mobile network. Mobile customers are typically charged for these services per megabyte downloaded.

In 2006, TDC Mobil launched music on the telephone via the TDC Online music store. This dual download service means customers can buy music that they can download for use on the phone or on their computer. Currently 6 TV channels are available live on the UMTS net for a fixed fee per day, week or month.

TDC Mobil also offers its network services to service providers on a wholesale basis. Wholesale products consist of voice, SMS and data transmission access, while the service providers carry out the sales, distribution, billing and customer care to the ultimate customer.

Telmore
Through the Danish subsidiary, TDC Mobil sells mobile products and services online via self-service websites. Telmore is the current market leader in Denmark for the online mobile self-service segment.

The Telmore concept is essentially a simple and transparent pricing and self-service concept, based on no subscription fees, a simple prepaid tariff structure, and an easy-to-use web-based customer interface. The concept focuses on lean operations, no high street shops and limited marketing budgets. In addition to relatively low prices, customers are offered a wide array of mobile plan options such as automatic payment for additional minutes when a certain limit is reached, children's budget and detailed call specification, which can be selected simply online. At the end of 2006, Telmore had 579,000 customers, who contribute about one quarter of all Danish payments via the internet by Dankort (the Danish debit card system).

Competition in the Danish mobile market
In mobile, TDC Mobile International's domestic business is the number one network operator in Denmark and had a 41% subscription market share[1].

In the market for residential customers, handset prices and traffic tariffs are important criteria for customer preferences. In the mobile market, low-to-medium usage customers are targeted with low-priced minutes while medium-to-high usage customers are targeted with semi-flat rates and full flat rates. TDC Mobil offers handset subsidies to certain postpaid subscribers. In Denmark, mobile residential customers who buy subsidized handsets have six-month contracts, which is the maximum fixed subscription period permitted by regulation.

In the market for business customers, network quality and reliability and traffic tariffs are important criteria for customer preferences, as is security. Free internal traffic within customers' corporations is becoming increasingly common. Additionally, the ability to offer pan-Nordic solutions is increasing in importance. In 2006, TDC Mobil established a presence in Norway in order to meet this need. In both the residential customer market and the business customer market, TDC Mobil maintains premium prices.

[1] Source: Danish National IT and Telecom Agency, telecom statistics – first half of 2006.

Talkline etc.
Talkline etc. includes the service provider Talkline in Germany and its subsidiary callmobile.

Talkline offers both UMTS and GSM services, including handsets and SIM cards, and is the third-largest German service provider based on revenue.

Talkline buys wholesale mobile products, including minutes, SMS, MMS, 3G data cards, Blackberry service and value-added services (with as mobile music and mobile TV) from the mobile network operators in Germany, packages these into its own products, such as mobile tariffs and mobile plans, and sells these products to retail customers. Talkline has agreements with all four network operators, T-Mobile, Vodafone, E-Plus and 02, for the use of their networks. An agreement with the latter was obtained at the beginning of 2006.

callmobile sells mobile products and services online via self-service websites.

Revenue from Talkline etc. was approximately DKK 7,528m in 2006, corresponding to 45% of TDC Mobile International's revenue.

At year-end 2006, the company had approximately 3.7m mobile customers.

Bité – Bité Lithuania and Bité Latvia
The revenue of the Bité Group amounted to DKK 1,337m in 2006.

At the end of 2006, Bité had a customer base of 2.0m.

Bité provides a full range of mobile voice, data and internet services for the residential and business markets in Lithuania and a full range of mobile communications services for residential users in the Latvian market. Bité offers mobile internet access using its GSM/UMTS network, which is being updated to HSDPA, and also offers landline internet access to business customers.

Bité was divested at the beginning of February 2007.

Associates

Polkomtel (Poland)

TDC Mobile International has a 19.6% stake in Polkomtel. Due to the change of control in TDC, TDC was forced to offer its shares to the other shareholders of Polkomtel, and an agreement was reached in March 2006 with Polkomtel's Polish shareholders. However, the conditions for the sale have been challenged by the only non-Polish shareholder, Vodafone, and arbitration between the parties is ongoing.

At the end of the year, Polkomtel introduced the first service provider in Poland on its network.

During 2006, Polkomtel increased its customer base by 3.0m or 33% to 12.0m and thereby maintained its share of one-third of the Polish mobile market. The leading position among the high-end segments was maintained by Polkomtel.

One (Austria)

TDC Mobile International owns 15.0% of One, the third-largest mobile operator in Austria. Mobile phone penetration further increased during 2006 to 114% at year-end. One's network customer base increased by 10% to more than 2.0m, due partly to a further expansion of One's no-frill concept Yesss! In addition to its prepaid offering, a new similar postpaid offering was successfully introduced during 2006.

In June 2006, One repositioned its postpaid offers with the new "4 zu 0" price plan, which gives the opportunity to call to 4 different operators without charge, but for a monthly fee. This simple and attractive new offer was very well received in the Austrian market.

One upgraded its UMTS network with high-speed data, HSDPA, due to growing demand for data cards and internet surfing using mobile phones.

TDC Switzerland

TDC Switzerland offers mobile telephony, landline and internet services. TDC Switzerland's revenue was DKK 9,252m in 2006.

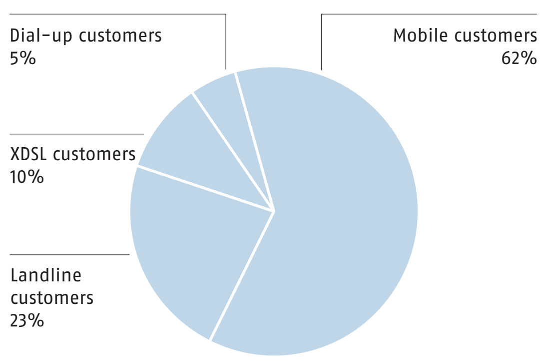
TDC Switzerland has maintained its position as the second-largest full-scale telecommunications provider in the Swiss market, which is characterized by fierce competition as well as decreasing mobile and landline prices. TDC Switzerland does not have its own landline access network. In March 2006, the Swiss parliament decided in favor of the liberalization of the access network. It is probable that from April 2007, Swisscom will be required to provide TDC Switzerland with access to their local loop based on cost-oriented prices. At year-end 2006, TDC Switzerland had 2.2m customers. TDC Switzerland's total customer base is relatively stable, with declining traditional landline voice and dial-up services being offset by growth in mobile users and broadband.

Mobile telephony

TDC Switzerland's mobile telephony revenue was DKK 5,696m in 2006, which was 62% of total revenue. TDC Switzerland had 1.4m mobile customers at year-end 2006.

TDC's Swiss mobile business includes retail and wholesale sections. The retail business offers postpaid and prepaid services as well as PC cards, and sells mobile handsets. By the end of 2006, 50% of TDC Switzerland's mobile subscriptions were prepaid.

TDC Switzerland
Customers 2006 (end-of-year)

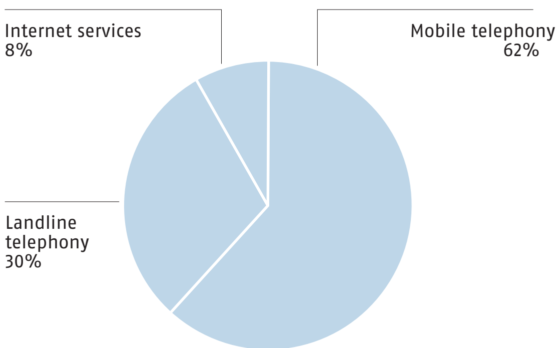


A portfolio of retail mobile product service plans is called sunrise Relax. The Relax plans are available for both postpaid and prepaid customers. The customer is billed per call (up to one hour) for on-net mobile calls and calls to landline network. Off-net mobile calls and international calls are billed at a per-minute rate. Relax consists of three different price packages suited to different usage levels. In addition to Relax, TDC Switzerland offers six subscription packages tailored for postpaid customers, who have a relatively constant usage pattern.

In order to compete with the no-frills packages offered by its competitors', TDC Switzerland has launched the yallo brand. yallo offers simple and transparent pricing and no subscriptions along the lines of the Telmore Concept. TDC Switzerland sells yallo through its direct and indirect distribution channels. yallo offers competitive prices – not only for domestic calls - but also for calls to large parts of Europe. Thus, the product targets the rather large community of European foreigners living in Switzerland.

TDC Switzerland also offers a wide portfolio of value-added services and data services, such as the sunrise live portal, which includes music downloads, games and video telephony. In 2006, TDC Switzerland launched a UMTS/HSDPA network. The outdoor population coverage at the end of 2006 for GSM/EDGE was 99% and 62% for UMTS.

TDC Switzerland
Revenue per business area 2006



TDC Switzerland also offers bundled mobile, landline and broadband products, which enable customers to take advantage of discounts by purchasing both mobile and landline voice or landline voice and internet from TDC Switzerland.

In the mobile wholesale area, TDC Switzerland currently has agreements with companies such as Cablecom and Tele2.

Landline telephony

Revenue from landline telephony in TDC Switzerland was DKK 2,795m in 2006. Landline telephony contributed 30% of the revenue of TDC Switzerland in 2006. At the end of 2006, TDC Switzerland had 0.5m landline customers.

TDC's landline telephony business in Switzerland covers retail and wholesale markets. Retail voice includes pre-fix and pre-select PSTN plans as well as VoIP. By signing a twelve-month contract, customers obtain more favorable terms. The main family of PSTN price plans is called "sunrise Select," and includes a choice of a charge-by-the-minute plan, a charge-by-the-call plan or a plan with minutes included. sunrise Select plans to offer additional options such as discounted international calls or discounted calls within a user group. Business customers also benefit from data solutions such as IP-VPN and leased lines and network integration solutions which combine voice and data in one network (including LAN, PABX and IP communications services). Landline wholesale activities consist of primarily transit traffic and, to a smaller extent, data and internet services.

TDC Switzerland faces the challenge of managing an effective transition from PSTN to VoIP, without losing customers and without having the cost of maintaining two technologies in parallel for long periods.

Internet services

In 2006, the internet services business contributed DKK 761m in revenue, or 8% of the revenue of TDC Switzerland. The broadband penetration rate was 54% at the end of 2006. TDC Switzerland had 118,000 dial-up and 225,000 DSL customers at year-end 2006.

TDC Switzerland's internet services business offers dial-up and three different DSL products. ADSL plus is a flat-rate product with up to 5 Mbps downstream charged at a flat fee. ADSL Flex is a consumption-based DSL product for which the customer pays a subscription fee that covers a certain amount of megabytes, and additional usage is billed per megabyte. In 2006, TDC Switzerland introduced ADSL Free, which is purely consumption-based.

The growing broadband market in Switzerland is the driver for the continuous DSL customer growth of TDC Switzerland. As access to the local loop on a regulated basis has not yet been introduced in Switzerland, TDC Switzerland currently resells Swisscom's DSL products with small gross margins and little room for product differentiation other than through pricing. TDC Switzerland plans to implement ULL access by 2007 and, as a result, expects margins to grow. Churn in the DSL business is low, but is expected to grow once the market becomes more saturated.

The dial-up internet access business is declining and is expected to be entirely substituted by broadband services within the next few years. TDC Switzerland is currently focusing its DSL acquisition programs on migrating its dial-up customers to one of the sunrise DSL products.

Competition

Landline

The total market for landline voice traffic in Switzerland declined in 2006 due primarily to migration from landline to mobile telephony. As voice products typically consist only of a choice of price plans, there is little room for differentiation between TDC Switzerland's products and competitors' products beyond price.

TDC Switzerland's landline business, initially successful with a market share of over 20% in 2002, has experienced a decline in market share to 12%. Reasons are entry of competitors with own access to customers or with a pure low-price strategy as well as lack of unbundling of the local loop, which has hindered sunrise in offering competitive landline products. However, the introduction of ULL is expected to put TDC Switzerland in a position to provide better prices and product offerings. TDC Switzerland is also well prepared for future challenges such as VoIP and has already introduced a VoIP solution.

Broadband

TDC Switzerland is continuing to migrate its dial-up customer base to DSL. TDC Switzerland's broadband market share was approximately 11% in 2006. TDC Switzerland expects to grow its market share with VoIP and ULL.

Mobile

TDC Switzerland has a stable market position with a 19% network market share in 2006.

In 2006, the service providers continued to penetrate the Swiss market. TDC Switzerland expects the intense price competition to continue as a result of the presence of these players in the Swiss mobile market.

With the yallo brand, TDC Switzerland is offering a no-frills product. The differentiating element of yallo to competitors' offerings is the new price plan. It consists of a unified tariff for calls to Europe and for yallo-to-yallo-calls. For other call directions, yallo is offered at competitive rates compared with TDC Switzerland's competitors' offerings within the no-frills sector. By offering the cheapest on-net rates as well as the cheapest rates to certain European destinations, yallo is targeting the price-focused part of the residential customer segment as well as, e.g. the large number of European foreigners living in Switzerland.

TDC Cable TV

TDC Cable TV is the largest TV distributor in Denmark and provides TV signals to approximately 42% of all Danish households. TDC Cable TV offers TV programming, broadband services (cable modem) and IP telephony.

At year-end 2006, the number of cable TV customers was almost 1.1m, and 289,000 broadband customers. The number of telephony customers was 27,000 at year-end 2006 (of which approximately 19,000 were VoIP customers). In 2006, TDC Cable TV's revenue was DKK 2,458m.

Products and services

Television

TDC Cable TV's core business is analog TV. TDC Cable TV currently offers analog TV in three standard packages (basic, medium and full) to individual household customers and organized customers, representing 31% and 69% of TDC Cable TV's business, respectively. Organized customers include antenna and housing associations. The analog TV transmissions do not require a receiver or set-top box. As a result, TDC Cable TV's customers can view a different channel on each TV set in their residence. This gives the company a competitive advantage over the DTH competitors who can only provide single channel viewing for each set-top box employed.

The channels in the cable TV packages are selected with a view to customer preferences. TDC Cable TV's basic package, with approximately 165,000 customers, contains free channels from the state broadcasting services. The medium package, with approximately 88,000 customers, contains some of the most popular pay channels. The majority of TDC Cable TV's customers prefer the full package, which includes the same channels as the medium package plus some foreign channels, and has approximately 634,000 customers. Some organized customers, i.e. large antenna associations who represent an additional 172,000 households and housing associations, are agency customers who buy individually customized content packages from TDC Cable TV.

TDC Cable TV expects to continue the migration of its analog TV packages toward digital packages. The entire cable backbone network is digital. Approximately 5% of TDC Cable TV's TV customers are digital customers and therefore own or lease a digital set-top box. During 2007, TDC Cable TV plans to push this development further by introducing more digital services e.g. additional High Definition channels.

Broadband
During the last six years, TDC Cable TV has invested in its cable network to make the majority of the network broadband accessible (return path upgrade). At year-end 2006, TDC Cable TV had 289,000 broadband customers, or 31% of the accessible customers. The broadband customer base grew at a CAGR of 47% in the period 2002-2006. TDC Cable TV's broadband products are based on a flat-rate concept, whereby the customer is billed for a fixed monthly subscription regardless of IP-traffic consumption. Currently, broadband speeds of up to 4 Mbps are offered to customers.

TDC Cable TV expects to continue to grow its broadband activities, and by focusing particularly on the organized customer segment, will strive to attract more customers e.g. by offering favorable prices. Furthermore, TDC Cable TV will increase the bandwidths offered. TDC Cable TV's relatively strong position in the broadband market has, to a large extent, been achieved by upgrading bandwidths combined with small changes in pricing. The large customer base and the unexploited capacity in the coaxial network will make it easy for TDC Cable TV to adapt to future market trends.

Telephony
Since the introduction of VoIP telephony in 2005, TDC Cable TV now offers its customers triple play solutions, including TV, broadband and telephony. TDC Cable TV offers VoIP telephony with Quality of Service to ensure a clear and constant voice flow similar to the voice flow in regular telephony. VoIP is offered as a prepaid, flat-rate, self-service product, with online management and payment via a website.

TDC's network
TDC operates an extensive telecommunications network in Denmark. The Telecommunications backbone network has high-capacity transmission capabilities and is fully digitalized. The access network reaches almost 100% of Denmark's population. TDC also operates its own networks in Switzerland, the Nordic region, in the Baltic countries (Bité) and Hungary (HTCC). TDC owns and operates a backbone network in the Nordic region that is one of Europe's fastest broadband networks for data, internet and voice traffic.

The landline network
TDC's domestic Danish landline network is a fully developed modern telecommunications network covering almost 100% of the Danish population. The landline network includes a fully invested PSTN/ISDN network, an MPLS-capable IP backbone network and DSL coverage of more than 98% of potential customers at 512 kbps downstream speed. TDC's DSL network can deliver 2 Mbps and 8 Mbps to 95% and 84% of the Danish population, respectively. TDC's recently launched 20 Mbps product can be delivered to 39% of the households.

Backbone Network. In Denmark, a key element of TDC's landline network is a fiber-based backbone. The backbone is used for PSTN/ISDN services and data services (IP, Ethernet and ATM) and is also used by TDC Mobil and TDC Cable TV. In Denmark, the backbone consists of:

- 19,205 kilometers of fiber cable, which connects all of TDC's central offices and nodes
- wavelength division multiplex systems to increase capacity per fiber
- SDH platform delivering fixed capacity connection speeds with bandwidths of up to 155 Mbps in Denmark

Landline access network. TDC Solutions' landline access network consists of copper pairs and optical fiber. The copper network in Denmark covers almost 100% of the population and is used to deliver both basic and advanced telephony services, leased lines as well as DSL services. This network consists of:

- 228,000 kilometers of copper cable in Denmark
- 6,004 kilometers of optical fiber cable in Denmark

The PSTN customer base is continually declining in Denmark, which has been creating free capacity on the PSTN/ISDN network. As a consequence, TDC expects the need for investment in the PSTN/ISDN network in the future to be limited. TDC has high port utilization in its DSLAM equipment for DSL and IP because a just-in-time port build-out is employed. As a result, the current customer take-up cannot be sustained without investing in additional port capacity.

The data networks. TDC's data networks in Denmark and the Nordic region include TDC's ATM, Ethernet and IP networks. The ATM network (only in Denmark) is the major platform for aggregated DSL-based broadband access services delivering a range of data connection services including frame relay and ATM services. The ATM network covers Denmark with 137 POPs. The ATM network is gradually replaced by the Ethernet.

The IP network consists of an MPLS-based IP core network and IP aggregation networks. It delivers internet access services, pan-Nordic MPLS-based IP-VPN services, VoIP services and content services such as TVoIP. MPLS plays a key role in delivering the necessary Quality of Service for VoIP. Routers are a key component of the reliability of the MPLS-based IP core network, as each POP is supported by two routers in order to prevent interruptions in the flow of traffic on the network. The separated IP cores in the Nordic countries are currently being integrated into a unified Nordic IP core.

The IP network is extended to a larger number of POPs and provides a range of IP access services, including dial-up, fixed capacity leased-line access and ATM-based access. TDC's IP network extends to 154 POPs in Denmark and TDC Song extends the network to a further 295 POPs. The IP aggregation networks include DSL networks providing DSL- and SHDSL-based services and IP/Ethernet networks providing 100 Mbps and 1 Gbps Ethernet access services for the IP network.

Due to rapid traffic growth, the traffic capacity limits on the ATM DSLAM platform have been reached on certain parts of the network. As a result, TDC is rolling out a new IP/Ethernet network, and installing new IP DSLAMs for DSL services in all central offices and nodes connected to the local copper loop. The new network will enable improved high-speed DSL coverage using remote DSLAMs. TDC has completed the roll-out to the 300 largest POPs. The introduction of remote DSLAMs is currently in the planning phase.

The network has been designed to be compatible with the network equipment and platforms of multiple vendors. With the exception of the ATM platform, TDC has a dual vendor strategy, which makes the company less dependent on one vendor for key supplies, repairs and upgrades.

Pan-Nordic network (TDC Song). TDC Song's network consists of a fiber-based backbone network, as well as a PSTN/ISDN network and IP/Ethernet network. TDC Song's PSTN/ISDN network is used primarily to serve business and wholesale customers. TDC Song's backbone network consists of approximately 19,000 kilometers of fiber cable and a pan-Nordic Synchronous Digital Hierarchy network delivering fixed point-to-point capacity of up to 10 Gbps. TDC Song's landline access network (MAN) consists of 2,325 kilometers of optical fiber cable that connects fiber directly to 4,640 customers. Apart from customers that TDC connects directly to the fiber network, TDC Song relies on DSL over unbundled copper to provide local access. The coverage of the Nordic network covers primarily the large and medium-sized towns in Sweden, Norway and Finland. Currently, 640 central offices are connected to the TDC Song network, of which 375 are located in Sweden, 111 in Norway and 154 in Finland. In 2005, DSL services to residential customers in Sweden were launched with bandwidths of either 1Mbps, 8Mbps or 28Mbps. In 2006, TDC continued to integrate TDC Solutions' existing network in the Nordic region with TDC Song's network, which also consists of wavelength division multiplex systems to increase capacity per fiber.

The table below shows the location of TDC Song's DSL central offices and the residential and business DSL coverage of the network.

TDC Carrier Services. Under the name TDC Carrier Services, TDC operates transport and IP networks outside the Nordic region. The international backbone network includes 75,000 kilometers of fiber connections covering Eastern and Central Europe, with submarine extensions to the United States.

The mobile network

GSM network. TDC Mobil has rolled out GSM 1800 and 900 networks in Denmark. In Denmark, 99% of the population and geography is covered (outdoor) whereas 86% of the population also has indoor coverage. Network utilization has increased by 31% over the last three years. According to industry surveys conducted by a Danish telecommunications research company, 77% of the decision makers in companies believe that TDC Mobil has the best network. Of the decision makers that are already TDC Mobil customers 88% believe that TDC Mobil has the best network in Denmark. Furthermore, TDC Mobil's network quality is better than or on a par with competitors, according to TDC Mobil's own benchmark, which was completed in December 2006.

TDC Mobil's network includes platforms for voicemail, SMS, Wireless Application Protocol, MMS, a platform for content delivery, and the mobile portal FLY and an Intelligent Network platform for a large number of services, including prepaid services. TDC Mobil has bundled its mobile broadband access offer (TDC Mobil Flex Data) with the TDC wireless hotspots in airports, hotels, conference centers, cafés and Statoil petrol stations and rest areas along the main transport roads across Denmark (a broadband add-on module to Flex Data).

In 2006, TDC Mobil developed the ability to charge data sessions per event in the billing system. Thereby the customer is charged per purchase e.g. one piece of music and not per the amount of MB.

TDC Mobil is in the process of rolling out a 3G network mainly in the major cities of Denmark. The roll out is expected to fulfill the requirements of TDC Mobil's Danish UMTS license to achieve 80% population coverage at a speed of 12.4 kbps by 2008, with geographic coverage of approximately 13%. TDC Mobil will upgrade network speed in accordance with customer demand.

The Swiss network

TDC Switzerland has built and operates its own mobile, landline and ISP networks. As a result, TDC Switzerland offers integrated services and is able to meet the high market demand for quality, reliability and easy access to telecommunications services. Due to recent legislation requiring Swisscom to provide TDC Switzerland with access to its ULL network, TDC Switzerland expects to be able to obtain direct access to additional end users in Switzerland.

Mobile network. Despite difficult topographical circumstances and stringent environmental obligations, which limits radiation from mobile antennas, TDC Switzerland has achieved competitive coverage and quality with the

	Sweden	Finland	Norway
DSL Central Offices	375	154	111
% population coverage	35%	25%	15%
% business with greater than 10 employees covered	80%	75%	24%

GSM/EDGE network. In addition, TDC Switzerland is further developing and expanding its mobile network based on UMTS/HSDPA technology. TDC Switzerland's main coverage objective for its UMTS network is to achieve 384 kbps indoor service in major cities such as Zurich, Basel, Bern, Lausanne, Geneva, Luzern, Chur and Lugano, and then to enlarge the 128/384 kbps service to densely populated areas.

Landline network. TDC Switzerland's landline network consists of a SDH/DWDM backbone (own fiber-optic network measuring more than 7,000 kilometers), 1,877 connected sites and direct interconnection with all interconnect points at Swisscom and several international carriers.

ISP network. The TDC Switzerland ISP network is fully redundant with two independent sites and provides a range of internet services.

The cable network

TDC Cable TV has a fully digitalized network. It is operated from one central head-end station in Copenhagen that serves as play-out for the entire network. This head-end station also serves as a basis for TDC's offerings of TVoIP and VoD services, and has the capacity to supply TV to hand-sets (DVB-H and 3G). Moreover, the head-end station provides cable-modem provisioning and network management control servers for IP products. TV is transmitted digitally through TDC Solutions' domestic backbone network to 47 remote hubs, from where the three standard TV packages are converted to analog transmission. Additional channels are transmitted digitally and the customer is required to have a set-top box to receive these channels. From the hubs to the households, the transmission is distributed by a Hybrid Fiber and Coaxial (HFC) network, the majority of which is owned by TDC Cable TV. The last few hundred meters of customer premises cable network, however, is frequently owned by landlords or organized customers. In total, TDC Cable TV's network covers almost 50% of Danish households.

As with TV transmission, IP traffic terminates via TDC Solutions' IP backbone to the same 47 hubs, partly by lines leased from TDC Solutions. The network owned by TDC Cable TV is almost completely return-path upgraded. Approximately two-thirds of the customer-owned network is upgraded by TDC Cable TV. The coaxial cable offers vast capacity, which is presently only marginally exploited. All modems are Docsis 1.1 and are ready for Docsis 2.0. However, TDC Cable TV is contemplating a complete Docsis 3.0 roll-out, which would enable up to 100 Mbps end-user connections throughout the network.

Network operation

Routine maintenance, inspections and tests are conducted on a daily basis, including network performance tests to monitor each of the technologies separately. In addition, TDC constantly monitors all network events through one common alarm handling system at the Network Operations Center in Copenhagen.

As part of the maintenance operations, TDC has entered into service and support agreements with technology vendors. These agreements normally involve escalation procedures on system faults. The procedures could be initiated as part of the daily fault handling or as part of the network performance monitoring. The service and support agreements also include provisions for the service and repair of spare parts. In addition, TDC has agreements with local companies for on-site repair and spare parts handling.

TDC Switzerland's central network operations center monitors the entire TDC Switzerland network and performs fault management procedures. TDC Switzerland has a field crew that operates in 11 locations and performs first-line maintenance, preventive maintenance and implementation of site safety and security.

Billing, IT and procurement

TDC Services

In general, TDC Services is responsible for billing, IT and procurement services for the majority of TDC's domestic operations. TDC Services' duties also include a number of operational tasks for these domestic operations, including logistics, facility management and management of accounts payable. TDC's international operations, as well as some of the domestic operations (e.g. Telmore and TDC Song Denmark), generally handle their own billing and IT. Although TDC Services supports mainly TDC's internal operations, it also provides limited services to third-party customers, which generated revenue of approximately DKK 101m in 2006 from the sale of such services. As discussed in more detail below, TDC Services is also responsible for handling certain of TDC's procurement task requirements across TDC's European operations.

Billing

TDC Services.

TDC Services is responsible for all domestic billing activities, as well as reminder procedures (except for TDC Mobile International), billing complaints and debt collection. Billing is the most frequent and closest encounter TDC has with its customers. High satisfaction and loyalty among customers are ensured by developing the billing processes and ensuring that bills are delivered in the correct frequency, layout and language.

TDC Services produces and distributes approximately 18m invoices and call specifications annually. Most customers receive quarterly invoices. Electronic billing is a particular focus area, as it can simultaneously improve customer satisfaction and reduce administrative costs. TDC Services has initiated actions to increase the number of bills distributed electronically and has introduced various electronic billing solutions. In the fourth quarter of 2006, 3.4% of all bills were distributed electronically. TDC's strategic goal is to increase this percentage substantially and realize associated cost savings.

In the second half of 2006, TDC Mobil and TDC Solutions have implemented a new customer exposure system, which will monitor credit and fraud risks. On a daily basis, the system monitors customers of TDC Solutions and TDC Mobil for changes in usage and payment behavior with the purpose of automatically generating alerts if these changes break predefined limits. The alerts will be investigated and, if necessary, action will be taken to reduce TDC's exposure to customer credit risk.

TDC Switzerland.

TDC Switzerland produces and distributes approximately one million invoices monthly, 93% to residential customers and 7% to business and wholesale customers and dealers. All services can be included in one invoice. The main payment methods are "over the counter" payments at banks or post offices. To a lesser extent, bills are paid by means of e-banking and transfers. TDC Switzerland has launched electronic billing and payment for its residential customers.

IT Solutions

The IT unit in TDC Services works with TDC's internal business units and at times with TDC's customers to deliver IT projects.

In order to minimize the total IT costs and increase efficiency, TDC has outsourced certain IT tasks. In recent years, the maintenance, development and operation of several IT activities have been outsourced, in part utilizing off-shore resources.

The following activities have been outsourced:

- operation, maintenance and development of certain legacy systems in April 2003 to CSC, including Tandem and IBM OS/390 mainframe platforms
- support and desktop management in March 2005 to CSC
- development and maintenance of enterprise resource planning applications in September 2005 to IBM
- development and maintenance of TDC Mobil's billing and order management system in July 2006 to Capgemini

Procurement across Europe

TDC Services is responsible for attending to most of TDC's procurement needs in coordination with representatives from the TDC business units. Within TDC Services, the Corporate Procurement Unit is responsible for conducting the end-to-end sourcing of goods and services, i.e. from initial market analysis of the supplier market, competitive selection, and negotiations to the final implementation of contracts. Corporate Procurement provides the means of adding value, not only through scale and volume synergies, but through consistency across a number of markets and greater collaboration with a smaller number of large, high-quality suppliers ensuring favorable prices and terms. Corporate Procurement is also responsible for a wide range of products and services, e.g. from office materials to complex technical solutions such as 3G and other infrastructure elements. The Procurement Unit strives at hiring and retaining employees with significant experience in procurement, and provides in-house procurement training to ensure continuous improvement in this area.

Research and development

Our research and development activities currently focus on developing next-generation services and network platforms in the landline and mobile business areas. This includes developing broadband applications and services, as well as IP-based and UMTS network platforms and wireless LAN capabilities. Furthermore, TDC participates in international programs, including standardization efforts, and cooperate with independent research organizations.

Intellectual property

Apart from TDC's leading brands, TDC does not believe that it is dependent on any other intellectual property rights, including any individual brands.

Property, plant and equipment

TDC Services manages the majority of TDC's office premises and floor space in Denmark. However, certain of TDC's Danish operations, such as Telmore, manage their own premises.

TDC's principal properties consist of numerous telecommunications installations, including exchanges of various sizes, transmission equipment, cable networks, base stations for mobile networks and equipment for radio communications, of which the majority is located in Denmark. TDC also has numerous computer installations, which are located primarily in Copenhagen and Aarhus.

The total area of TDC's domestic properties was approximately 952,000 gross square meters as of December 31, 2006, of which approximately 60% was owned by TDC and approximately 40% was leased. As of December 31, 2006, telecommunications installations (exchanges and base stations) took up 35% of TDC's total square meters, and other installations took up 5% of its total property, plant and equipment.

In 2005, TDC Switzerland opened its new Zurich headquarters, the sunrise Tower. A majority of sunrise staff has been located at the sunrise Tower since 2005. The last part of excess real estate inventory has either already been sublet to third parties or will be returned to landlords in 2007, upon contract expiry.

Employees

Overview

TDC places high priority on training its employees, and employee satisfaction is monitored in a yearly employee survey. The employee satisfaction survey engages TDC's employees in dialog to identify ways to improve work environment processes and goal setting.

TDC has a number of incentive programs that are described in the "Financial statements" section (cf. the note related to wages, salaries and pension costs).

In the last couple of years, TDC has implemented several redundancy programs in Denmark. Such a program was also implemented in 2006 covering 554 employees, who were terminated through voluntary resignations in accordance with TDC's agreements with certain unions involving voluntary termination. Furthermore, a number of employees were relocated internally in TDC to vacant positions. In addition, a program to reduce positions in TDC's corporate staff by approximately 370 was initiated in the end of 2006. The programs imply close down of vacant positions, relocation of employees to front-office jobs and laying off employees if relocation is not possible.

Unions

TDC estimates that more than 70% of TDC's employees are members of unions.

Collective labor agreements are in place with the telecommunications department of the Danish Metal Workers Union (Dansk Metal), the Association of Managers and Employees in Special Positions of Trust in TDC (Lederforeningen i TDC, LTD), the Danish Confederation of Professional Associations (AC-organisationerne) and other unions. TDC's agreement with the Association of Managers and Employees in Special Positions of Trust in TDC prohibits striking and other industrial actions.

TDC has entered into Truce Agreements, collective agreements with the Danish Metal Workers Union, the Association of Managers and Employees in Special Positions of Trust in TDC, and the Danish Confederation of Professional Associations (collectively, the "Truce Agreement unions"). Hereby TDC has agreed to follow certain procedural guidelines in connection with the implementation of reductions in the workforce including providing redundant employees with training that would make them suitable for reassignment within TDC in certain circumstances. Pursuant to the Truce Agreement with the Danish Metal Workers Union, the parties have agreed to enter into dialogue within 24 hours of an imminent conflict in order to prevent industrial action. The Truce Agreements expire at the end of 2007, however they may be terminated by TDC or the unions subject to three months' notice in the event the assumptions behind the agreements lapse or change.

TDC has also entered into collective agreements with the Truce Agreement unions regarding the terms and conditions of voluntary resignations by employees as an incentive to encourage voluntary resignations. These agreements may be terminated by either party, subject to two months' notice.

Pension schemes

TDC's workforce consists of (i) former civil servants covered by defined benefit plans, (ii) employees with pension rights in TDC-related pension funds (which are defined benefit plans) and (iii) employees with ordinary pension plans (which are defined contribution plans).

The pension terms of employees who are former civil servants are similar to those that apply to government civil servants under the Danish Civil Servants Plan. When joining TDC, they retained their right to a civil service pension in accordance with the Danish Act on Pensions for Civil Servants. Employees who are former civil servants also retain their right to special severance pay in the amount of three years' salary (rådighedsløn) in the event of dismissal due to insufficient workload. The pension is paid by the Danish state pursuant to an agreement with the Danish State in 1994.

The pension terms of the members of the TDC-related pension funds are also similar to those provided by the Danish Civil Servants Plan. However, some of these employees have a right to special severance pay in the amount of three years' salary or three months' full salary and four years' and nine months in the amount of two-thirds of a month's salary (ventepenge).

The table shows the number of employees in the headcount participating in each of TDC's pension plans as of December 31, 2006[2].

Employment agreements

Pursuant to their employment agreements with TDC, in the event of a change of control, and for a period of 24 months thereafter, certain of TDC's top managers have a right to a prolonged notice period, ranging from 24 months to 36 months. For the same period after a change of control, any proposal for deterioration of the managers' position or responsibilities may be considered a notice of dismissal from the company.

[2] The figures cover only the following entities (excluding affiliates): TDC A/S, TDC Solutions A/S, TDC Mobile International A/S, TDC Mobil A/S, TDC Cable TV A/S and TDC Services A/S. The figures represent headcounts, not full-time employee equivalents. Trainees, graduates, expatriates, employees on leave and employees who are included in a redundancy plan are not included in the figures.

Contract types/collective agreements	Ordinary pension plans	TDC pension funds members	Former state civil servants	Total
AC	1,811	6	2	1,819
Dansk Metal	4,451	2,577	523	7,551
LTD	1,100	534	114	1,748
Other or no collective agreement	325	9	4	338
Total	7,687	3,126	643	11,456

Outlook

The Outlook for 2007 is based on comprehensive financial plans for each individual business line. However, by their very nature, forward-looking statements involve certain risks and uncertainties that are described in more detail in the section on risk factors and the Safe Harbor Statement.

In general, all amounts are excluding special items and fair value adjustments.

TDC expects that revenue in 2007 will be level with revenue in 2006, as the decrease in the landline business and the impact of the divestment of Bité largely will be offset by continued growth in broadband and mobile activities.

Net income is expected to decrease 5% – 10% in 2007, as the increasing interest expenses from full year impact of the change in the capital structure in 2006 will be partly compensated for by more efficient operations.

Any impact from the amendment to the corporate tax legislation proposed by the Danish Government as of February 1, 2007, has not been included in the outlook for net income.

Management's Discussion and Analysis of Financial Statements

Key financial data **DKKm**

TDC Group	2004	2005	2006	Growth in % 2005 vs. 2004	2006 vs. 2005
Revenue	**42,339**	**46,588**	**47,429**	**10.0**	**1.8**
Total operating expenses before depreciation etc.	(30,580)	(33,842)	(34,147)	(10.7)	(0.9)
Other income and expenses	237	257	373	8.4	45.1
Income before depreciation, amortization and special items (EBITDA)	**11,996**	**13,003**	**13,655**	**8.4**	**5.0**
Depreciation, amortization and impairment losses	(6,661)	(6,790)	(6,551)	(1.9)	3.5
Operating income (EBIT), excl. special items	**5,335**	**6,213**	**7,104**	**16.5**	**14.3**
Special items	385	(968)	(319)	–	67.0
Operating income (EBIT), incl. special items	**5,720**	**5,245**	**6,785**	**(8.3)**	**29.4**
Income from associates and joint ventures	5,632	334	449	(94.1)	34.4
– of which special items	5,066	0	10	–	–
Net financials	(716)	(1,056)	(2,697)	(47.5)	(155.4)
Income before income taxes	**10,636**	**4,523**	**4,537**	**(57.5)**	**0.3**
Income taxes	(1,041)	(1,026)	(1,094)	1.4	(6.6)
Net income from continuing operations	**9,595**	**3,497**	**3,443**	**(63.6)**	**(1.5)**
Net income from discontinued operations	315	3,953	-	–	–
– of which special items related to discontinued operations	19	3,708	-	–	–
Net income	**9,910**	**7,450**	**3,443**	**(24.8)**	**(53.8)**
Attributable to:					
Shareholders of the Parent Company	9,912	7,474	3,446	(24.6)	(53.9)
Minority interests	(2)	(24)	(3)	–	87.5
Net income excl. special items and fair value adjustments [1]	**3,943**	**4,699**	**3,362**	**19.2**	**(28.5)**
EBITDA margin in %	28.3%	27.9%	28.8%	–	–
Capital expenditures excl. share acquisitions	5,148	5,624	5,305	(9.2)	5.7
Capex excl. share acquisitions-to-revenue ratio %	12.2%	12.1%	11.2%	–	–
Net interest-bearing debt	(20,146)	(16,475)	(55,221)	18.2	–
Cash flow from operating activities	11,084	8,691	10,141	(21.6)	16.7

[1] Net income excluding special items and fair value adjustments, excludes special items from income from associates and joint ventures and special items from income from discontinued operations.

The TDC Group

Revenue

In 2006, TDC's revenue amounted to DKK 47,429m an increase of DKK 841m or 1.8% compared with 2005. The growth reflects mainly growth in the domestic mobile business but also stems from terminal equipment, and the broadband, leased-line and the cable-TV businesses as well as the full-year recognition of companies acquired in 2005[3]. The positive increase was partly counteracted by declining domestic revenue from traditional landline telephony as a consequence of the migration toward mobile telephony and to some extent VoIP products as well as the divestment of Contactel in February 2006. Adjusted for acquired and divested enterprises, TDC's revenue increased by DKK 803m or 1.8%.

TDC's revenue amounted to DKK 46,588m in 2005, up DKK 4,249m or 10.0% compared with 2004. This growth stemmed mainly from the recognition of acquired companies, but also reflected growth in our mobile businesses in Denmark and Germany, our domestic broadband and cable-TV businesses. This positive increase was partly offset by lower revenue from traditional landline telephony in the domestic operations. Adjusted for acquired and divested enterprises[4], TDC's revenue rose by DKK 1,847m or 4.6%.

Transmission costs and cost of goods sold

Transmission costs and costs of goods sold amounted to DKK 17,258m in 2006, up DKK 154m or 0.9% compared with 2005, stemming from TDC Mobile International driven by higher voice and SMS traffic as well as TDC Cable TV due mainly to higher program costs as a result of the larger customer base. This was partly counterbalanced by lower transmission costs in TDC Solutions and TDC Switzerland related mainly to landline traffic. Adjusted for acquired and divested enterprises, the increase was DKK 310m or 2.0%.

Transmission costs and cost of goods sold in TDC amounted to DKK 17,104m in 2005, up 9.4% or DKK 1,474m,

[3] Developments from 2005 to 2006 were impacted by some changes in ownership shares, including acquisition investments in the following companies: HTCC (increased ownership share in April 2005), TDC Dotcom AB (June 2005) and Ascom's business communications solutions unit, subsequently changed to sunrise business communications, (May 2005),Talkline ID including divestment of Talkline's Call by Call pre-select telephony (April 2005) and Contactel (February 2006). In the remainder of the Annual Report, adjusted for acquired and divested companies' refers to reported figures for the TDC Group, TDC Solutions, TDC Mobile International and TDC Switzerland adjusted for these acquisitions and divestments.

[4] Developments from 2004 to 2005 were impacted by some changes in ownership shares, including acquisition investments in the following companies: TDC Song (November 2004), NetDesign (December 2004), HTCC (increased ownership share in April 2005), TDC Dotcom AB (June 2005) and Ascom's business communications solutions unit, subsequently changed to sunrise business communications, (May 2005), Talkline ID including Talkline's Call by Call pre-select telephony was divested (April 2005) as well as Dan Net (August 2004). In the remainder of the Annual Report, 'adjusted for acquired and divested companies' refers to reported figures for the TDC Group, TDC Solutions, TDC Mobile International and TDC Switzerland adjusted for the impact of these acquisitions and divestments.

Revenue — DKKm

TDC Group	2004	2005	2006	Growth in % 2005 vs. 2004	Growth in % 2006 vs. 2005
TDC Solutions	18,590	21,631	21,829	16.4	0.9
TDC Mobile International	15,105	16,039	16,596	6.2	3.5
Domestic operations	6,503	7,151	7,731	10.0	8.1
Talkline etc.	7,675	7,763	7,528	1.1	(3.0)
Bité	927	1,125	1,337	21.4	18.8
TDC Switzerland	9,692	9,582	9,252	(1.1)	(3.4)
TDC Cable TV	1,766	2,107	2,458	19.3	16.7
Other activities[1]	(2,814)	(2,771)	(2,706)	1.5	2.3
TDC Group	42,339	46,588	47,429	10.0	1.8

[1] Includes TDC A/S, TDC Services and eliminations.

due primarily to acquisition of enterprises in TDC Solutions, and higher transmission costs in TDC Mobile International as a result of increased voice and SMS traffic. This was partly offset by lower costs in TDC Switzerland related to lower sales of handsets and lower mobile termination prices. Adjusted for acquired and divested enterprises, the increase was DKK 433m or 3.1%.

Other external expenses

Other external expenses amounted to DKK 9,330m in 2006, up DKK 220m or 2.4% on 2005 reflecting primarily higher consultancy fees that comprised outsourcing of IT services and various strategic projects. This was partly compensated for by lower customer-acquisition costs in Talkline. Also TDC Switzerland had lower other external expenses due to lower network-related costs. Adjusted for acquired and divested enterprises, the increase was DKK 215m or 2.5%.

Other external expenses amounted to DKK 9,110m in 2005, up DKK 993m or 12.2% on 2004. The increase stemmed largely from TDC Mobile International due to higher customer-acquisition costs in Talkline and Bité. It also related to TDC Switzerland following the acquisition of sunrise business communications, and operations of an increased number of mobile sites at year-end 2005. Adjusted for acquired and divested enterprises, the increase was DKK 748m or 9.5%.

Wages, salaries and pension costs

Wages salaries and pension costs amounted to DKK 7,559m, down DKK 69m or 0.9% on 2005. The decrease reflected primarily a decline in basic wages driven by a reduction of 479 or 2.4% average full-time employee equivalents due mainly to the redundancy programs in the domestic and Swiss businesses which resulted in a reduction of 629 employees. In 2006, the domestic redundancy programs[5] resulted in a reduction of 510 employees for the TDC Group, comprising mainly TDC Solutions A/S. The decrease in wages, salaries and pension costs was partly counteracted by the full-year impact of TDC Dotcom and sunrise business communications. Adjusted for acquired and divested enterprises, wages, salaries and pension costs fell by DKK 224m or 3.2%.

In 2005, wages, salaries and pension costs amounted to DKK 7,628m, up DKK 795m or 11.6% on 2004. The increase reflected primarily an increase of 929 or 4.9% average full-time employee equivalents stemming mainly from the acquisition and disposal of companies in TDC Solutions and TDC Switzerland. The increase also related to lower pension income from defined benefit plans for employees

[5] Redundancies implemented in 2006 related to the domestic programs announced in 2006 and prior years as well as a program initiated at November 29, 2006, aimed at reducing the corporate staff functions.

EBITDA — **DKKm**

TDC Group	2004	2005	2006	Growth in % 2005 vs. 2004	2006 vs. 2005
TDC Solutions	5,872	6,648	6,994	13.2	5.2
TDC Mobile International	2,677	2,809	3,084	4.9	9.8
Domestic operations	2,035	2,205	2,317	8.4	5.1
Talkline etc.	451	416	538	(7.8)	29.3
Bité	191	188	229	(1.6)	21.8
TDC Switzerland	2,457	2,584	2,559	5.2	(1.0)
TDC Cable TV	351	470	617	33.9	31.3
Other activities[1]	639	492	401	(23.0)	(18.5)
TDC Group	11,996	13,003	13,655	8.4	5.0

[1] Includes TDC A/S, TDC Services and eliminations.

with civil servant status in domestic operations. The increase was partly offset by lower wages, salaries and pension costs due to fewer employees in the domestic operations. In 2005, the redundancy programs covered 574 employees. Adjusted for acquired and divested enterprises, wages, salaries and pension costs increased by DKK 191m or 2.9%.

Income before depreciation, amortization and special items (EBITDA)

TDC's EBITDA increased by DKK 652m or 5.0% to DKK 13,655m in 2006. This was caused primarily by growth in TDC Solutions' EBITDA with an increase of DKK 346m or 5.2% resulting mainly from data communications and internet services, a decrease in wages as well as the full-year impact of companies acquired in 2005. TDC Mobile International's EBITDA increased DKK 275m or 9.8% reflecting growth in both the international and domestic businesses. In TDC Cable TV, EBITDA grew DKK 147m or 31.3% and related to increased revenue, in the TV and internet operations caused by more customers. The increase was partly offset by lower EBITDA in 'Other activities', which decreased by DKK 91m or 18.5% comprising higher consultancy fees. Adjusted for acquired and divested enterprises, the increase was DKK 594m or 4.7%.

TDC's EBITDA rose by DKK 1,007m or 8.4% to DKK 13,003m in 2005, reflecting primarily TDC Solutions' EBITDA, which increased by DKK 776m or 13.2%, resulting mainly from acquired and divested companies. TDC Mobile International's EBITDA increased by DKK 132m or 4.9%, reflecting growth in the domestic operations. EBITDA in TDC Cable TV increased by DKK 119m or 33.9% as a result of increased revenue driven by a larger customer base in both the cable-TV business and internet operations. The increase was partly offset by lower EBITDA from 'Other activities', which decreased by DKK 147m or 23.0% and related primarily to lower pension income from defined benefit plans for employees with civil servant status in the domestic operations. Adjusted for acquired and divested enterprises, EBITDA increased by DKK 475m or 4.0%.

Depreciation, amortization and impairment losses

Depreciation, amortization and impairment losses fell by DKK 239m or 3.5% to DKK 6,551m in 2006. The reduction reflects mainly lower depreciation, amortization and impairment losses in TDC Solutions of DKK 257m comprising ADSL equipment as well as switches. Depreciation, amortization and impairment losses in TDC Switzerland fell by DKK 85m reflecting lower write-downs and decreased amortization of customer-related assets in 2006. Depreciation, amortization and impairment losses increased by DKK 76m in TDC Mobile International driven by roll-out of UMTS in Denmark.

Depreciation, amortization and impairment losses rose by DKK 129m or 1.9% to DKK 6,790m in 2005. This increase related primarily to acquired companies, partly offset by write-downs of software and network equipment in 2004.

Operating income (EBIT), excluding special items

In 2006, operating income excluding special items increased by DKK 891m or 14.3% to DKK 7,104m as a consequence of improved EBITDA and lower depreciation, amortization and impairment losses.

Operating income excluding special items increased by DKK 878m or 16.5% to DKK 6,213m in 2005, and reflected primarily improved EBITDA, partly offset by increased depreciation, amortization and impairment losses.

Special items

Special items include significant amounts that cannot be attributed to normal operations such as large gains and losses related to divestment of subsidiaries, special write-downs for impairment and costs for restructuring etc. Items of a similar nature for the non-consolidated enterprises are recognized under income from associates and joint ventures as well as net income from discontinued operations.

In 2006, special items amounted to DKK (319)m before tax and DKK (50)m after tax. Special items before tax comprised restructuring costs amounting to DKK (1,338)m partly counterbalanced by income of DKK 995m related to a retroactive reduction of the landline network interconnect rates for 2000-2005 for TDC Switzerland, cf. "Major Events in 2006". Restructuring costs reflect primarily the redundancy programs of DKK (574)m, which comprised restructuring and redundancies in the domestic, Nordic and Swiss operations. Moreover, restructuring costs were impacted by early repayment of EMTN debt of DKK (291)m and costs of DKK (338)m related to the unutilized part of the Senior Credit Facilities.

In 2005, special items covered only restructuring costs etc. and amounted to DKK (968)m before tax and DKK (817)m after tax, reflecting primarily the redundancy programs in the domestic operations and costs for financial and legal advisers related to the Nordic Telephone Company ApS' equity tender offer to acquire the TDC shares.

In 2004, special items amounted to DKK 385m before tax and DKK 741m after tax. Profit before tax on divestment of major enterprises amounted to DKK 943m before tax, reflecting primarily the disposal of Dan Net. Restructuring costs before tax amounted to DKK (558)m and related primarily to the redundancy programs in the domestic operations. Restructuring costs after tax amounted to DKK (192)m, of which DKK 199m related to a change in the tax value of goodwill in Talkline.

Income from associates and joint ventures

Income after income taxes from associates and joint ventures totaled DKK 449m in 2006 compared with DKK 334m in 2005, up DKK 115m, comprising Polkomtel and One related mainly to increased customer bases.

Income after income taxes from associates and joint ventures totaled DKK 334m in 2005 compared with DKK 5,632m in 2004, down DKK 5,298m, reflecting primarily profit from the disposal of Belgacom in 2004.

Net financials

Net financials, including fair value adjustments

Net financials, including fair value adjustments, amounted to DKK (2,697)m in 2006, compared with DKK (1,056)m in 2005. The higher expenses reflect mainly a change in the capital structure.

Net financials, including fair value adjustments, amounted to DKK (1,056)m in 2005, compared with DKK (716)m in 2004.

Fair value adjustments

In 2006, fair value adjustments totaled an income of DKK 164m and related mainly to positive fair value adjustments of derivative financial instruments.

In 2005, fair value adjustments amounted to a cost of DKK 184m reflecting primarily value adjustment of bonds and derivative financial instruments.

In 2004, fair value adjustments totaled an income of DKK 178m reflecting primarily value adjustment of a cash receivable recognized in other fair value adjustments.

Financial expenses, net, excluding fair value adjustments

Financial expenses, net, excluding fair value adjustments, amounted to an expense of DKK 2,861m in 2006, an increase of DKK 1,989m compared with 2005. This develop-

Special items DKKm

	2004	2005	2006
Profit on disposals of enterprises and property	943	0	147
Impairment losses	0	0	(123)
Income from ruling on landline interconnect rates in Switzerland	0	0	995
Restructuring costs, etc.	(558)	(968)	(1,338)
Special items before income taxes[1]	**385**	**(968)**	**(319)**
Income taxes related to special items	356	151	269
Special items after income taxes[1]	**741**	**(817)**	**(50)**

[1] In excess of the special items above, the results from associated companies include a gain from the sale of Belgacom shares of DKK 5,093m before tax and DKK 5,066m after tax in 2004. Furthermore, in 2005 the results from discontinued operations include a gain from the sale of TDC Directories of DKK 3,705m before tax and DKK 3,708m after tax. In 2004, DKK 19m after tax was included in the results from discontinued operations. In 2006, DKK 10m after tax was included in results from associated companies.

ment reflected the changed capital structure as well as negative foreign currency adjustments.

Financial expenses, net, excluding fair value adjustments, amounted to an expense of DKK 872m in 2005, a decrease of DKK 22m compared with 2004. This development reflected mainly positive foreign currency adjustments, offset by higher net interest expenses due primarily to interest relating to tax matters in 2004.

Income taxes

Income taxes amounted to DKK 1,094m in 2006, an increase of DKK 68m or 6.6% compared with 2005.

In 2005, income taxes amounted to DKK 1,026m, a reduction of DKK 15m or 1.4% compared with 2004.

Income taxes related to net income, excluding special items and fair value adjustments

Income taxes related to net income, excluding special items and fair value adjustments, totaled DKK 1,320m in 2006, an increase of DKK 96m or 7.8% compared with DKK 1,224m in 2005.

Income taxes related to net income, excluding special items and fair value adjustments, totaled DKK 1,224m in 2005, a reduction of DKK 136m or 10.0% compared with 2004.

The effective tax rate

The effective tax rate, excluding special items and fair value adjustments was 28.2% in 2006 compared with 21.6% in 2005. The increase in the effective tax rate from 2005 to 2006 is due mainly to the non-recurring impact from the lowering of the Danish corporate income tax rate from 30% to 28% in 2005, which caused a reduction in deferred tax liabilities.

The effective tax rate, excluding special items and fair value adjustments, was 21.6% in 2005 compared with 27.2% in 2004. The decrease in the effective tax rate from 2004 to 2005 was due mainly to the non-recurring impact from the lowering of the Danish corporate income tax from 30% to 28%, cf. above.

Income taxes relating to special items

Income taxes relating to special items amounted to a tax income of DKK 269m in 2006 compared with a tax income of DKK 151m in 2005.

Income taxes relating to special items amounted to a tax income of DKK 151m in 2005 compared with a tax income of DKK 356m in 2004.

Income taxes relating to fair value adjustments

Income taxes relating to fair value adjustments amounted to a tax expense of DKK 43m in 2006 compared with a tax income of DKK 47m in 2005 and a tax expense of DKK 37m in 2004.

Net income from discontinued operations

In 2006, net income from discontinued operations amounted to DKK 0m, compared with DKK 3,953m in 2005.

Net income from discontinued operations rose from DKK 315m in 2004 to DKK 3,953m in 2005, reflecting primarily profit on the disposal of TDC Directories at November 30, 2005.

Fair value adjustments DKKm

TDC Group	2004		2005		2006	
	Pre-tax	After tax	Pre-tax	After tax	Pre-tax	After tax
Fair value adjustments of minority passive investments	(19)	(10)	(65)	(44)	(16)	(12)
Other fair value adjustments	197	151	(119)	(93)	180	133
Fair value adjustments, total	178	141	(184)	(137)	164	121

Net income

Net income, including special items and fair value adjustments, fell by DKK 4,007m or 53.8% to DKK 3,443m in 2006. Net income, excluding special items and fair value adjustments, fell by DKK 1,337m or 28.5% to DKK 3,362m. The decrease is related primarily to changes in capital structure partly balanced by improved EBIT.

In 2005, net income, including special items and fair value adjustments, fell by DKK 2,460m or 24.8% to DKK 7,450m. Net income, excluding special items and fair value adjustments, rose by DKK 756m or 19.2% to DKK 4,699m. The increase related primarily to the improved EBIT and lower income tax following a reduction in the Danish tax rate.

Balance Sheets

The Consolidated Balance Sheets totaled DKK 80,769m at year-end 2006, down DKK 12,755m compared with 2005. The decrease in total assets during 2006 was due mainly to a decrease in cash and cash equivalents and marketable securities following the changes in capital structure in 2006.

Equity aggregated DKK 3,571m at year-end 2006. The decrease of DKK 40,224m compared with year-end 2005 was generated by the changes in capital structure during 2006.

Total liabilities amounted to DKK 77,198m, up DKK 27,469m or 55.2% compared with year-end 2005, reflecting primarily higher long-term bank loans related to the changes in capital structure in 2006.

Net interest-bearing debt totaled DKK 55,221m at year-end 2006, an increase of DKK 38,746m due mainly to the changes in capital structure in 2006.

Capital expenditures

Capital expenditures, including share acquisitions, were DKK 5,667m in 2006, down DKK 610m compared with 2005. The reduction stemmed mainly from the acquisition of HTCC, TDC Dotcom and sunrise business communications in 2005 totaling DKK 625m and was partly counteracted by the acquisition of Esenet in 2006.

In 2005, capital expenditures, including share acquisitions, fell by DKK 3,715m to DKK 6,277m compared with DKK 9,992m in 2004. This decrease related mainly to the acquisition of TDC Song and NetDesign in 2004, which totaled DKK 4,564m and was partly offset by the impact of the acquisition of HTCC, TDC Dotcom and sunrise business communications in 2005.

Capital expenditures, excluding share acquisitions, were DKK 5,305m in 2006, down DKK 319m or 5.7% from DKK 5,624m in 2005. The reduction reflects mainly lower capital expenditures in TDC Switzerland of DKK 415m due to lower investment in the GSM network in 2006, lower capitalization of asset retirement obligations and the completion of a new office building (sunrise Tower) in 2005. Capital expenditures in TDC Mobile International decreased by DKK 202m due mainly to lower UMTS and service platform investments in the domestic business. TDC Solutions' capital expenditures rose by DKK 246m related mainly to increased investments in fiber roll-out and the full-year recognition of TDC Dotcom and HTCC.

Capital expenditures, excluding share acquisitions, rose by DKK 476m or 9.2% to DKK 5,624m in 2005 compared with 2004. The increase stemmed mainly from TDC Mobile International, which increased by DKK 233m due primarily to higher capital expenditures in Bité. Capital expenditures in TDC Solutions rose by DKK 177m due mainly to capital investments in the acquired companies. TDC Switzerland's capital expenditures increased by DKK 156m, reflecting primarily investments in EDGE network technology and increased capitalization of asset retirement obligations.

The capex-to-revenue ratio was 11.2% in 2006 compared with 12.1% in 2005 and 12.2% in 2004.

Statements of Cash Flow

Cash flow from operating activities amounted to DKK 10,141m in 2006, up DKK 1,450m compared with 2005. This increase related primarily to fewer tax payments, higher positive realized currency adjustments and a positive development in working capital in 2006 compared with a negative development in 2005 as well as higher EBITDA. This was partly offset by higher interest payments.

Cash flow from operating activities amounted to DKK 8,691m in 2005, down DKK 2,393m compared with 2004. This fall related primarily to increased tax payments and an adverse development in working capital in 2005 compared with a favorable development in 2004. This was partly offset by improved EBITDA.

Cash flow from investing activities totaled DKK (989)m in 2006 compared with DKK (1,226)m in 2005. The development is due primarily to sale of marketable securities in 2006, compared with investments in marketable securities in 2005. In addition, dividends from associates and joint ventures contributed positively. The development was impacted by the positive cash flow from the disposal of TDC Directories in 2005.

Cash flow from investing activities totaled DKK (1,226)m in 2005 compared with DKK 2,889m in 2004, due primarily to investments in non-current assets, an increased ownership share in HTCC and acquisition of TDC Dotcom, sunrise business communications and Telelet, partly offset by the disposal of TDC Directories. Investing activities in 2004 related mainly to dividends received in connection with the divestment of Belgacom, partly offset by the acquisition of TDC Song, NetDesign and the remaining 80% stake in Telmore.

Cash flow from financing activities totaled DKK (15,760)m in 2006 compared with DKK (4,229)m in 2005. The devel-

Capital expenditures **DKKm**

TDC Group	2004	2005	2006	Growth in % 2005 vs. 2004	Growth in % 2006 vs. 2005
TDC Solutions	2,447	2,624	2,870	(7.2)	(9.4)
TDC Mobile International	1,023	1,256	1,054	(22.8)	16.1
Domestic operations	747	831	674	(11.2)	18.9
Talkline etc.	112	73	50	34.8	31.5
Bité	164	352	330	(114.6)	6.3
TDC Switzerland	1,196	1,352	937	(13.0)	30.7
TDC Cable TV	223	231	244	(3.6)	(5.6)
Other activities[1]	259	161	200	37.8	(24.2)
TDC excluding share acquisitions	5,148	5,624	5,305	(9.2)	5.7
Share acquisitions in other companies	4,844	653	362	86.5	44.6
TDC including share acquisitions	9,992	6,277	5,667	37.2	9.7

[1] Includes TDC A/S, TDC Services and eliminations.

opment related mainly to the extraordinary dividend payment in 2006 and repayment of long-term debt in 2006. Proceeds from long-term loans contributed positively to the cash flow.

Cash flow from financing activities totaled DKK (4,229)m in 2005 compared with DKK (12,573)m in 2004, and the development related mainly to repayment of long-term debt and the repurchase of treasury shares from SBC in 2004.

TDC's cash and cash equivalents decreased from DKK 10,063m in 2005 to DKK 3,455m in 2006.

TDC's cash and cash equivalents increased from DKK 6,827m in 2004 to DKK 10,063m in 2005.

TDC Solutions

TDC Solutions offers a wide range of communications services in Denmark and the Nordic countries as well as the Hungarian market. TDC Solutions' main activities are performed by the parent company TDC Solutions A/S, Net-Design (Danish) a leading provider of IP/LAN infrastructure for business customers, TDC Song[6] (pan-Nordic), a fully-owned network operator mainly for business customers, TDC Dotcom (Swedish) an important provider of infrastructure for Swedish business customers, and HTCC (Hungarian) a 63.3% owned landline and data communications provider. TDC Solutions' activities include landline telephony services, convergence products (combined landline and mobile telephony), data communications and internet services, including broadband solutions, security and hosting services, leased lines, sale of terminals and installation.

At year-end 2006, TDC Solutions had 4.4m customers, compared with 4.5m in 2005. The number of full-time employee equivalents totaled 11,395 by year-end 2006 compared with 12,231 in 2005. Revenue and EBITDA were DKK 21,829m and 6,994m, respectively in 2006 compared with DKK 21,631m and DKK 6,648m in 2005

Business areas

TDC Solutions' main business areas are described below:

[6] TDC Song covers TDC Song companies in Sweden, Norway, Finland and Denmark. TDC Song Nordic covers TDC Song companies in Sweden, Norway and Finland.

Landline telephony

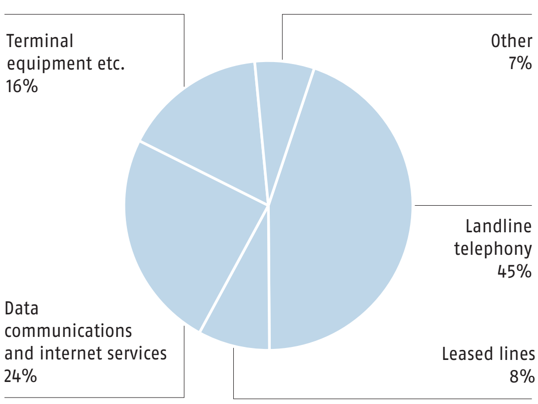
Landline telephony represents the major share of revenue in TDC Solutions and totaled DKK 9,745m in 2006, corresponding to 45% of revenue compared with DKK 10,453m or 48% in 2005. The business area covers retail landline telephony including traffic and subscriptions, wholesale landline telephony consisting primarily of domestic and international wholesale traffic as well as domestic service provider revenue. DKK 1,758m of landline revenue stemmed from TDC Song Nordic and HTCC in 2006.

The number of landline customers is decreasing because of the migration toward mobile telephony and IP-based technologies. To counter this development and to meet the market's increased focus on flat-rate products, TDC Solutions A/S launched "TDC Samtale" in 2004 and "TDC Samtale Døgn" in 2005, extending the hours of unlimited national landline minutes at a flat monthly rate off-peak and full-time respectively. In 2006, TDC Solutions A/S launched "TDC Samtale Weekend", giving unlimited landline minutes at weekends and "TDC Telefoni" offering a "TDC Samtale" subscription with up to 5 mobile subscriptions. Furthermore, TDC Solutions A/S introduced internet-based telephony (VoIP) for residential customers and flexible IP telephony for small businesses in 2006.

Data communications and internet services

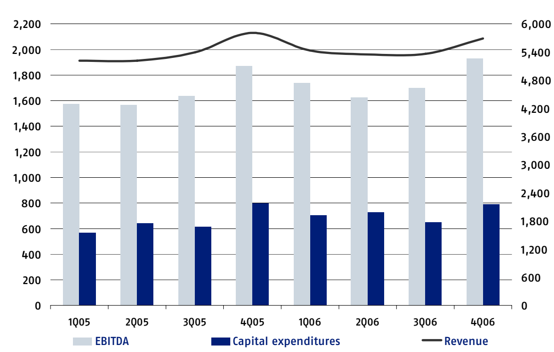
With revenue of DKK 5,291m in 2006, data communications and internet services were the second-largest contributor to TDC Solutions' revenue, corresponding to 24% of total revenue compared with DKK 5,000m or 23% in

TDC Solutions
Revenue per business area 2006



EBITDA
Capital expenditures
(DKKm)

Revenue
(DKKm)



2005. The business area comprises mainly broadband solutions, private IP-based networks, dial-up solutions and data communications services. DKK 1,125m of total revenue from data communications and internet services stemmed from TDC Song Nordic and HTCC in 2006.

The customer migration from dial-up internet toward broadband solutions continued in 2006, and the broadband penetration per Danish household rose to approximately 63% in the first half of 2006[7]. To counter the ever increasing competition in the broadband market, TDC Solutions A/S introduced a number of campaigns and price changes in 2006, including higher speeds at unchanged prices. A new product, TDC Netway, was also introduced, a combined broadband and VoIP product aimed at young people and students. Furthermore, TDC Solutions A/S launched new broadband speeds of 20 Mbps.

Terminal equipment etc.

With revenue of DKK 3,561m in 2006, terminal equipment etc. was the third-largest contributor to TDC Solutions' revenue, corresponding to a share of 16% compared with

[7] Source: Statistics Denmark and Danish National IT and Telecom Agency, Telecom statistics – first half of 2006.

Selected financial and operational data **Excluding special items**

TDC Solutions		2004	2005	2006	Growth in % 2005 vs. 2004	2006 vs. 2005
	DKKm					
Revenue		**18,590**	**21,631**	**21,829**	**16.4**	**0.9**
Total operating expenses before depreciation etc.		(12,887)	(15,130)	(15,051)	(17.4)	0.5
Other income and expenses		169	147	216	(13.0)	46.9
Income before depreciation, amortization and special items (EBITDA)		**5,872**	**6,648**	**6,994**	**13.2**	**5.2**
Depreciation, amortization and impairment losses		(3,549)	(3,754)	(3,497)	(5.8)	6.8
Operating income (EBIT), excl. special items		**2,323**	**2,894**	**3,497**	**24.6**	**20.8**
Capital expenditures [1]		**2,447**	**2,624**	**2,870**	**(7.2)**	**(9.4)**
Key financial ratios						
EBITDA margin [2]	%	31.6	30.7	32.0	-	-
Capex excl. share acquisitions-to-revenue ratio [1]	%	13.2	12.1	13.1	-	-
Subscriber base (end-of-year)	(1,000)					
Landline customers		2,910	2,984	2,845	2.5	(4.7)
Mobile customers		369	369	388	0.0	5.1
Internet customers		1,157	1,130	1,133	(2.3)	0.3
Other customers		0	1	3	-	-
Subscriber base, total		**4,436**	**4,484**	**4,369**	**1.1**	**(2.6)**
Number of employees [3]		**11,432**	**12,231**	**11,395**	**7.0**	**(6.8)**

[1] Capital expenditures excluding share acquisitions.
[2] Income before depreciation, amortization and special items divided by revenue.
[3] The number denotes end-of-year full-time employee equivalents including permanent employees, trainees and temporary employees.

DKK 3,172m or 15% in 2005. This business area includes sales and installation of hardware ranging from handsets to large switchboards, and service agreements. DKK 1,457m of the total revenue from terminal equipment etc. stemmed from NetDesign and TDC Dotcom[8].

Leased lines

Revenue from leased lines aggregated DKK 1,795m in 2006 and represented 8% of total revenue compared with DKK 1,538m or 7% in 2005. This business area comprises fiber solutions. Of the total revenue from leased lines, DKK 512m stemmed from TDC Song Nordic and HTCC in 2006.

Other services

TDC Solutions' remaining share of revenue including mainly operator services such as directory inquiries and mobile telephony, primarily Duét (a convergence product that combines landline and mobile telephony), totaled DKK 1,437m or 7% of total revenue in 2006.

Financial highlights

In 2006, TDC Solutions' revenue and EBITDA grew 0.9% and 5.2%, respectively. Adjusted for acquired and divested companies, revenue remained almost constant comprising lower revenue from landline telephony offset by higher revenue from terminal equipment etc., data communications and internet services as well as leased lines. Adjusted for acquired and divested companies, EBITDA rose 4.1% reflecting mainly growth in data communications and internet services, and a decrease in wages, salaries and pension costs in TDC Solutions A/S as a result of redundancy programs. The decrease in wages, salaries and pension costs, were the primary drivers behind the growth in EBITDA margin from 30.7 % in 2005 to 32.0% in 2006. The capex-to-revenue ratio increased from 12.1% in 2005 to 13.1% in 2006, stemming partly from higher investments in fiber network.

TDC Solutions' revenue and EBITDA grew by 16.4% and 13.2%, respectively in 2005, reflecting primarily the acquisition of new operations. Adjusted for acquired and divested companies, revenue fell by 0.2%. Adjusted for acquired and divested companies, EBITDA rose 4.1% reflecting mainly growth in data communications and internet services, and increased efficiency in domestic operations. The EBITDA margin was 30.7% in 2005 compared with 31.6% in 2004. The lower margin in 2005 was due mainly to acquired companies with lower EBITDA margins, including TDC Song. The capex-to-revenue ratio decreased from 13.2% in 2004 to 12.1% in 2005 reflecting primarily acquired companies with relatively lower investments compared with TDC Solutions A/S.

[8] TDC Dotcom AB was formerly named TDC Internordia. Following TDC Internordia AB's acquisition of Dotcom Solutions in June 2005, TDC Internordia AB's company name was changed to TDC Dotcom AB.

Revenue

In 2006, TDC Solutions' revenue totaled DKK 21,829m, up DKK 198m or 0.9% compared with 2005, reflecting primarily the full-year recognition of HTCC and TDC Dotcom. Adjusted for acquired and divested companies, revenue was DKK 19,626m, up DKK 7m or 0.0%.

In 2005, TDC Solutions' revenue totaled DKK 21,631m, up DKK 3,041m or 16.4% compared with 2004, reflecting primarily TDC Song and HTCC. Adjusted for acquired and divested companies, revenue was DKK 17,524m, down DKK 30m or 0.2%.

Landline telephony, retail

In 2006, revenue from landline telephony, retail decreased by DKK 662m or 8.2% to DKK 7,397m.

In 2005, revenue from landline telephony, retail rose by DKK 606m or 8.1% to DKK 8,059m.

Revenue from subscriptions decreased by DKK 83m or 2.2% to DKK 3,720m in 2006, and related primarily to a decrease in the number of domestic landline customers of approximately 128,000 or 5.7% to 2.1m at year-end 2006. However, the decline covers an increase in the flat-rate solutions "TDC Samtale" and "TDC Samtale Døgn" resulting in 62,000 more customers, up 19.3%, to a total of 383,000 in 2006.

Revenue from subscriptions increased by DKK 144m or 3.9% to DKK 3,803m in 2005, and related primarily to TDC Song and HTCC, partly offset by a fall in the number of domestic landline customers of approximately 127,000 or 5.3% to 2.3m at year-end 2005. The decline covered an increase in "TDC Samtale" and "TDC Samtale Døgn" customers.

In 2006, revenue from landline traffic decreased by DKK 579m or 13.6% to DKK 3,677m. The reason for the decline in retail traffic revenue is the general market trend for traffic to migrate to IP and the mobile networks. Another reason is the increasing number of flat rate landline subscriptions, which drive decreasing retail traffic revenue while at the same time positively impacting retail subscription revenue. Traffic in the domestic operations decreased by 0.7bn minutes or 9.5%.

In 2005, revenue from landline traffic totaled DKK 4,256m, up DKK 462m or 12.2%, and reflected primarily TDC Song and HTCC, partly offset by lower revenue from traditional landline traffic in the domestic operations, stemming from a decrease of 0.8bn or 9.2% in traffic minutes.

Adjusted for acquired and divested companies, revenue from landline telephony, retail was DKK 7,025m, down DKK 471m or 6.3% in 2006.

In 2005, adjusted for acquired and divested companies, revenue from landline telephony, retail was DKK 6,795m, down DKK 332m or 4.7%.

Landline telephony, wholesale

In 2006, revenue from landline telephony, wholesale decreased by DKK 46m or 1.9% to DKK 2,348m, stemming mainly from a declining landline market and a fall in domestic wholesale traffic due to competing operators establishing their own networks. Adjusted for acquired and divested companies, revenue from landline telephony, wholesale was DKK 2,076m, down DKK 110m or 5.0%.

In 2005, revenue from landline telephony, wholesale increased DKK 204m or 9.3% to DKK 2,394m, stemming mainly from HTCC and TDC Song, partly offset by a fall in total domestic wholesale traffic. Adjusted for acquired and divested companies, revenue from landline telephony, wholesale was DKK 2,061m, down DKK 129m or 5.9%.

Data communications and internet services

In 2006, revenue from data communications and internet services rose by DKK 291m or 5.8% to DKK 5,291m, and stemmed mainly from growth in xDSL sales, partly offset by a fall in revenue from dial-up customers. TDC Solutions' domestic broadband customer base rose from 689,000 in 2005 to 862,000 at year-end 2006 thereby achieving a broadband market share of approximately

Revenue DKKm

TDC Solutions	2004	2005	2006	Growth in % 2005 vs. 2004	Growth in % 2006 vs. 2005
Revenue	18,590	21,631	21,829	16.4	0.9
Landline telephony	9,643	10,453	9,745	8.4	(6.8)
Retail	7,453	8,059	7,397	8.1	(8.2)
Subscriptions	3,659	3,803	3,720	3.9	(2.2)
Traffic	3,794	4,256	3,677	12.2	(13.6)
Wholesale	2,190	2,394	2,348	9.3	(1.9)
Transit traffic	704	708	642	0.6	(9.3)
Other [1]	1,486	1,686	1,706	13.5	1.2
Data communications and internet services	3,840	5,000	5,291	30.2	5.8
Terminal equipment etc.	2,578	3,172	3,561	23.0	12.3
Leased lines	1,117	1,538	1,795	37.7	16.7
Other [2]	1,412	1,468	1,437	4.0	(2.1)

[1] Includes incoming traffic, pre-fix traffic and service provision.
[2] Includes mobile telephony, operator services etc.

43% by the first half of 2006[9]. Adjusted for acquired and divested companies, revenue from data communications and internet services was DKK 5,165m up DKK 382m or 8.0%.

In 2005, revenue from data communications and internet services rose DKK 1,160m or 30.2% to DKK 5,000m, and stemmed mainly from TDC Song and HTCC, partly offset by the disposal of Dan Net in August 2004. The increase was also driven by growth in xDSL sales, partly offset by a fall in revenue from dial-up customers. TDC Solutions' domestic broadband customer base rose from 549,000 in 2004 to 689,000 at year-end 2005. Adjusted for acquired and divested companies, revenue from data communications and internet services was DKK 3,829m, up DKK 346m or 9.9%.

Terminal equipment etc.

In 2006, revenue from terminal equipment etc. amounted to DKK 3,561m, up DKK 389m or 12.3%, relating primarily to the full-year recognition of TDC Dotcom as well as increased terminal sales in NetDesign. Adjusted for acquired and divested companies, revenue from terminal equipment etc. was DKK 2,672m, up DKK 133m or 5.2%.

In 2005, revenue from terminal equipment etc. amounted to DKK 3,172m, up DKK 594m or 23.0%, relating primarily to the recognition of NetDesign and TDC Dotcom, partly offset by increased sales of employee PCs in TDC Solutions A/S in 2004. Adjusted for acquired and divested companies, revenue from terminal equipment etc. was DKK 2,429m, down DKK 50m or 2.0%.

Leased lines

In 2006, revenue from leased lines rose by DKK 257m, up 16.7% to DKK 1,795m. The increase related partly to higher demand for high-speed fiber solutions and partly to the full-year recognition of HTCC and TDC Dotcom. Adjusted for acquired and divested companies, revenue from leased lines was DKK 1,350m, up DKK 132m or 10.8%.

In 2005, revenue from leased lines rose by DKK 421m, up 37.7% to DKK 1,538m. The increase related primarily to the recognition of HTCC and TDC Song, partly offset by lower revenue from domestic leased lines and servicing of companies with private data lines. Adjusted for acquired and divested companies, revenue from leased lines was DKK 1,058m, down DKK 29m or 2.7%.

Transmission costs and cost of goods sold

Transmission costs and cost of goods sold amounted to DKK 6,929m in 2006, down DKK 51m or 0.7% compared with 2005. The decrease stemmed mainly from lower domestic landline traffic. Adjusted for acquired and divested companies, transmission costs and cost of goods sold amounted to DKK 5,909m, down DKK 93m or 1.5%.

Transmission costs and cost of goods sold amounted to DKK 6,980m in 2005, up DKK 1,594m or 29.6% compared with 2004. The increase stemmed mainly from the recognition of TDC Song, HTCC, NetDesign and TDC Dotcom, partly offset by lower domestic landline traffic. Adjusted for acquired and divested companies, transmission costs and cost of goods sold amounted to DKK 4,735m, down DKK 121m or 2.5%.

Other external expenses

Other external expenses increased by DKK 13m or 0.3% to DKK 3,837m in 2006. Adjusted for acquired and divested companies, other external expenses totaled DKK 3,527m up DKK 20m or 0.6% compared with 2005.

Other external expenses increased by DKK 58m or 1.5% to DKK 3,824m in 2005. The increase resulted primarily from the recognition of TDC Song, HTCC, NetDesign and TDC Dotcom, and was partly offset by stringent cost control in TDC Solutions A/S. Adjusted for acquired and divested companies, other external expenses totaled DKK 3,396m, down DKK 234m or 6.4%.

Wages, salaries and pension costs

In 2006, wages, salaries and pension costs decreased by DKK 41m or 0.9% to DKK 4,285m. The decrease reflected primarily a decrease of 234 or 1.9% in the number of average full-time employee equivalents, comprising a decline in TDC Solutions' A/S and the divestment of Contactel counteracted by the full-year recognition of HTCC and TDC Dotcom. Wages, salaries and pension costs in TDC Solutions A/S decreased DKK 166m to DKK 3,062m stemming from a decline of 635 or 6.8% average full-time employee equivalents to 8,675 mainly as a result of redundancy

[9] Source: Danish National IT & Telecom Agency, Telecom Statistics – first half of 2006.

programs. Adjusted for acquired and divested companies, wages, salaries and pension costs decreased by DKK 134m or 3.4% to DKK 3,764m.

In 2005, wages, salaries and pension costs rose by DKK 591m or 15.8% to DKK 4,326m. The increase reflected primarily an increase of 1,041 or 9.4% in the number of average full-time employee equivalents stemming mainly from the recognition of TDC Song, NetDesign and HTCC, partly offset by the divestment of Dan Net. Wages, salaries and pension costs in TDC Solutions A/S rose as a result of higher wages and salaries and increased consumption of resources for network maintenance, partly offset by a decline of 460 average full-time employee equivalents to 9,310 mainly as a result of the redundancy programs. Adjusted for acquired and divested companies, wages, salaries and pension costs rose by DKK 39m or 1.1% to DKK 3,533m.

Income before depreciation, amortization and special items (EBITDA)

In 2006, EBITDA amounted to DKK 6,994m in 2006, up DKK 346m or 5.2%. This performance reflects mainly increased growth in data communications and internet services, a decrease in wages, salaries and pension costs as a result of redundancy programs in TDC Solutions A/S, as well as acquired and divested companies. Adjusted for acquired and divested companies, EBITDA amounted to DKK 6,616m, up DKK 259m or 4.1%.

In 2005, EBITDA amounted to DKK 6,648m in 2005, up DKK 776m or 13.2%. The result reflects mainly acquired and divested companies and adjusted for this, EBITDA amounted to DKK 5,979m, up DKK 237m or 4.1%, due mainly to increased growth in data communications and internet services, as well as stringent cost control in the domestic operations.

Depreciation, amortization and impairment losses

In 2006, TDC Solutions' depreciation, amortization and impairment losses decreased DKK 257m or 6.8% to DKK 3,497m, due to lower depreciation on ADSL equipment and switches as well as lower write-downs on software in TDC Solutions A/S. Adjusted for acquired and divested enterprises, depreciation, amortization and impairment losses decreased by DKK 332m or 9.4%.

In 2005, TDC Solutions' depreciation, amortization and impairment losses rose by DKK 205m or 5.8% to DKK 3,754m, reflecting primarily acquired and divested companies partly offset by higher write-downs of software in TDC Solutions A/S in 2004. Adjusted for acquired and divested enterprises, depreciation, amortization and impairment losses fell by DKK 272m or 7.9%.

Operating income (EBIT), excluding special items

In 2006, EBIT increased by DKK 603m or 20.8% to DKK 3,497m, reflecting improved EBITDA and lower depreciation, amortization and impairment losses.

In 2005, EBIT increased by DKK 571m or 24.6% to DKK 2,894m and reflected mainly improved EBITDA, partly offset by higher depreciation, amortization and impairment losses.

Operating expenses DKKm

TDC Solutions	2004	2005	2006	Growth in % 2005 vs. 2004	Growth in % 2006 vs. 2005
Transmission costs and cost of goods sold	(5,386)	(6,980)	(6,929)	(29.6)	0.7
Other external expenses	(3,766)	(3,824)	(3,837)	(1.5)	(0.3)
Wages, salaries and pension costs	(3,735)	(4,326)	(4,285)	(15.8)	0.9
Total operating expenses before depreciation etc.	(12,887)	(15,130)	(15,051)	(17.4)	0.5

Capital expenditures

In 2006, TDC Solutions' capital expenditures increased by DKK 246m to DKK 2,870m. Capital expenditures in domestic operations increased driven mainly by an increase in roll-out of fiber solutions and multimedia DSL enabling high-speed broadband products. In addition, the development is related to the full-year recognition of TDC Dotcom and HTCC. Adjusted for acquired and divested enterprises, capital expenditures increased DKK 172m or 7.0%.

In 2005, TDC Solutions' capital expenditures increased DKK 177m to DKK 2,624m, and related primarily to the recognition of TDC Song and HTCC. Capital expenditures in domestic operations decreased, driven mainly by lower unit costs for xDSL equipment. Adjusted for acquired and divested enterprises, capital expenditures fell by DKK 175m or 7.5%.

TDC Mobile International

TDC Mobile International is the leading provider of mobile telecommunications services in Denmark and also provides mobile telephony in Germany, Lithuania, Latvia and Norway. Its activities include mobile voice telephony, mobile data services, sale of handsets and sale of traffic to service providers in Denmark, Lithuania and Austria. TDC Mobile International's subsidiary Bité, which operates in Lithuania and Latvia was divested on February 9, 2007.

At year-end 2006, TDC Mobile International had 2,428 full-time employee equivalents and 8.2m customers, with 2.4m in domestic operations, 3.7m in Talkline etc. and 2.0m in Bité. Revenue was DKK 16,596m in 2006, and EBITDA was DKK 3,084m.

Business areas

TDC Mobile International has three main business areas: the domestic operations, Talkline etc. and Bité. TDC Mobile International also has ownership shares in the mobile companies, One (Austria) and Polkomtel (Poland).

The domestic operations

The domestic operations include primarily TDC Mobil and Telmore.

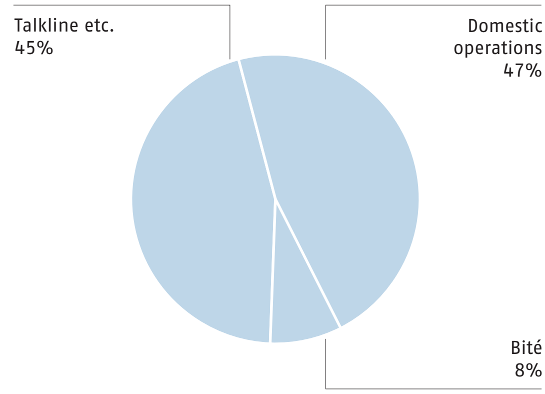
TDC Mobil's business areas cover primarily retail activities, including mobile telephony, sale of handsets and wholesale activities.

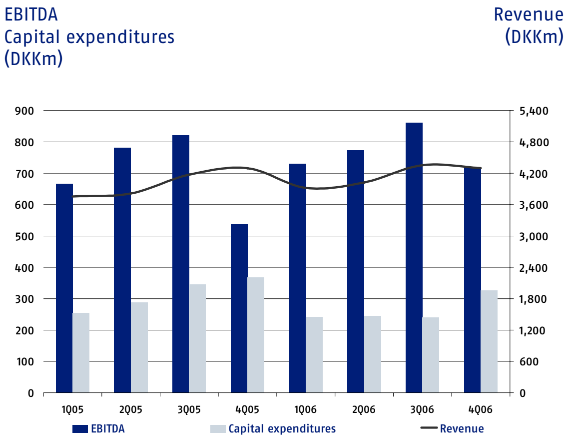
Telmore is a service provider that offers mobile telephony services as web-based self-services through TDC Mobil's network, and is the market leader in the online segment.

The domestic mobile market is characterized by high penetration. Further growth has been and will continue to be achieved by developing new services and products. In 2006, the use of consumption-independent flat-rate pricing for SMS and MMS messages and voice traffic continued. TDC Mobil launched its own versions of these product types – i.e. the Max products (MaxSMS+ and MaxTale) and offered the supplementary services Fri SMS and Fri Tale for MobilExtra subscribers offering semi-flat-rate pricing on voice traffic and flat-rate pricing on SMS and MMS. In late 2005, rating per minute as opposed to rating per second was introduced to TDC Mobil's customers. Rating per minute became more widespread in 2006 as other operators have also adopted the new form of rating.

SMS and MMS traffic has experienced growth due to increased customer consumption. After the 2005 launch of mobile broadband through the UMTS network (3G), data traffic has increased more than 100% and this growth is expected to continue as 3G coverage is continuously increased in order to meet regulatory requirements of 80% population coverage by 2008.

TDC Mobile International
Revenue per business area 2006





Talkline etc.

Talkline etc. comprises the service providers Talkline and Talkline's subsidiary, callmobile, in Germany as well as Telmore International.

TDC Mobile International owns 100% of Talkline, a German service provider, which in turn owns 100% of callmobile, a service provider operating under its own brand through

Selected financial and operational data — **Excluding special items**

TDC Mobile International		**2004**	**2005**	**2006**	**Growth in % 2005 vs. 2004**	**Growth in % 2006 vs. 2005**
	DKKm					
Revenue		**15,105**	**16,039**	**16,596**	**6.2**	**3.5**
Domestic operations		6,503	7,151	7,731	10.0	8.1
Talkline etc.		7,675	7,763	7,528	1.1	(3.0)
Bité		927	1,125	1,337	21.4	18.8
Total operating expenses before depreciation etc.		(12,481)	(13,266)	(13,562)	(6.3)	(2.2)
Other income and expenses		53	36	50	(32.1)	38.9
Income before depreciation, amortization and special items (EBITDA)		**2,677**	**2,809**	**3,084**	**4.9**	**9.8**
Domestic operations		2,035	2,205	2,317	8.4	5.1
Talkline etc.		451	416	538	(7.8)	29.3
Bité		191	188	229	(1.6)	21.8
Depreciation, amortization and impairment losses		(1,250)	(1,123)	(1,199)	10.2	(6.8)
Operating income (EBIT), excl. special items		**1,427**	**1,686**	**1,885**	**18.1**	**11.8**
Capital expenditures [1]		**1,023**	**1,256**	**1,054**	**(22.8)**	**16.1**
Key financial ratios						
EBITDA margin [2]	%	17.7	17.5	18.6	-	-
Capex excl. share acquisitions-to-revenue ratio [1]	%	6.8	7.8	6.4	-	-
Subscriber base (end-of-year)	(1,000)					
Domestic operations		2,050	2,229	2,403	8.7	7.8
Talkline etc.		2,590	3,434	3,742	32.6	9.0
Bité		929	1,725	2,045	85.7	18.6
Subscriber base, total		**5,569**	**7,388**	**8,190**	**32.7**	**10.9**
Number of employees [3]		**2,464**	**2,434**	**2,428**	**(1.2)**	**(0.2)**

[1] Capital expenditures excluding share acquisitions.
[2] Income before depreciation, amortization and special items divided by revenue.
[3] The number denotes end-of-year full-time employee equivalents including permanent employees, trainees and temporary employees.

T-Mobile's network. In 2006, Talkline obtained 100% ownership of callmobile which was formerly named easy-Mobile DE. Telmore International Holding is the parent company of the easyMobile companies in the UK and the Netherlands that were both discontinued in 2006.

Talkline provides mobile telephony and also provided content services and call by call pre-select telephony until April 1, 2005[10], when these activities were divested. Revenue from these two divested business areas totaled DKK 326m from January 1 to March 31 in 2005. Talkline now operates as a service provider and sells handsets, prepaid SIM cards and mobile subscriptions in cooperation with mobile operators in Germany. Talkline operates through internet-based customer services and has a strong distribution network with retail outlets in selected areas.

Bité – Bité Lithuania and Bité Latvia

Bité is a mobile operator that until February 9, 2007 was 100% owned by TDC Mobile International, and operates in the Lithuanian and Latvian markets. Bité's revenue is generated primarily by mobile telephony.

Associates

Polkomtel (Poland)

TDC Mobile International holds a 19.6% stake in Polkomtel, a Polish mobile operator. Due to the change of control in TDC, TDC was forced to sell its shares to the other shareholders of Polkomtel, and an agreement was reached in March 2006 with Polkomtel's Polish shareholders to sell TDC's shares. However, the conditions for the sale have been challenged by the co-shareholder, Vodafone, and arbitration between the parties is ongoing.

During 2006, Polkomtel very successfully increased its customer base by 3.0 million or 33% to 12.0 million. Polkomtel maintained its leading position among the high-end segments. At year-end, Polkomtel introduced the first MVNO in Poland on its network.

One (Austria)

TDC Mobile International owns 15.0% of One, the third-largest mobile operator in Austria. The mobile phone penetration further increased during 2006 to 114% in Austria, and the Austrians are also among the highest spenders in terms of mobile telecommunications in Europe.

In 2006, One's customer base increased 10% to 2.0m customers due partly to a further expansion of One's prepaid concept Yesss!. Besides its prepaid offering, a new similar postpaid offer was successfully introduced during 2006. In June 2006, One repositioned its postpaid offers with the new "4 zu 0" price plan, which gives the opportunity to call 4 different operators without charge for a monthly fee. This simple and attractive new offer was very well received by the Austrian market. One has upgraded its UMTS network with high-speed data, HSDPA, due to growing demand for data cards and internet surfing using mobile phones.

Polkomtel and One are recognized in TDC's Consolidated Financial Statements under the equity method.

Financial highlights

In 2006, TDC Mobile International's revenue rose by DKK 557m or 3.5%, mainly driven by increased traffic in the domestic operations and Bité. TDC Mobile International's EBITDA rose by DKK 275m or 9.8% in 2006 due mainly to increased traffic in TDC Mobil as well as more customers and traffic in Talkline. The EBITDA margin was 18.6% compared with 17.5% in 2005. The capex-to-revenue ratio decreased from 7.8% in 2005 to 6.4% in 2006.

In 2005, TDC Mobile International's revenue rose, driven by increased traffic in the domestic operations, Bité and Talkline due to more customers. However, the relatively low revenue growth in Talkline related to the disposal of Talkline ID in April 2005, which had revenue totaling DKK 1,249m in 2004 compared with DKK 326m in 2005. In 2005, TDC Mobile International's EBITDA rose by DKK 132m or 4.9% due mainly to increased traffic in TDC Mobil. The EBITDA margin was 17.5%, in line with 2004. The capex-to-revenue ratio increased from 6.8% in 2004 to 7.8% in 2005.

Revenue

In 2006, TDC Mobile International's revenue totaled DKK 16,596m, up DKK 557m or 3.5%, stemming from increased traffic volumes in the domestic, German and Baltic markets, partly offset by lower prices.

[10] In the following, Talkline's disposal of content services and call by call pre-select telephony is described as the disposal of Talkline ID.

In 2005, TDC Mobile International's revenue totaled DKK 16,039m, up DKK 934m or 6.2%.

Domestic operations

Revenue from domestic operations rose DKK 580m or 8.1% to DKK 7,731m in 2006. This includes mobile traffic as well as subscriptions and handset sales. Growth was driven by increased revenue from both TDC Mobil and Telmore in 2006, due to 13.6% more voice traffic and 28.0% more SMS traffic, stemming from higher MoU, more SMS per user and an increased postpaid customer base. Revenue from wholesale traffic in TDC Mobil rose 5.1% in 2006, due mainly to increased service provider voice and SMS traffic.

In 2005, revenue from domestic operations rose by DKK 648m or 10.0% to DKK 7,151m. In 2005, growth was driven by increased revenue from both TDC Mobil and Telmore. Growth in retail revenue from domestic operations was driven mainly by 14.5% more voice traffic and 43.0% more SMS traffic. The growth in consumption resulted in increased average revenue per user (ARPU). Revenue from wholesale in TDC Mobil rose by 13.1% in 2005.

The growth in revenue from domestic operations was adversely impacted in 2006 and 2005 by declining average retail prices, reflecting customer migration toward cheaper mobile solutions with self-services via the internet as well as lower prices related to mobile termination charges.

Talkline etc.

Revenue from Talkline etc. declined by DKK 235m or 3.0% to DKK 7,528m in 2006, mainly as a consequence of the disposal of Talkline ID in April 2005 and fewer customer gross adds partly balanced by higher traffic. Adjusted for the disposal of Talkline ID, positive growth of DKK 91m or 1.2% was achieved.

Revenue from Talkline etc. rose by DKK 88m or 1.1% to DKK 7,763m in 2005, resulting from a 32.6% increase in the number of mobile customers to 3.4m, partly offset by declining ARPU. Revenue was adversely impacted by the disposal of Talkline ID in April 2005. Adjusted for the disposal of Talkline ID, growth totaled DKK 1,011m or 15.7%.

Bité

Revenue in Bité totaled DKK 1,337m, up 18.8% or DKK 212m in 2006, driven primarily by an increase in voice traffic due to 18.6% growth in the customer base and a higher MoU. The increased customer base reflected mainly the growth in the postpaid segment.

Revenue in Bité totaled DKK 1,125m, up 21.4% or DKK 198m in 2005, driven primarily by a 44.3% increase in voice traffic due to strong 85.7% growth in the customer base. The increased customer base reflected primarily the launch of SMS consumption-independent flat-rate pricing for the prepaid segment. However, this increase should be seen in the context of declining retail prices and lower MoU.

Transmission costs and cost of goods sold

Transmission costs and cost of goods sold rose by 2.8% or DKK 228m to DKK 8,322m in 2006.

Transmission costs and cost of goods sold rose by 2.7% or DKK 215m to DKK 8,094m in 2005.

Domestic operations

Transmission costs and cost of goods sold in domestic operations increased by 9.9% or DKK 276m to DKK 3,054m in 2006.

Transmission costs and cost of goods sold in domestic operations increased by 17.0% or DKK 404m to DKK 2,778m in 2005.

The growth in 2006 and 2005 reflects primarily increased voice and SMS traffic.

Talkline etc.

Talkline etc.'s transmission costs and cost of goods sold decreased by 3.3% or DKK 162m to DKK 4,691m in 2006. The decline related primarily to the disposal of Talkline ID in April 2005 and lower gross intake of customers which reduced handset and SIM-card costs. More traffic caused higher transmission costs that partly counteracted the decline.

In 2005, Talkline etc.'s transmission costs and cost of goods sold fell by 5.8% or DKK 301m to DKK 4,853m and related primarily to the disposal of Talkline ID in April

2005. The decline was partly offset by increased transmission costs and cost of goods sold driven by increased traffic and a larger customer base.

Bité

In 2006, transmission costs and cost of goods sold in Bité totaled DKK 576m, up 24.7% or DKK 114m, driven by a higher customer base and traffic.

Transmission costs and cost of goods sold in Bité in 2005 totaled DKK 462m, up 32.0% or DKK 112m, driven by increased traffic.

Other external expenses

Other external expenses amounted to DKK 4,249m in 2006, up DKK 66m or 1.6%.

In 2005, other external expenses amounted to DKK 4,183m, up DKK 560m or 15.5%.

Domestic operations

Other external expenses in domestic operations totaled DKK 1,821m, up 12.3% or DKK 200m in 2006, stemming primarily from increased customer-acquisition costs.

Other external expenses in domestic operations totaled DKK 1,621m, up 1.2% or DKK 20m in 2005.

Talkline etc.

In Talkline etc., other external expenses decreased by DKK 180m or 8.4% to DKK 1,964m in 2006, due mainly to lower customer-acquisition costs driven by the lower gross intake in Talkline.

In Talkline etc., other external expenses rose by DKK 436m or 25.5% to DKK 2,144m in 2005, due mainly to increased customer-acquisition costs driven by strong growth in the customer base and start-up costs relating to the easyMobile operations.

Bité

Bité's other external expenses totaled DKK 464m, up DKK 46m or 11.0% in 2006 due to the start-up of Bité Latvia in mid-September 2005.

In 2005, other external expenses totaled DKK 418m, up DKK 104m or 33.2% in 2005 as a result of increased customer-acquisition costs driven by strong growth in the customer base and the start-up of Bité Latvia.

Wages, salaries and pension costs

In 2006, wages, salaries and pension costs amounted to DKK 991m, up DKK 2m or 0.2%.

Wages, salaries and pension costs amounted to DKK 989m in 2005, up DKK 10m or 1.0% on 2004.

Domestic operations

In 2006, wages, salaries and pension costs amounted to DKK 527m, down DKK 14m or 2.6% driven by fewer full-time employee equivalents.

Operating expenses — DKKm

TDC Mobile International	2004	2005	2006	Growth in % 2005 vs. 2004	Growth in % 2006 vs. 2005
Transmission costs and cost of goods sold	(7,879)	(8,094)	(8,322)	(2.7)	(2.8)
Other external expenses	(3,623)	(4,183)	(4,249)	(15.5)	(1.6)
Wages, salaries and pension costs	(979)	(989)	(991)	(1.0)	(0.2)
Total operating expenses before depreciation etc.	(12,481)	(13,266)	(13,562)	(6.3)	(2.2)

Wages, salaries and pension costs amounted to DKK 541m, up DKK 15m or 2.9% in 2005.

Talkline etc.

Wages, salaries and pension costs in Talkline etc. totaled DKK 370m in 2006 compared with DKK 361m in 2005.

Wages, salaries and pension costs in Talkline etc. totaled DKK 361m in 2005 compared with DKK 379m in 2004 due mainly to the disposal of Talkline ID, that were partly offset by wages, salaries and pension costs in the easyMobile operations.

Bité

Wages, salaries and pension costs in Bité totaled DKK 94m compared with DKK 87m in 2005 and DKK 74 in 2004.

Income before depreciation, amortization and special items (EBITDA)

In 2006, TDC Mobile International's EBITDA rose by DKK 275m or 9.8% to DKK 3,084m.

In 2005, EBITDA rose by DKK 132m or 4.9% to DKK 2,809m.

Domestic operations

In 2006, Domestic operations EBITDA rose by DKK 112m or 5.1% to DKK 2,317m.

In 2005, EBITDA increased by DKK 170m or 8.4% to DKK 2,205m.

The growth in 2006 and 2005 reflects mainly increased voice traffic in TDC Mobil.

Talkline etc.

In Talkline etc., EBITDA rose by DKK 122m or 29.3% to DKK 538m in 2006 resulting primarily from a larger customer base and higher MoU combined with lower customer-acquisition costs from lower gross intake of customers.

In 2005, EBITDA fell by DKK 35m or 7.8% resulting primarily from increased customer-acquisition costs and start-up costs for easyMobile, as well as the disposal of Talkline ID.

Bité

Bité's EBITDA increased by DKK 41m or 21.8% to DKK 229m in 2006, and resulted from higher earnings from traffic combined with a higher customer base in Lithuania partly counteracted by start-up costs in Latvia.

In 2005, EBITDA declined by DKK 3m or 1.6% in 2005 resulting from start-up costs in Latvia, partly balanced by higher earnings from traffic combined with a larger customer base in Lithuania.

Depreciation, amortization and impairment losses

In 2006, depreciation, amortization and impairment losses in TDC Mobile International increased by DKK 76m or 6.8% to DKK 1,199m. The growth was driven by the roll-out of the UMTS network in Denmark in prior years and the full-year effect of amortization of the UMTS license.

In 2005, depreciation, amortization and impairment losses in TDC Mobile International decreased DKK 127m or 10.2% to DKK 1,123m, driven primarily by lower write-downs in domestic operations in 2005.

Operating income (EBIT), excluding special items

EBIT rose by DKK 199m or 11.8% to DKK 1,885m in 2006 due to EBITDA growth partly counteracted by increased depreciation, amortization and impairment losses.

In 2005, EBIT rose by DKK 259m or 18.1% to DKK 1,686m in 2005 due to EBITDA growth and decreased depreciation, amortization and impairment losses.

Capital expenditures

TDC Mobile International's capital expenditures decreased DKK 202m or 16.1% to DKK 1,054m in 2006. Capital expenditures relating to domestic operations totaled DKK 674m, down DKK 157m or 18.9% compared with 2005. The decrease stemmed mainly from reduced investments in the UMTS network due to the expansion in 2005 and service platform upgrades.

TDC Mobile International's capital expenditures increased by DKK 233m or 22.8% to DKK 1,256m in 2005. Capital expenditures relating to domestic operations totaled DKK 831m, up DKK 84m or 11.2% compared with 2004. The increase stemmed mainly from the expansion of the UMTS network. The remaining growth related mainly to the expansion of the GSM network in Bité Lithuania and the roll-out of GSM and UMTS networks in Bité Latvia.

TDC Switzerland

TDC Switzerland's activities cover mobile telephony and sales of internet and landline services including infrastructure solutions for TDC Switzerland's business customers.

At year-end 2006, TDC Switzerland had 2.2m customers, with 1.4m mobile customers, 0.5m landline customers and 0.3m internet customers. Revenue was DKK 9,252m in 2006, and EBITDA was DKK 2,559m.

At year-end 2006, TDC Switzerland had 2,246 full-time employee equivalents.

Business areas

TDC Switzerland's business areas are described below:

Mobile telephony

Mobile telephony represents the major share of revenue in TDC Switzerland and totaled DKK 5,696m in 2006. Mobile telephony comprised 62% of total revenue compared with 60% in 2005. The area includes subscription fees, revenue from mobile traffic and sale of handsets.

The Swiss mobile telephony market seen as a whole increased in 2006. Growth in the total mobile market is attributable mainly to the introduction of a number of new resellers in the Swiss market combined with continued migration from landline to mobile telephony.

Landline telephony

Revenue from landline telephony totaled DKK 2,795m in 2006, down 9.3% compared with 2005. Landline telephony comprised 30% of total revenue compared with 32% in 2005. The business area covers retail, pre-fix and carrier pre-select products as well as wholesale activities and network integration solutions.

Internet services

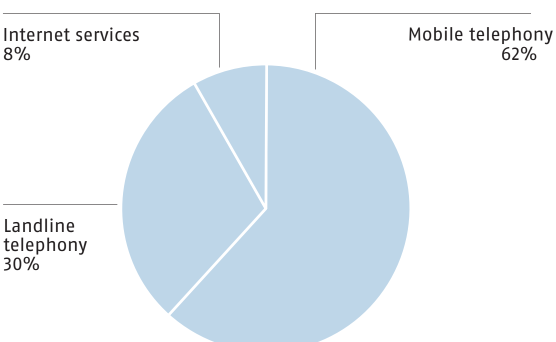
In 2006, the internet services business area contributed DKK 761m of revenue, a decrease of 3.9% compared with 2005. Internet services contributed 8% of revenue in TDC Switzerland, almost unchanged compared with 2005. The area covers both dial-up traffic and xDSL.

The broadband market grew significantly in 2006, while the dial-up market continued to decrease.

Financial highlights

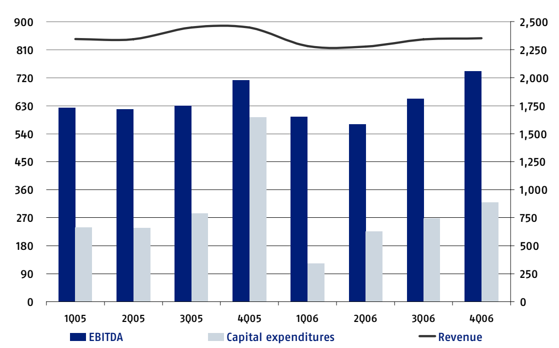
In 2006, fierce competition that materialized as lower average retail prices, combined with a lower average exchange rate, contributed to negative growth in revenue as well as EBITDA in TDC Switzerland. Revenue fell by 3.4% in 2006, while EBITDA fell by 1.0% leaving the EBITDA margin at 27.7% which was 0.7 percentage point higher than in 2005. In local currency, revenue fell by 2.0%, while EBITDA increased by 0.5%. The capex-to-revenue ratio fell from 14.1% in 2005 to 10.1% in 2006 due especially to lower investments in GSM in 2006, lower capitalization of asset retirement obligations combined with completion of the new office building sunrise Tower in 2005.

TDC Switzerland
Revenue per business area 2006



EBITDA
Capital expenditures
(DKKm)

Revenue
(DKKm)



In 2005, revenue fell slightly, but the EBITDA margin rose 1.6 percentage points to 27.0% due to EBITDA growth of 5.2%. The higher margin reflected mainly higher profit on mobile telephony and less revenue from sales of handsets with a low contribution margin. The capex-to-revenue ratio grew from 12.3% in 2004 to 14.1% in 2005 due especially to higher capitalization of asset retirement obligations and increased network investments.

Revenue

In 2006, TDC Switzerland's revenue totaled DKK 9,252m, down DKK 330m or 3.4%. In local currency, revenue fell by 2.0%. Revenue was impacted by the full-year recognition of sunrise business communications. Adjusted for this, revenue fell by DKK 503m or 5.4% compared with 2005. In local currency, revenue fell 4.0% adjusted for the full-year recognition of sunrise business communications.

Selected financial and operational data — **Excluding special items**

TDC Switzerland		2004	2005	2006	Growth in % 2005 vs. 2004	2006 vs. 2005
	DKKm					
Revenue		**9,692**	**9,582**	**9,252**	**(1.1)**	**(3.4)**
Total operating expenses before depreciation etc.		(7,235)	(6,999)	(6,697)	3.3	4.3
Other income and expenses		0	1	4	-	-
Income before depreciation, amortization and special items (EBITDA)		**2,457**	**2,584**	**2,559**	**5.2**	**(1.0)**
Depreciation, amortization and impairment losses		(1,417)	(1,540)	(1,455)	(8.7)	5.5
Operating income (EBIT), excl. special items		**1,040**	**1,044**	**1,104**	**0.4**	**5.7**
Capital expenditures [1]		**1,196**	**1,352**	**937**	**(13.0)**	**30.7**
Key financial ratios						
EBITDA margin [2]	%	25.4	27.0	27.7	-	-
Capex excl. share acquisitions-to-revenue ratio [1]	%	12.3	14.1	10.1	-	-
Subscriber base (end-of-year)	(1,000)					
Landline customers		573	527	502	(8.0)	(4.7)
Mobile customers		1,190	1,267	1,361	6.5	7.4
Internet customers [3]		469	386	343	(17.7)	(11.1)
Subscriber base, total		**2,232**	**2,180**	**2,206**	**(2.3)**	**1.2**
Number of employees [4]		**2,307**	**2,454**	**2,246**	**6.4**	**(8.5)**

[1] Capital expenditures excluding share acquisitions.
[2] Income before depreciation, amortization and special items divided by revenue.
[3] Restatement of the number of xDSL customers in TDC Switzerland as of 2005 compared with Annual Report 2005. The number of customers for 2005 has been adjusted downwards by 11,000.
[4] The number denotes end-of-year full-time employee equivalents including permanent employees, trainees and temporary employees.

In 2005, TDC Switzerland's revenue totaled DKK 9,582m, down DKK 110m or 1.1%. Revenue was impacted by the acquisition of sunrise business communications. Adjusted for this, revenue fell by DKK 333m or 3.4% compared with 2004.

Mobile telephony

Revenue from mobile telephony amounted to DKK 5,696m in 2006, down DKK 14m or 0.2%. The decline reflected primarily a lower average exchange rate. In local currency, revenue from mobile telephony grew 1.1% representing higher revenue from a larger customer base, up 94,000 or 7.4% to 1.4m combined with higher sales of handsets. Revenue was negatively influenced by lower mobile termination prices with full-year impact in 2006, following a general market trend initiated by Swisscom in 2005. Also, due to fierce competition, average mobile retail prices experienced a downward trend accelerated by the introduction of new reseller brands in the Swiss market in the second half of 2005.

Revenue from mobile telephony amounted to DKK 5,710m in 2005, down DKK 85m or 1.5% compared with 2004 and reflected primarily the lower sales of handsets and lower call termination prices at August 1, 2005, following a general market trend initiated by Swisscom. Revenue was further impacted by a decline in retail prices, partly offset by a larger customer base, up 77,000 or 6.5% to 1.3m.

Landline telephony

Revenue from landline telephony decreased by DKK 285m or 9.3% to DKK 2,795m in 2006. In local currency, revenue decreased by 7.7% resulting mainly from lower transit traffic and a smaller customer base, down 25,000 or 4.7% to 502,000 due to fierce competition on the Swiss market as well as a general declining market. Furthermore, lower prices had an adverse impact on revenue, as TDC Switzerland reduced its prices for calls from the landline to the mobile network by passing on to customers the cost savings from lower mobile termination prices introduced in 2005. Revenue was favorably impacted by the full-year impact of the acquisition of sunrise business communications in 2005, and, adjusted for this, revenue fell by 16.0% or DKK 458m.

Revenue from landline telephony decreased by DKK 58m or 1.8% to DKK 3,080m in 2005, resulting mainly from a smaller customer base, down 46,000 or 8.0% to 527,000 due to fierce competition on the Swiss market. Furthermore, lower prices had an adverse impact on revenue, cf. above. The fall in revenue from landline telephony was due mainly to a general decline in the Swiss landline market in 2005. Revenue was favorably impacted by the acquisition of sunrise business communications, and, adjusted for this, revenue fell by 9.0% or DKK 281m.

Internet services

In 2006, revenue from internet services fell by DKK 31m or 3.9% to DKK 761m. In local currency, revenue fell 2.5%. The decline related mainly to a 86,000 or 42.2% decrease in the number of dial-up customers. The negative growth was partly offset by revenue from 225,000 xDSL customers in 2006, up 43,000 or 23.6%. Both dial-up and xDSL were impacted by lower ARPU compared with 2005.

In 2005, revenue from internet services rose by DKK 33m or 4.3% to DKK 792m. This growth related mainly to the

Revenue **DKKm**

TDC Switzerland	2004	2005	2006	Growth in % 2005 vs. 2004	2006 vs. 2005
Revenue	9,692	9,582	9,252	(1.1)	(3.4)
Mobile	5,795	5,710	5,696	(1.5)	(0.2)
Landline	3,138	3,080	2,795	(1.8)	(9.3)
Internet	759	792	761	4.3	(3.9)

182,000 xDSL customers in 2005, up 34,000 or 23.0%. The growth was partly offset by a 117,000 or 36.4% decrease in the number of dial-up customers.

Transmission costs and cost of goods sold

Transmission costs and cost of goods sold amounted to DKK 3,311m in 2006, down DKK 196m or 5.6% compared with 2005. In local currency, transmission costs and cost of goods sold fell by 4.3% driven primarily by a fall in landline telephony and transit traffic. The transmission costs and cost of goods sold were also impacted by lower prices for termination of mobile calls introduced by Swisscom at June 1, 2005. The decrease was partly counteracted by higher handset sales in 2006 as well as the full-year recognition of sunrise business communications. Adjusted for the latter, transmission costs and cost of goods sold fell by DKK 281m or 8.3%.

Transmission costs and cost of goods sold amounted to DKK 3,507m in 2005, down DKK 388m or 10.0% compared with 2004, driven primarily by lower sales of handsets, and a fall in landline telephony and transit traffic. The decrease was partly offset by the acquisition of sunrise business communications, and, adjusted for this, transmission costs and cost of goods sold fell by 12.7% or DKK 496m.

Other external expenses

Other external expenses amounted to DKK 2,095m in 2006, down 5.2% on DKK 2,211m in 2005 stemming mainly from lower network-related costs. The decrease was partly offset by the full-year recognition of sunrise business communications. In local currency, costs fell by 4.1%. Adjusted for the acquisition of sunrise business communications, other external expenses fell by DKK 147m or 6.8%.

Other external expenses amounted to DKK 2,211m in 2005, up 4.5% on DKK 2,115m in 2004, stemming primarily from the acquisition of sunrise business communications and further costs related to an increased number of mobile sites at year-end 2005 compared with 2004. Other external expenses in TDC Switzerland also rose due to increased costs for retaining customers, when a considerable number of subscriptions expired in 2005, and higher costs after relocation to a new office building. Adjusted for the acquisition of sunrise business communications, other external expenses rose by 2.8% or DKK 60m.

Wages, salaries and pension costs

Wages, salaries and pension costs amounted to DKK 1,291m, up DKK 10m or 0.8% in 2006. In local currency, wages, salaries and pension costs increased by 2.2%, reflecting the full-year impact of the acquisition of sunrise business communications. The impact from sunrise business communications was partly balanced by a fall in the average number of full-time employee equivalents in the remaining operations resulting mainly from the redundancy program covering 145 employees announced in May, 2006. The number of full-time employee equivalents fell by 208 or 8.5% to 2,246 in 2006. Adjusted for the full-year recognition of sunrise business communications, wages, salaries and pension costs fell by DKK 63m or 5.3%.

Wages, salaries and pension costs amounted to DKK 1,281m, up DKK 56m or 4.6% in 2005, reflecting the acquisition of sunrise business communications. The increase was partly offset by a fall in the average number of full-

Operating expenses DKKm

TDC Switzerland	2004	2005	2006	Growth in % 2005 vs. 2004	Growth in % 2006 vs. 2005
Transmission costs and cost of goods sold	(3,895)	(3,507)	(3,311)	10.0	5.6
Other external expenses	(2,115)	(2,211)	(2,095)	(4.5)	5.2
Wages, salaries and pension costs	(1,225)	(1,281)	(1,291)	(4.6)	(0.8)
Total operating expenses before depreciation etc.	(7,235)	(6,999)	(6,697)	3.3	4.3

time employee equivalents in the remaining operations resulting mainly from the continued focus on improved efficiency, e.g. in call centers. Adjusted for the acquisition of sunrise business communications, wages, salaries and pension costs fell by 2.2% or DKK 27m, and the number of full-time employee equivalents fell by 112 or 4.7%.

Income before depreciation, amortization and special items (EBITDA)

EBITDA decreased by DKK 25m or 1.0% to DKK 2,559m in 2006 (in local currency, EBITDA increased by 0.5%). Adjusted for the full-year recognition of sunrise business communications, EBITDA fell by DKK 9m or 0.3%.

EBITDA increased by DKK 127m or 5.2% to DKK 2,584m in 2005, reflecting primarily higher earnings from mobile telephony due to a larger customer base.

Depreciation, amortization and impairment losses

Depreciation, amortization and impairment losses decreased by DKK 85m or 5.5% to DKK 1,455m in 2006, reflecting lower amortization of customer-related assets in 2006 partly counteracted by increased investments in continued mobile network expansion, including EDGE and UMTS, the IT infrastructure as well as leasehold improvements in the new domicile, sunrise Tower.

Depreciation, amortization and impairment losses increased by DKK 123m or 8.7% to DKK 1,540m in 2005, reflecting increased investments in continued mobile network expansion, including UMTS, the IT infrastructure as well as leasehold improvements in the new domicile, sunrise Tower.

Operating income (EBIT), excluding special items

EBIT increased by DKK 60m or 5.7% to DKK 1,104m primarily as a result of lower depreciation, amortization and impairment losses.

In 2005, EBIT rose by DKK 4m or 0.4% to DKK 1,044m as a result of the improved EBITDA, but was almost offset by the higher depreciation, amortization and impairment losses.

Capital expenditures

TDC Switzerland's capital expenditures totaled DKK 937m in 2006, down DKK 415m or 30.7%. In local currency, capital expenditures fell by 29.4% due especially to lower investments in GSM in 2006 and lower capitalization of asset retirement obligations combined with the completion of the new domicile in 2005.

TDC Switzerland's capital expenditures totaled DKK 1,352m in 2005, up DKK 156m or 13.0%, due primarily to the upgrading of the GSM network with EDGE network technology and higher capitalization of asset retirement obligations.

TDC Cable TV

TDC Cable TV is a Danish provider of cable TV, internet and landline services. TDC Cable TV supplies cable TV to more than a million Danish households. Today, TDC Cable TV is among the largest providers of cable internet in Scandinavia.

In 2006, TDC Cable TV continued to increase its customer base, revenue and earnings of recent years. At year-end 2006, the number of cable-TV customers totaled 1.1m, up 2.9%, and the number of customers with internet access rose by 15.1% to 289,000. In 2006, revenue totaled DKK 2,458m, and EBITDA was DKK 617m, representing growth of 16.7% and 31.3%, respectively.

Business areas

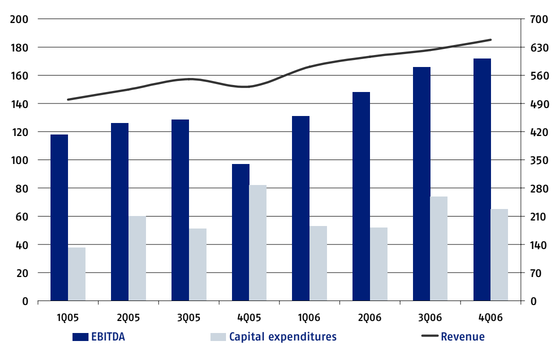
TDC Cable TV's core business area is analog TV, offered in three standard packages (basic, medium and full-range) both to individual customers and antenna and housing associations. At year-end, 5.0% of TDC Cable TV's analog TV customers were using Selector to supplement their packages with digital channels from TDC Cable TV.

TDC Cable TV's internet activities continued to grow and amounted to 289,000 internet customers in 2006. In 2006, the internet speed was doubled to at least 256 kbps.

TDC Cable TV successfully achieved 170% growth in its landline customer base in 2006.

EBITDA
Capital expenditures
(DKKm)

Revenue
(DKKm)



Financial highlights

TDC Cable TV's revenue amounted to DKK 2,458m, up DKK 351m or 16.7% on 2005, reflecting primarily a larger customer base and increased ARPU. TDC Cable TV's EBITDA rose by DKK 147m or 31.3% to DKK 617m mainly as a result of increased ARPU and more customers. The EBITDA margin was 25.1% in 2006 compared with 22.3% in 2005. The capex-to-revenue ratio was 9.9% compared with 11.0% in 2005. The reduction reflects primarily higher revenue in 2006.

On September 25, 2006, TDC announced that as of November 15 it had acquired Esbjerg Municipality's cable-TV and internet assets and activities – a television and internet service provider for approximately 39,000 households – at a price of DKK 265m.

In 2005, TDC Cable TV's revenue amounted to DKK 2,107m, up DKK 341m or 19.3% compared with 2004, reflecting primarily a larger customer base. TDC Cable TV's EBITDA rose DKK 119m or 33.9% to DKK 470m mainly as a result of increased revenue. The EBITDA margin was 22.3% in 2005 compared with 19.9% in 2004. The increase was due mainly to the large intake of customers, which did not affect transmission costs and cost of goods sold at the same pace as revenue. The capex-to-revenue ratio was 11.0% compared with 12.6% in 2004, reflecting primarily higher revenue in 2005.

Revenue

TDC Cable TV's revenue rose by DKK 351m or 16.7% to DKK 2,458m in 2006. Revenue includes primarily cable TV subscription and connection fees as well as internet access revenue. The increase in revenue reflects both a larger customer base within the traditional cable TV and internet businesses, and higher ARPU. The rise in the number of internet customers reflects a continuously increasing market for internet services, resulting in revenue growth of 20.4% in 2006 compared with 2005 from internet services.

TDC Cable TV's revenue increased DKK 341m or 19.3% to DKK 2,107m in 2005. The increase related largely to both a rise in the cable-TV and internet customer bases in 2005, and higher ARPU.

Transmission costs and cost of goods sold

Transmission costs and cost of goods sold totaled DKK 1,045m in 2006, up DKK 133m or 14.6% compared with 2005, stemming mainly from increased program expenses primarily as a result of the larger customer base.

Transmission costs and cost of goods sold totaled DKK 912m in 2005, up DKK 74m or 8.8% compared with 2004, stemming mainly from increased program expenses as a result of the larger customer base.

Other external expenses

Other external expenses amounted to DKK 402m in 2006, up DKK 22m or 5.8%, driven mainly by increased activities, due to more customers.

Other external expenses amounted to DKK 380m in 2005, up DKK 78m or 25.8%, driven mainly by increased activities.

Wages, salaries and pension costs

Wages, salaries and pension costs rose by DKK 47m or 13.5% to DKK 395m, due largely to 107 or 11.0% more average full-time employee equivalents, up to 1,078 in 2006.

Selected financial and operational data — **Excluding special items**

TDC Cable TV		2004	2005	2006	Growth in % 2005 vs. 2004	Growth in % 2006 vs. 2005
	DKKm					
Revenue		**1,766**	**2,107**	**2,458**	**19.3**	**16.7**
Total operating expenses before depreciation etc.		(1,421)	(1,640)	(1,842)	(15.4)	(12.3)
Other income and expenses		6	3	1	(50.0)	(66.7)
Income before depreciation, amortization and special items (EBITDA)		**351**	**470**	**617**	**33.9**	**31.3**
Depreciation, amortization and impairment losses		(221)	(245)	(205)	(10.9)	16.3
Operating income (EBIT), excl. special items		**130**	**225**	**412**	**73.1**	**83.1**
Capital expenditures [1]		**223**	**231**	**244**	**(3.6)**	**(5.6)**
Key financial ratios						
EBITDA margin [2]	%	19.9	22.3	25.1	-	-
Capex excl. share acquisitions-to-revenue ratio [1]	%	12.6	11.0	9.9	-	-
Subscriber base (end-of-year)	(1,000)					
Cable-TV customers		982	1,029	1,059	4.8	2.9
Internet customers		186	251	289	34.9	15.1
Landline customers		-	10	27	-	170.0
Subscriber base, total		**1,168**	**1,290**	**1,375**	**10.4**	**6.6**
Number of employees [3]		**862**	**1,030**	**1,118**	**19.5**	**8.5**

[1] Capital expenditures excluding share acquisitions.
[2] Income before depreciation, amortization and special items divided by revenue.
[3] The number denotes end-of-year full-time employee equivalents including permanent employees, trainees and temporary employees.

The increase in full-time employee equivalents related primarily to customer service and higher activity in the subsidiary, Connect Partner.

Wages, salaries and pension costs rose by DKK 67m or 23.8% to DKK 348m, due largely to 158 more average full-time employee equivalents, up 19.5% to 971 in 2005. The increase related primarily to customer service and Connect Partner, which was recognized from May 2004.

Income before depreciation, amortization and special items (EBITDA)

TDC Cable TV's EBITDA totaled DKK 617m in 2006, up DKK 147m or 31.3%. The increase in EBITDA relates to an increase in revenue from TV and internet, due to an increase in ARPU and the number of customers. EBITDA was negatively impacted by an increase in program costs.

TDC Cable TV's EBITDA totaled DKK 470m in 2005, up DKK 119m or 33.9%, mainly as a result of increased revenue.

Depreciation, amortization and impairment losses

TDC Cable TV's depreciation, amortization and impairment losses amounted to DKK 205m in 2006, down DKK 40m or 16.3%.

TDC Cable TV's depreciation, amortization and impairment losses amounted to DKK 245m in 2005, up DKK 24m or 10.9%.

The development in depreciation, amortization and impairment losses in 2005 and 2006 was impacted by write-downs of network equipment in 2005.

Operating income (EBIT), excluding special items

EBIT rose by DKK 187m to DKK 412m in 2006, due mainly to the higher EBITDA.

In 2005 EBIT rose by DKK 95m to DKK 225m, due mainly to the higher EBITDA.

Capital expenditures

In 2006, TDC Cable TV's capital expenditures increased DKK 13m compared with 2005 to DKK 244m reflecting mainly higher investments in network expansion and capacity enlargement in 2006.

In 2005, TDC Cable TV's capital expenditures increased by DKK 8m compared with 2004 to DKK 231m and reflected mainly higher investments in network expansion, TVoIP and VoD, partly offset by lower expenditures for return-path upgrades, as a large part of the roll-out was completed.

Operating expenses **DKKm**

TDC Cable TV	2004	2005	2006	Growth in % 2005 vs. 2004	Growth in % 2006 vs. 2005
Transmission costs and cost of goods sold	(838)	(912)	(1,045)	(8.8)	(14.6)
Other external expenses	(302)	(380)	(402)	(25.8)	(5.8)
Wages, salaries and pension costs	(281)	(348)	(395)	(23.8)	(13.5)
Total operating expenses before depreciation etc.	(1,421)	(1,640)	(1,842)	(15.4)	(12.3)

Other activities

Other activities cover TDC Services, TDC A/S and elimination of transactions between the TDC Group's business lines. TDC Services supplies a number of business services for the TDC Group's domestic business lines, which gain economies of scale and cost-effective solutions in billing, procurement, logistics, facility management, IT, risk management, security, etc. TDC A/S is the Parent Company of the business lines and undertakes Group functions including treasury, legal affairs, human resources, marketing and communications.

Risk management

Operational risk management

TDC has a central Risk Management function and a Corporate Security function which handle the operational risk management of TDC. Additionally, each subsidiary has appointed employees responsible for security and insurance issues who work closely together with the central risk management functions. The risk management activities are governed mainly by a corporate insurance policy which is anchored in the corporate security policy.

The aim of the central Security and Risk Management functions is systematically to identify and reduce risks relating to TDC's assets, activities, and employees. It is TDC's policy to continuously reduce risks in general, and to transfer catastrophe risks to insurance companies.

As a part of the risk management strategy, a comprehensive annual risk survey program is performed in close cooperation with external risk engineers. Insurance coverage is based on identified risk scenarios, and insurance con-ditions available from insurance markets in Denmark and abroad.

The amount of self retention in TDC's insurance programs has been decided based on the risk assessment related to each individual area and the subsequent level of insurance premium.

Financial management and market risk disclosures

TDC is exposed to financial market and credit risks when buying and selling goods and services in foreign denominated currencies as well as investing in and financing activities. TDC's Group Treasury identifies, monitors and manages these risks through policies and procedures approved by the Board of Directors. Maximum risk levels have been set for interest, exchange rate and credit exposures. Together with market values of financial assets and liabilities, these exposures are calculated and monitored on a daily basis and reported to the Group CFO on a weekly basis.

Group Treasury is responsible for the financial systems and methodologies used to calculate and estimate risk positions. Further, TDC's internal auditors review Group Treasury's procedures and methodologies on a regular basis and thus ensure compliance with regulations and internal guidelines and procedures. Group Treasury uses derivatives for hedging interest and exchange rate exposure. The derivatives are used for hedging purposes only and not for taking speculative positions.

The general policies and procedures for TDC's financial risk management are set out in the financial strategy, which is reviewed and if necessary revised on an annual basis. The financial strategy is approved by TDC's Board of Directors.

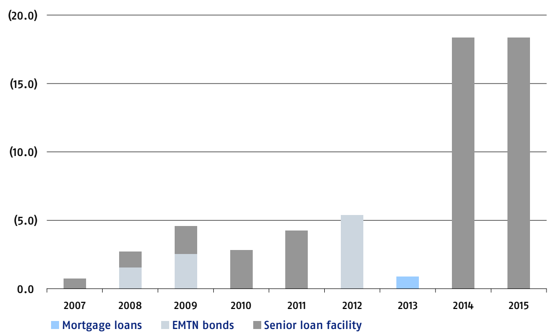
Following the acquisition of TDC by NTC and the subsequent change in capital structure, the interest and exchange rate risks to which TDC is exposed have increased. The new financing includes several financial covenants and undertakings to which TDC must adhere. Further, for NTCH to meet its debt service requirements on its high-yield bond debt, TDC must be able to pay out sufficient dividends on a current basis. TDC's financial strategy has been revised and altered to accommodate these new requirements.

In connection with the acquisition of TDC, the Board of Directors waived several parts of the former financial strategy, including the parts concerning maxima for interest and exchange rate value at risk (VaR). With the new financial strategy, these maxima have been restored, however at different levels, and maxima and minima for a range of new risk variables have been added.

Refinancing risk

To reduce refinancing risk, the maturity profile of the debt portfolio is spread over several years. Therefore, TDC does not have significant debt positions to be refinanced in the coming years. A revolving credit facility of DKK 5.2bn is sufficient to handle the refinancing risk.

Maturity profile of gross debt, nominal value
DKKbn



Liquidity risk

All cash resources are highly liquid. Thus, TDC's exposure to liquidity risk is limited.

Interest rate risk

TDC is mainly exposed to interest rate risk in the euro area as the vast majority of the net interest-bearing debt is denominated or swapped into EUR. The risk emerges from fluctuations in market interest rates which affect the market value of financial instruments and financial income and expenses.

Predominantly, TDC has monitored and managed interest rate risk using interest rate VaR. TDC's interest rate VaR is set to estimate the maximum potential loss in market value of a position due to changes in market interest rates, with 95% probability within a year. Throughout 2006, interest rate VaR has been calculated on net interest-bearing debt on a daily basis. The interest rate risk level has been managed by entering interest rate derivatives (primarily interest rate swaps). The table below shows the development in the interest rate VaR for 2006 with comparable data for 2005.

At year-end 2006 the interest rate VaR amounted to DKK 932m compared with DKK 873m at year-end 2005. The average interest rate VaR for 2006 totaled DKK 948m, and the VaR moved within an interval of DKK 342m to DKK 1,217m. TDC's financial strategy, valid until waived in March 2006, stipulated a maximum interest rate VaR of DKK 2,000m and the highest interest rate VaR observed constituted 61% of the maximum in 2006. The relatively large decrease and increase in VaR in 1Q06 and 2Q06 respectively, are related to the changes in capital structure following the acquisition of TDC. In March, DKK 13.2bn of EMTN bonds were redeemed which was financed with cash resources and draw downs on the floating rate senior loan facility. In April, dividends of DKK 43.5bn were paid out, also financed with a draw down on the senior loan facility. Subsequently, 50% of the floating rate senior loan facility was swapped to fixed rate.

At year-end 2006, 41% of the gross debt (including related derivatives) was floating interest rate debt compared with 12% at year-end 2005. The fixed-to-floating ratio of the debt portfolio is reviewed continuously.

Going forward, TDC will monitor and manage the interest rate risk using several other variables in accordance with TDC's financial strategy for 2007. The new variables have been included primarily to protect TDC's retained earnings, financial covenants and undertakings which TDC must adhere to according to the senior facility agreement. Therefore the following variables have been monitored as of January 2007:

Interest rate value at risk on net interest-bearing debt (End-of-period) — DKKm

	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06
Interest rate VaR	1,109	1,058	980	873	392	1,124	1,018	932

- Interest rate VaR on gross debt (including related derivatives) shall not exceed DKK 2,500m
- Interest rate VaR on the derivatives portfolio and marketable securities shall not exceed DKK 1,400m
- Floating interest rate debt shall not exceed 60% of the total gross debt (including related derivatives)
- Duration of gross debt (including related derivatives) shall exceed 1.5 years
- Duration of cash accounts, marketable securities and deposits shall not exceed 0.5 years
- In relation to the fixed interest rate proportion of the debt, a maximum of 25% of the gross debt (including related derivatives) shall be reset within a year

Exchange rate risk

TDC is primarily exposed to exchange rate risk from EUR, CHF and SEK. The exchange rate exposure from TDC's business activities relates primarily to net income generated in foreign subsidiaries, as income and expenses generated in these entities are denominated in primarily local currencies. As the exposure is relatively insignificant, it has not been hedged so far. For domestic companies, the net exchange rate exposure arising from accounts payable and receivable has been hedged on the date on which they are recognized.

Because of the new capital structure, the exposure from financial activities in EUR has increased significantly, as 93% of the nominal gross debt (including derivatives) is denominated in EUR. However, because of the fixed EUR/DKK exchange rate policy between the Danish and the European central banks, TDC does not consider positions in EUR to constitute a significant risk.

With the exception of TDC Switzerland, TDC has not hedged investments in foreign entities. Because of the significant exposure arising from the investment in TDC Switzerland, this investment has been hedged.

Exchange rate exposure has primarily been managed and monitored using exchange rate VaR. TDC's exchange rate VaR is set to estimate the maximum potential loss in the market value of a position due to changes in exchange rates, with 95% probability within a year. Throughout 2006, exchange rate VaR was calculated on net interest-bearing debt, the investment in TDC Switzerland and net accounts payable and receivable on a daily basis. TDC manages the exchange rate exposure mainly by entering exchange rate swaps and forward contracts. The figure below shows the development in the exchange rate VaR for 2006 with comparable data for 2005.

At year-end 2006, the exchange rate VaR amounted to DKK 157m compared with DKK 3m at year-end 2005. The average exchange rate VaR for 2006 totaled DKK 118m and the VaR moved within an interval of DKK 1m to DKK 167m. TDC's financial strategy, valid until waived in March 2006, stipulated a maximum exchange rate VaR of DKK 300m, where the highest exchange rate VaR observed constituted 56% of the maximum in 2006. The relatively large increase in VaR in 1Q06 and 2Q06 was caused by the change in capital structure, i.e. increase in debt denominated in EUR, following the acquisition of TDC by NTC.

Going forward, TDC will monitor and manage exchange rate risk using several other variables in accordance with TDC's financial strategy for 2007. The variables have been included primarily due to protection of retained earnings, financial covenants and undertakings which TDC must adhere to according to the senior facility agreement. Thus the following variables have been monitored as of January 2007:

- Exchange rate VaR on EBITDA or Consolidated Cash Flow shall not exceed 2% of EBITDA or Consolidated Cash Flow
- Exchange rate VaR on equity investments and intragroup loans (both including related hedging instruments) shall not exceed DKK 700m.
- Exchange rate VaR on gross debt, other hedging instru-

Exchange rate value at risk on net interest-bearing debt, the investment in TDC Switzerland and net accounts payable and receivable DKKm

	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	3Q06	4Q06
Exchange rate VaR	2	1	2	3	13	166	155	157

- ments (than used for equity investments and intra-group loans), loans to associated companies, cash accounts, marketable securities and accounts payable and receivable in EUR shall not exceed DKK 250m and the same positions in other currencies (than EUR) shall not exceed DKK 50m

In addition to the above variables, the revised financial strategy includes a range of updated exchange rate hedging policies which, among other things, stipulate that investments in non-core businesses as a guiding rule should be hedged, investments in core businesses should not be hedged and all group accounts payable and receivable should be hedged against local currencies.

Credit risk

TDC is exposed to credit risk primarily as a supplier of telecommunications services in Denmark and abroad and as a counterparty in financial contracts. The credit risk arising from supplying telecommunication services is handled by the individual business lines, whereas the credit risk in relation to financial contracts is handled centrally by Group Treasury. Credit risk arising in relation to financial contracts is governed by a set of policies and procedures which defines a maximum exposure in relation to each counterparty. The maxima, which are approved by the Board of Directors, are primarily based on the credit ratings of the counterparties. Credit risk is monitored on a daily basis.

Credit rating

TDC is rated by Standard & Poor's (S&P), Moody's and Fitch Ratings. Following the acquisition of TDC by NTC and the subsequent change in capital structure, TDC's ratings from both Moody's and S&P were downgraded. Therefore, in November 2005, Moody's downgraded TDC's long- and short-term ratings from Baa1/P-2 to Ba1/NP (negative outlook) respectively. In April, Moody's downgraded the long-term rating further to Ba3 (stable outlook) and ceased rating the short-term debt. In January 2006, S&P downgraded TDC's long- and short-term ratings from BBB+/A2 to BB/B (negative outlook) respectively. The long-term rating was further reduced to BB- (stable outlook) in April. In April 2006, Fitch Ratings began coverage of TDC and its long- and short-term ratings have since remained at BB- and B (stable outlook) respectively.

Shares

TDC had 198,375,177 shares outstanding and held 283,821 treasury shares at year-end 2006.

TDC has no significant shareholdings other than shares held in its subsidiaries and associates.

TDC's related pension funds

The pension funds related to TDC invest in a wide variety of marketable securities (predominantly bonds and equities) and real estate. The rate of return on the investments has implications for TDC's financial results and pension plan funding requirements, as TDC is obliged to

Year-end net interest-bearing debt and total cash, marketable securities, interest-bearing receivables and undrawn credit lines **DKKm**

	TDC Group	
	2006	**2005**
Cash, marketable securities and interest-bearing receivables	3,533	13,857
Short-term debt and interest-bearing payables	(1,980)	(5,442)
Net liquid assets	1,553	8,415
Long-term debt	(56,774)	(24,890)
Net interest-bearing debt	(55,221)	(16,475)
Cash, marketable securities and interest-bearing receivables	3,533	13,857
Undrawn committed short- and long-term credit lines	4,922	7,366
Total cash, marketable securities, net interest-bearing receivables and undrawn credit lines	8,455	21,223

cover any shortfall in the pension funds' ability to comply with the premium reserve requirements under the Danish Act on Company Pension Funds.

TDC continuously monitors the pension fund investments and the related risks.

Financial position

At year-end 2006 cash, marketable securities and interest-bearing receivables amounted to DKK 3,533m compared with DKK 13,857m at year-end 2005 while short-term interest-bearing debt amounted to DKK 1,980m at year-end 2006 leaving net liquid assets at DKK 1,553m. The corresponding short-term interest-bearing debt and net liquid assets for year-end 2005 were DKK 5,442m and DKK 8,415m respectively.

Long-term interest-bearing debt totaled DKK 56,774m at year-end 2006, an increase of DKK 31,884m compared with year-end 2005. At the same time, net interest-bearing debt increased DKK 38,746m over the year to DKK 55,221m at year-end 2006.

TDC's total cash, marketable securities, interest-bearing receivables and undrawn credit lines totaled DKK 8,455m at year-end 2006, a decrease of DKK 12,768m compared with year-end 2005.

It is TDC's opinion that the available cash, marketable securities, interest-bearing receivables and undrawn credit lines are sufficient to maintain current operations, complete projects underway, finance stated objectives and plans, and meet short- and long-term cash requirements.

Risk factors related to TDC's operations

In addition to the risks described below, risks and uncertainties not currently known to TDC or that TDC currently deems to be immaterial may also materially adversely affect TDC's business, financial position, results of operations or cash flows.

Risks related to TDC's business

The highly competitive pressures of the industries in which TDC operates could have a material adverse effect on its main business lines

TDC faces significant competition from established and new competitors. Some of the companies against which TDC's international operations compete have better access to financing, more comprehensive product offerings, greater personnel resources, greater brand-name recognition and experience or long-established relationships with regulatory authorities and customers. TDC must match its competitors' product offerings, services or prices, or it may lose market share. If TDC is forced to lower its prices to match its competitors, TDC may experience decreasing profit margins and EBITDA.

In summary, competition in TDC's business could cause:

- continued price erosion for TDC's products and services
- loss of existing or prospective customers and greater difficulty in retaining existing customers
- obsolescence of existing technologies and the need for more rapid deployment of new technologies
- increased pressure on TDC's profit margins and EBITDA before special items, preventing TDC from maintaining or improving its current level of operational profitability and cash flows

Landline and broadband

TDC expects increased competition for its landline business due to price reductions by its competitors, the development of new technologies, including VoIP, and landline-to-mobile substitution. Landline subscribers and market share may therefore be lost, which could adversely affect TDC's revenue and profit margins.

VoIP providers are offering telephony at significantly reduced prices. Therefore, a considerable risk exists that TDC's own introduction of VoIP could negatively affect the future earnings potential of its landline operation, as the price level for TDC's VoIP may not be maintained at levels similar to those for PSTN.

Continuing competition is also expected in landline telephony from IP-based internal networks (such as IP-VPN for business customers), antenna and housing association networks and utility companies using their infrastructure to provide telephony and broadband.

In the market for leased lines, continuing competition is likely from substitution products, including new IP-based transmission products such as MPLS, Ethernet solutions, landline networks, local digital networks, wireless networks, WLAN, WiMAX and CDMA/450 MHz. Such products are often priced lower than leased lines, and product quality is sufficiently strong to constitute a viable alternative to traditional landline solutions. Although TDC offers its customers substitution products and services for its traditional telephony products and services, including VoIP and broadband access, there is no assurance that TDC's current telephony customers will switch to its substitution products and services and not those of a competitor. Even if TDC manages to capture 100% of customer migration from traditional telephony to substitution products, its landline business may still experience decreasing profit margins, as margins for substitution products and services are generally lower than those for traditional telephony products and services.

Further growth in the landline market requires TDC to lead or adapt to technological developments, including the market's demand for higher DSL speeds. TDC expects the future landline market to be dominated by providers offering high-quality, attractively priced telephony, TV and internet in one package, known as triple play. Such types of bundled products make it more difficult for the providers because of the technological, logistical and pricing complexities of combining these three services as a single product offering. If TDC fails to adapt to or lead technological developments, or to offer an attractive triple play package, TDC's market share and profit margins in the landline sector may be adversely affected.

In general, TDC's future success in the landline market will depend on its ability to shift toward VoIP and other IP-based products, and adapt to lower prices for its services, and generally more competitive market conditions. If TDC is unsuccessful in dealing with these risks, revenue and profit margins may be negatively affected.

In Denmark, mobile price decreases may accelerate the trend of migration from landline to mobile telephony. As TDC has a smaller share of the mobile market than the landline market in Denmark, such a migration could negatively affect TDC's earnings.

Competitive pressure from other providers of broadband may increase due to new product offerings. A number of operators have launched VoIP over DSL and utility companies have announced a long-term roll-out of FTTH. In total, the utility companies expect to roll-out FTTH to 40% of, or approximately one million, Danish households.

Mobile

TDC may be unable to develop and market attractive mobile services at competitive prices, which may prevent maintained or increased revenue and earnings from mobile business.

Market prices for many mobile services are continuing to fall, e.g. due to regulations limiting prices for terminating calls in TDC's mobile networks and for roaming charges. Further growth in earnings will therefore require improved sales volumes or continued cost control, which TDC may fail to achieve.

Although TDC's size gives economies of scale, mobile operations are challenged by new business models and the introduction of new products by competitors. TDC's offering of online self-service mobile telephony through its Danish subsidiary Telmore may not remain profitable, e.g. competitors may introduce new and successful business models more quickly or TDC may be unable to adopt such new models. TDC's success will furthermore depend on its ability to keep pace with new mobile technologies, e.g. the change from 2G to 3G mobile telephony, HSDPA, video telephony and data packaging.

Growth in mobile data services is expected to be driven by an increase in the quantitative and qualitative capabilities of mobile business applications. TDC's success with 3G technology depends largely on its ability to develop and introduce attractive 3G products and services at competitive prices, including TDC's ability to benefit from general developments in the content services market. Low-cost VoIP may also threaten mobile telephony in the long term. Failure to lead or adapt to such technical changes in the mobile market or to compete with or adopt new business models may have a materially adverse effect on TDC's mobile business.

Cable TV

TDC Cable TV is expected to face increasing competition from sources including utility companies, large antenna co-operatives and housing associations and satellite television providers. Competition is driven by price, convenience and the range of channels offered. I/S DIGI-TV, an entity owned by the Danish state broadcasting services and TV2/Danmark A/S, launched DTT in March 2006, which utilizes digital technology to provide a greater number of channels and picture and sound enhancements such as HDTV and Dolby Digital through a conventional antenna. Although DIGI-TV currently offers three channels, the DTT network is expected to be expanded, with up to 16 channels by 2009 and increase the range of channels in the generally accessible terrestrial network, which will increase competition. In the long term, increased competition in the Danish cable-TV market may also arise from new technology, mainly from future internet-based content providers. Failure by TDC Cable TV to meet these challenges may have a materially adverse effect on TDC's market share of the Danish cable-TV market.

Increasing competition in the Danish, Swiss and certain other European telecommunications markets in which TDC has major operations may lead to decreasing profit margins and further market share loss

The competition in the Danish telecommunications sector is driven by the low interconnection prices, strong competitors in the Danish market such as TeliaSonera, Tele2 and Sonofon, and a regulation which provides competitors with access to TDC's network. To remain successful in this market, TDC may be required to cut prices for its services. In the Danish mobile market, prices could decline due to fierce competition, particularly from online products. Broadband customers are being offered increasing bandwidth at unchanged or even falling prices. Although traditionally TDC's prices for landline and mobile telephony as well as leased lines in Denmark are among the lowest in the EU, as market pressures continue, TDC's

Danish operations may experience further reductions in profit margins. In the past few years, TDC has experienced loss of market share in the Danish landline and mobile markets.

TDC believes that ongoing regulatory initiatives in Denmark will maintain strong competition. Regulatory initiatives such as resale of PSTN lines, number portability, unbundling of local loops etc. makes it easy for customers to choose other operators. This has increased competition in the Danish telecommunications market, where TDC has lost market shares and is vulnerable to greater competition and further loss of market share in the future.

In the pan-Nordic market, TDC's business customers are increasingly demanding Nordic solutions covering cross-border landline telephony, data communications, IP telephony and mobile communications, where competition, especially from other pan-Nordic providers, is intensifying. TDC faces increasing competition from the Nordic operators Telenor and TeliaSonera, which both offer full product suites of mobile, broadband, voice and TV. If TDC is unable to provide cross-border solutions for TDC's Nordic business customers, an important segment of its customer base may be lost.

TDC's foreign subsidiaries are also facing increasing competition, which could adversely affect their revenue and profit margins. Almost half of TDC's 2006 revenue was related to operations outside Denmark, including those in emerging markets.

TDC Switzerland has experienced price decreases in the Swiss landline market due to competition from established competitors, e.g. the incumbent Swisscom, which may result in loss of customers, reduced revenue and a lower profit margin in Switzerland. Such competition is expected to intensify as established cable network operators, such as Cablecom, are offering landline telephony at very low or flat-rate prices through their existing networks.

Substantial parts of TDC Switzerland's backbone consist of leased dark fibers situated in the guard wire of high-voltage power lines. In a recent case of the Swiss Federal Court, the use of the power line for telecommunications purposes was disputed by the owner of a property over which a power line is situated. Based on the outcome of this case, TDC Switzerland was forced to find alternative facilities to secure the concerned part of the backbone. There might therefore be a risk that TDC Switzerland in future similar cases will be forced to find alternative operators also for other parts of its backbone network at substantial costs.

In the Swiss mobile market, TDC Switzerland faces the risk of increased pricing pressure from new MVNOs entering the market. Future growth in revenue and earnings within the mobile telephony sector will also depend on TDC's ability to establish a presence in the business market, which TDC may be unable to achieve. In the past year, Swisscom's attempt to retain its market share has intensified competition, which may reduce margins and dilute earnings. The Swiss mobile market is starting to approach its saturation level, this may lead to fierce competition for remaining customers, which could, in turn, lead to rising customer-acquisition and retention costs, and further pressure on earnings.

Talkline's future success will depend largely on retaining a major portion of the gross margin on traffic resales when negotiating with network suppliers. In the German mobile market, a significant risk exists for future pressure on retail prices, which are high compared with European price levels.

As the mobile telecoms market in Denmark is mature and approaching saturation, subscriber growth in the market has slowed in recent years and TDC's mobile business may not grow at historical rates

The Danish mobile telecoms market is approaching saturation, with a penetration rate of 103%. The degree to which the Danish mobile telecommunications market will continue to expand, if at all, is uncertain. However, TDC believes that, in addition to general market conditions, future market growth will be driven largely by new technologies and new content. TDC's ability to sustain growth in revenue and its customer base despite the increased competition resulting from this market saturation will depend largely on retaining existing subscribers, convincing subscribers to switch from competing service providers to TDC's services, and stimulating and increasing usage. TDC may not achieve these aims if it is unable to enhance its existing mobile products and services and to develop, introduce and market new mobile technologies, products and services. If TDC fails to increase revenue from or expand its mobile business subscriber base in spite of market saturation, TDC's business, financial position and results of operations could be materially adversely affected.

New technologies such as VoIP, ADSL2+, FTTH and Ethernet have emerged. TDC expects technological innovation to continue rapidly across all product lines and must anticipate and react to these changes, and develop or apply new, enhanced products and services rapidly enough for the changing market. Market share and customers may otherwise be lost and substitution technologies introduced by competitors may result in lower IT costs and profit margins. In addition, new technologies may become dominant, rendering TDC's current systems obsolete, e.g. SIP-based technologies delivering VoIP and other communications services over broadband may supersede PSTN. ADSL2+, VDSL2 and FTTH solutions may supersede the current 8 and 20 Mbps DSL technology. Ethernet technology, which cuts the cost of IP aggregation considerably, may make ATM technology obsolete.

Customer churn may adversely affect TDC's business

Customer churn arises mainly from new housing developments, subscriber change of address and price decreases by TDC's competitors. TDC's customer churn rate may also increase due to competitive developments or if TDC is unable to deliver satisfactory services over its network. Any interruption of TDC's services or other customer service problems could increase customer churn. Any increase in churn may cause TDC to reduce costs rapidly to preserve its margins or alternatively, to increase TDC's marketing expenses to retain or recover customers. TDC cannot be sure that the various measures TDC has taken to increase customer loyalty will reduce the rate of churn.

Going forward, TDC may face significant capital expenditures driven mainly by investments in new technologies and infrastructure, including TDC's network and IT systems. TDC cannot be sure that it will have sufficient liquidity to fund capital programs or ongoing operations in the future

TDC's business is capital intensive and has always been cash intensive. TDC's capital expenditure program will continue to require significant capital outlays in the foreseeable future, including the continued development of TDC's GSM and UMTS networks, cable-TV business, TDC's backbone network, TDC's continuing fiber network roll-out including FTTN, and investments in new IT systems, including customer care and billing systems. The utility companies expect to roll out FTTH to 40% of, or approximately one million, Danish households, which the Danish Competition Authority has estimated will cost the utility companies DKK 9.5bn. Although TDC now has more than 25,000 kilometers of fiber network, primarily in the backbone network, competition from utility companies may force TDC to invest more heavily in both FTTN and FTTH.

TDC has an advanced network but may need to invest in new networks and technologies in the future, such as Next Generation Networks, which could require significant capital expenditures. Network usage may develop faster than TDC anticipates, requiring greater capital investments more quickly than anticipated. However, TDC may not have the resources available for such investments.
Costs associated with the operating licenses for TDC's existing networks and technologies, including UMTS and those that TDC develops in the future, and related costs and rental expenses could be considerable. The amount and timing of future capital requirements may differ materially from current estimates due to various factors, many beyond TDC's control. It is uncertain whether sufficient cash flows will be generated in the future to meet capital expenditure needs, sustain operations or meet other capital requirements.

TDC's international business activities expose its earnings to exchange-rate risk and the risks of a fluctuating global economy

Approximately 30% of TDC's 2006 revenue, generated outside Denmark and the euro area, originated primarily from Switzerland, the Baltic region, Sweden and Norway, where TDC conducts its business operations and prepares its financial statements in currencies other than Danish kroner or euro. Any loss in the value of these currencies against the Danish krone will reduce the value of TDC's investments in the relevant business activities and the income derived from them.

Risks from changes in the tax legislation

The group is subject to the tax legislation in force in the countries where it conducts business. Consequently, an amendment of the tax and VAT rules in the countries in question may affect the Group's payable tax and its future results.

A new bill regarding changes in the Danish tax legislation has been submitted by the Danish Ministry of Taxation. The bill proposes changes in the corporate taxation which may have a materially adverse effect on TDC's cash flows and financial position in general. The bill, if adopted, primarily imposes a reduction in the tax deductions for interest expenses as well as the tax deductions for depreciation on certain telecommunications installations.

Interest rate risks

TDC's borrowings under the Senior Facilities Agreement (SFA) require TDC to hedge a certain portion of its floating-rate debt into fixed-rate debt. As a part of the debt remains as floating-rate, an increase in interest rates will raise TDC's payment obligations and negatively impact its operating results and financial position. Hedging may also be expensive to maintain and may inadequately protect TDC against adverse movements in interest rates.

TDC's ability to generate the significant amount of cash needed to service its debt depends on many factors beyond its control

TDC's ability to pay and refinance its debt and fund working capital and capital expenditures will depend on its future operating performance and ability to generate sufficient cash. This depends, to some extent, on general economic, financial, competitive, market, legislative, regulatory and other factors, many of which are beyond TDC's control, as well as the other factors discussed in this section. Stakeholders cannot be sure that TDC's business will generate sufficient cash flows from operations or that sufficient future debt and equity financing will be available for i) TDC to pay its debts when due, ii) to make dividend payments to enable NTCH to service its high-yield bonds, or iii) to fund its liquidity needs. If TDC's future cash flows from operations and other capital resources (including borrowings under the SFA) are insufficient to pay its obligations as they mature or to fund its liquidity needs, it may be forced to:

- reduce or delay TDC's business activities and capital expenditures
- sell assets
- obtain additional debt or equity capital
- restructure or refinance all or a portion of TDC's debt on or before maturity

TDC's stakeholders cannot be certain that any of these alternatives will be accomplished on a timely basis or on satisfactory terms. In addition, the terms of TDC's debt, including NTCH's high-yield bonds and the SFA, and any future debt, may limit TDC's ability to pursue any of these alternatives.

TDC is subject to significant restrictive debt covenants that limit its operating flexibility

The SFA contains covenants that significantly restrict TDC's ability to, e.g.:

- incur or guarantee additional indebtedness
- make investments or other restricted payments
- create liens
- consolidate, merge or sell all or substantially all of TDC's assets

These covenants could limit TDC's ability to finance its future operations and capital needs and pursue acquisitions, investments and other business activities that may be in its interest.

The SFA also requires TDC to maintain specified financial ratios and satisfy specified financial tests. Events beyond TDC's control may affect its ability to do so and, as a result, TDC cannot assure its stakeholders that these ratios and tests will be met. If a default under the SFA, or certain other defaults under any other agreement, occurs, the lenders could terminate their commitments (as regards the Revolving Credit Facility) and upon acceleration from majority lenders declare all amounts owed to them due and payable. A default under NTCH's high-yield bond indenture would also result in cross-default under the SFA. Borrowings under other debt instruments that contain cross-acceleration or cross-default provisions could also be accelerated and become due and payable in such circumstances. TDC may be unable to pay these debts in such circumstances.

TDC will be subject to restrictions on making payments to NTC/NTCH

The ability of TDC to pay dividends or otherwise distribute funds, including upstream loans, to assist in servicing NTCH's high-yield bonds and other debts will be subject to restrictions under applicable Danish law and certain other restrictions e.g. earnings retained for distribution. As NTCH is a holding company with no revenuegenerating operations of its own, it depends on payments from its subsidiaries to make payments on its high-yield bonds. As of December 31, 2006, the distributable reserves on a stand-alone basis for TDC A/S amounted to DKK 858m, after proposed dividends of DKK 694m, compared with DKK 43,967m as of December 31, 2005. The earnings retained were reduced by an extraordinary dividend of DKK 43,481m, paid to TDC shareholders on April 11, 2006 and by an extraordinary dividend of DKK 862m paid to TDC shareholders on June 29, 2006. The amount could be further reduced by the amount of any losses incurred or other dividends paid after December 31, 2006. Any dividends or other distributions are paid on a pro rata basis to minority shareholders. The dividend and distribution capacity of TDC may be inadequate to fund distributions in amounts and at times sufficient to allow NTCH to pay its obligations as they fall due, including its obligations under the high-yield bonds and the Revolving Credit Facility (to the extent drawn by NTCH).

If distributable reserves are insufficient to make distributions to NTCH, NTCH could borrow under the Revolving Credit Facility. The availability of the Revolving Credit Facility for this purpose will expire in January of 2008.

A favorable market for UMTS-based 3G services may not develop, limiting TDC's ability to recoup its investments in UMTS services, licenses and networks, which could adversely affect operational results

TDC's UMTS-based 3G service in Denmark has required substantial investments in UMTS services, networks, and licenses, which it has in Denmark, Latvia, Lithuania and Switzerland. Polkomtel has a UMTS license in Poland and One has a UMTS license in Austria. TDC's Danish UMTS license fee costs approximately DKK 950m in total. TDC paid 25% of the license fee upfront in 2001 and has subsequently paid five installments of 7.5% each. The remaining 37.5% is to be paid in five annual installments ending in 2011. As specified in the license, TDC achieved coverage of 30% of the population at the end of 2004, but must cover 80% by the end of 2008, which may require substantial investments. TDC's Danish UMTS license expires on October 31, 2021. TDC's Swiss UMTS license fee cost CHF 50m upfront and will expire at the end of 2016. As required by the license, TDC Switzerland achieved coverage of 50% of the population by the end of 2004.

If UMTS does not gain further acceptance or deliver anticipated advantages, or if TDC derives a smaller percentage of its revenue than expected from its UMTS-related 3G services, it may be unable to adequately recoup its investment in UMTS licenses and networks, despite a strategy of making further investments only when UMTS use is clearly becoming mainstream. UMTS technology must be further developed to provide the expected advantages over existing GSM technology and to rival competing mobile broadband. Demand for UMTS-based 3G services may not develop to fulfill expectations. The market for UMTS services may not further develop and TDC may be unable to achieve its desired sales volumes for these services. Competition from WLAN and CDMA/450 MHz may adversely affect UMTS penetration and associated data services. Substitution technologies including WiMAX and Wi-Fi, which also offer radio, voice and data transmission solutions, may pose a threat to UMTS growth. Push-to-talk (walkie-talkie) and instant messaging may also threaten the UMTS market in the future. TDC's UMTS customers may use lower-margin packet-transmission services (packet-side traffic) rather than higher-margin voice transmission services (circuit-side traffic), thereby threatening the profitability of TDC's UMTS business.

TDC relies on application developers to develop services that will stimulate market demand for 3G services and its UMTS network. If third-party application service providers fail to develop such services, or such services are delayed, TDC's ability to generate revenue from its UMTS network may be adversely affected.

Market demand for TDC's UMTS operations also depends on obtaining reasonably priced handsets from suppliers, technologically proven network equipment and software with sufficient functionality and speed. If such equipment and software is unavailable or delivery or functional deployment is delayed, TDC's ability to develop its UMTS network and customer access to it will be impaired. Availability of this equipment and software drives demand for these services.

Market acceptance of TDC's online telephony services, including TDC's self-service products and e-commerce services, is still uncertain

TDC's online services, including TDC's self-service telephony products and e-commerce services such as TDC Online are relatively new offerings in the telecommunications market. Consequently, there is uncertainty concerning market demand for, or profitability of, such products and services. If customer service costs are higher than expected, future profit margins could be affected. Moreover, it is uncertain if and how fast the expected efficiency savings resulting from such movement to online services may be realized.

Equipment and network systems are vulnerable to terrorist attacks, natural disasters, security risks and other events that may disrupt TDC's services and result in increased costs or lost revenue. Terrorism laws and regulations might also result in a heavier regulatory burden on TDC's business and increased operating costs

The performance, reliability and availability of TDC's networks and mobile and landline telecommunications services are critical for attracting and retaining subscribers. TDC's networks and services may be damaged or disrupted by terrorist acts and numerous other events, including fire, flood or other natural disasters, power outages and equipment or system failures (major disruption events). TDC's network has been affected by floods and storms in the past. A major disruption event could affect TDC's infrastructure or a third party's systems, resulting in failure of TDC's networks or systems or of the third-party-owned local and long distance networks on which TDC relies for the provision of interconnection and roaming services to its subscribers. This could affect the quality of TDC's services or cause temporary service interruptions, which could result in customer dissatisfaction, regulatory penalties and reduced revenue. Network or system failures could also harm TDC's reputation or impair TDC's ability to attract new customers, which could have a materially adverse effect on TDC's business, financial position and results of operations. TDC's business continuity plans, network security policies, the vulnerability analysis TDC conducts jointly with regulators or TDC's monitoring activities may not mitigate the impact of or prevent such disruption events.

TDC's business relies on certain sophisticated critical systems, including exchanges, switches, other key network points and TDC's billing and customer service systems. The hardware supporting those systems is housed in a relatively small number of locations and if damage were to occur to any of these locations, or if those systems develop other problems, TDC's business could be materially adverse affected.

Based on risk analysis, it is TDC's policy not to insure a substantial part of the network (underground, air and sea cables). Losses due to numerous events, i.e. fire, flood or other natural disasters, power outages and equipment or system failures, and terrorist acts are not insured, and TDC may not have the capital to make necessary repairs or replacements.

Increasing dependency on digitalized information technology systems is expected to expose TDC to risks of hacking, piracy and systems failure, which could potentially disrupt TDC's business

As the telecommunications sector has become increasingly digitalized, automated and online, TDC is exposed to increasing risks of hacking, piracy and general IT system failure. Unanticipated IT problems, system failures, computer viruses or hacker attacks could affect the quality of TDC's services and cause service interruptions. Risks of network failure can never be completely eliminated and such failures may reduce revenue and harm TDC's reputation.

To improve profitability, TDC needs to significantly reduce its existing workforce, which may be costly and difficult to implement

Maintaining and improving TDC's profitability in spite of continuing competitive pricing pressure, and taking advantage of running efficiency programs the cost-saving potential of TDC's online self-service products, means that TDC must significantly reduce its workforce over the next few years. Any such reduction may entail significant severance costs, which may affect TDC's earnings. Many of TDC's employees in Denmark have civil servant pension rights and some are entitled to severance benefits. The total costs related to domestic workforce reductions in 2006 will be DKK 353m after tax.

TDC may be unable to significantly reduce its workforce. Although Danish law imposes no significant restrictions on workforce reductions, and TDC's labor unions have no right under Danish law to veto any workforce reductions, any workforce reduction may lead to strikes, work stoppages or other industrial action. TDC has entered into truces with each of the telecommunications departments of the Danish Metal Workers Union (Dansk Metal), the Association of Managers and Employees in Special Positions of Trust in TDC (Lederforeningen i TDC, LTD) and the Danish Confederation of Professional Associations (AC-organisationerne) (the truce unions). In these truces, TDC has agreed to follow certain procedural guidelines when reducing its workforce, including retraining redundant employees for reassignment within TDC. The truces will expire at the end of 2007, but may be terminated by TDC or the unions with three months' notice if the assumptions behind the truces lapse or change.

TDC has also made truces with the unions to encourage voluntary resignations by employees. These truces may be terminated by either party with two months' notice. Neither the reductions in TDC's workforce nor their scope are part of these truces.

Although TDC has made truces relating to procedures for workforce reductions and the terms and conditions of voluntary resignations, no assurance can be given that none of TDC's labor unions will resist further workforce reductions. In addition, TDC may be unable to negotiate agreements similar to the truces with the truce unions in question after 2007.

TDC has implemented a number of general domestic redundancy programs in the last couple of years. Such a program was also implemented in 2006 covering 554 employees. In addition, a program to reduce positions in TDC's corporate staff by approximately 370 was initiated at the end of 2006. The program implies a closure of vacant positions, relocation of employees to front-office jobs and employees layoffs. It is uncertain whether such redundancy programs will be implemented or be effective in the future.

Strikes or other industrial action could disrupt or increase the cost of TDC's operations

TDC is exposed to the risk of strikes and other industrial action. TDC estimates that more than 70% of its employees are union members. The truces with each of the truce unions include procedural guidelines for reducing TDC's workforce until the end of 2007. In TDC's truces with the telecommunications departments of the Danish Metal Workers Union, the parties have agreed to enter into dialog within 24 hours in the event of an imminent conflict in order to prevent industrial action. The separate truces with each of the truce unions to encourage the voluntary resignations mentioned above may be terminated by either party with two months' notice. These truces with the truce unions or TDC's collective labor agreements may not prevent strikes, work stoppages or other industrial action in the future, which might disrupt TDC's operations, including its repair times, possibly for a significant period of time. This may result in increased wages and benefits that may adversely affect TDC'S business, financial position and results of operations.

Discontinuance of supplier relations may adversely affect TDC's business and profitability

Due to its existing legacy network, TDC relies on certain suppliers to maintain and upgrade certain hardware and software platforms, especially those that have become industry standard. For example, as TDC's cable-TV business has invested heavily in the equipment and software of particular suppliers, it is difficult for TDC in the short term to change supply and maintenance relationships if the initial supplier raises prices or ceases to produce equipment or provide the support that TDC's telecommunications and cable-TV networks and systems require. In the past, key suppliers have stopped providing hardware, such as the AC4 SDH platform, and certain support services, such as development of features for ATM-based DSL platforms (which are essential for triple play products on such a platform), DSL line-card delivery on certain older DSL platforms and upgrades for PSTN platforms.

Any discontinuance of certain products or services or failure by TDC's suppliers to upgrade such products and services, any financial instability of its suppliers or failure to deliver certain products to TDC according to supplier contracts in the future could lead to the risk of:

- delayed upgrades and new products and features from suppliers, impacting TDC's product development programs
- discontinued products, impacting supply of existing products
- deteriorating quality of support services, affecting operational and customer services
- higher volatility with regard to TDC's demands on suppliers, and in-stock levels affected by customer-returned equipment
- consequential impact on TDC's business

Failure by suppliers, which may delay or prevent TDC from providing products and services to its customers, may adversely impact TDC's revenue. If this occurs, TDC may be unable to recover payments made to such suppliers for their products and services or obtain contractual damages. Any price rises introduced by suppliers may also cause a margin squeeze. The above factors could adversely impact TDC's business, financial position and operating results.

Although most of TDC's equipment and software suppliers can be replaced, switching to alternative suppliers could cause difficulty or delays in providing support and maintenance, new products and upgrades, and operational services, or raise costs, which could harm TDC's financial position and operating results.

Change-of-control clauses in contracts with third parties may also adversely affect TDC's business and profitability

TDC has cooperation agreements and contracts with suppliers and service providers and holds insurance policies that are subject to change-of-control provisions which, if exercised by third parties may adversely affect TDC's competitiveness and profitability.

If TDC's contractual relationships are terminated, new contracts negotiated may be on less favorable terms. Moreover, the termination of such agreements may lead to loss of business from certain supplementary service providers that TDC may be unable to maintain through independent relationships.

TDC depends on a small number of distributors, retailers and sales agencies (mobile distributors) to distribute or sell its mobile products and services to end-users. TDC's mobile distributors may stop distributing TDC's mobile products to end-users and may enter into distribution agreements with TDC's competitors

TDC's mobile products and services are available through a small number of mobile distributors – in Denmark, 35% of TDC's sales, and in Switzerland, over 40%. Under TDC's current arrangements, mobile distributors may stop distributing or selling TDC's products at any time. New mobile distributors may be difficult to find that can provide the same level of sales. In addition, TDC's mobile distributors have distribution agreements with TDC's competitors that may negatively affect gross activations through distribution partners, threatening TDC's market share. TDC's mobile distributors may more actively promote competitors' products and services. If TDC fails to maintain key distribution relationships, or its distribution partners fail to procure sufficient customers for TDC for any reason, this could have a materially adverse effect on TDC's financial position and result of operations.

TDC depends on third-party telecommunications providers over which TDC has no direct control for the provision of interconnection and roaming services outside Denmark

TDC's high-quality mobile and landline telecoms services outside Denmark depend on interconnection with the telecoms networks and services of other mobile and landline operators, particularly larger competitors. Outside Denmark, TDC also relies on third party operators for international roaming services for mobile subscribers. For example, in Switzerland, TDC depends on Swisscom's local-loop network to reach a significant number of end-users. TDC has interconnection and roaming agreements with other operators, but has no direct control over the quality of their networks and the interconnections and roaming services they provide. Any difficulties or delays in interconnecting with other networks and services, or unreliable interconnection services, could result in a loss of subscribers or a decrease in traffic, which would reduce TDC's revenue and adversely affect TDC's financial position and results of operations.

Outside Denmark, TDC depends on access to the incumbent's facilities to install its ULL facilities, which may be impaired or slower than TDC anticipated, affecting TDC's ability to roll out additional direct-access products and attract direct-access customers.

TDC's minority shareholdings in the mobile telephony industry, and TDC's 63.3% share of HTCC, expose TDC's business to unsubstantiated or inadequate management decisions made on behalf of companies over which TDC has no full control and that may require strategic and financial support

The performance of international operators in which TDC has minority interests, and of HTCC, which is currently taking over another Hungarian landline operator Invitel, may depend on the financial or strategic support of other shareholders. TDC owns only 15% of the Austrian mobile operator One and 19.6% of the Polish mobile operator Polkomtel (which is currently being sold). Although owner of a 63.3% majority equity interest in HTCC, TDC may be unable to exercise full control over its operations. Such international operators may rely on TDC and/or other shareholders for strategic and financial support. Such other shareholders may fail or be unwilling to supply the required operational, strategic and financial resources relating to, for example, the build-out of infrastructure, and the cost of meeting regulatory requirements or effective marketing, which could adversely affect both the ability of these operations to compete and the return on TDC's investment.

Important intellectual property rights, including TDC's key trademarks and domain names, could be lost

Some of TDC's intellectual property rights, including TDC's key trademarks and domain names, which are well known in the telecommunications markets, are vital to TDC's business. A significant part of TDC's revenue is derived from products and services marketed under the brand names TDC or sunrise. TDC relies upon a combination of trademark laws, copyright and data-base protection as well as contractual arrangements to establish and protect its intellectual property rights. Occasionally, claims are brought against third parties to protect TDC's property rights.

TDC also risks that a third party may claim that TDC is infringing intellectual property rights, e.g. patent rights. As a result, TDC may be unable to use intellectual property that is material to the operation of its business. Alternatively, a third party may allege one of TDC's suppliers is infringing on such a third party's intellectual property rights and may take legal action to prevent such a supplier from providing TDC with products or services important to TDC's business.

TDC cannot be sure that any lawsuits etc. initiated to protect its intellectual property rights will be successful or that its suppliers will be cleared of infringing the intellectual property rights of third parties. Although TDC is unaware of any material infringements of any intellectual property rights that are significant to TDC's business, any lawsuits, regardless of outcome, could result in substantial costs and diversion of resources. The illegal use by third parties or the loss of TDC's important intellectual property rights, such as trademarks and domain names, could also have a materially adverse effect on TDC's business, financial position and results of operations. TDC could also be prevented from using certain products and services or be forced to pay significant damages or higher prices for important products or services due to a third party's successful intellectual property claim, which may affect TDC's business.

Loss of key personnel could have a materially adverse effect on TDC's business

TDC's success relies heavily on the skills, experience and efforts of TDC's senior management. The loss of services of one or more members of TDC's senior management team could materially and adversely affect TDC's business, results of operations and financial position. In addition, as TDC's business develops and expands, TDC believes that its future success will depend on its continued ability to attract and retain highly skilled and qualified personnel without increased labor costs. It is uncertain whether TDC can continue to attract and retain key qualified personnel in the future, especially as Denmark's labor market currently has very low unemployment.

Failure to meet growing customer demand for content services and adapt to technological developments in content delivery may negatively impact the growth of TDC's content services business, and decrease the market share of TDC's bundled products with content components

TDC's cable-TV business has given TDC significant experience of and access to the content market and content delivery products. However, future success in content services will depend on TDC's ability to produce or acquire attractive programming such as popular TV shows, music and games and to adapt and lead technological developments in content delivery applications. It is uncertain whether TDC can continue to be successful in acquiring popular content in the future. One of TDC's major content suppliers for cable TV competes with TDC in certain TVoIP markets and has until recently refused TDC permission to provide content on TVoIP products at prices that are acceptable to TDC. This may hinder growth of TDC's TVoIP business.

The technological developments are increasingly enabling customers to receive content whenever they wish (e.g. digital video recorders or time-shift software for a PC with TV card), and wherever they wish (e.g. MPEG4/H.264 videopodcasts for iPods and other portable digital media players or 3G/DVB-H transmissions for handsets). TDC risks falling behind its competitors in terms of content delivery technology, and the platforms, applications or technology TDC invests in may not become market standards. Growth in content services is expected to be driven by increased quantitative and qualitative capabilities of content providers. However, the specific extent and characteristics of such quantitative and qualitative progress are difficult to predict at present. Also, TDC may be unable to match its competitors. Failure to provide content services may also negatively impact sales of TDC's products and services with a bundled content component, such as cable TV, broadband, triple play and 3G, or to which TDC's competitors have added a bundled content component.

Alleged health risks from the use of mobile telephones and other environmental requirements

TDC is subject to regulations and guidelines relating to radio frequency emissions and other non-ionizing radiation. Alleged health risks, including some forms of cancer, have been associated with such emissions from mobile telephones and from other mobile telecommunications devices.

The European Commission has been investigating these concerns since 1995. Although the results of these studies have been inconclusive, TDC cannot provide assurances that further medical research will not establish a link between the radio-frequency emissions of mobile handsets and health concerns. Consequently, the EU and Danish or Swiss authorities could increase regulation of mobile phones and base stations. In Switzerland in particular, public concern over alleged adverse health effects related to electromagnetic radiation, and strict Swiss rules on radiation may result in increased costs related to the GSM and UMTS networks and may thereby impede both the continuation of TDC's 2G and the growth of TDC's 3G mobile-telephony business.

The actual or perceived risk of mobile telecommunications devices, press reports or litigation relating to such risks could adversely affect TDC by reducing growth in TDC's customer base, ARPU and MoU, and increasing regulatory burdens on TDC or significant litigation costs.

TDC is also subject to various laws and regulations relating to land use and environmental protection, including those governing the storage, management and disposal of hazardous materials and clean-up of contaminated sites. TDC could incur substantial costs, including clean-up costs, fines, sanctions and third-party claims for property damage and personal injury, as a result of violations of, or liabilities under, such laws and regulations. TDC believes, however, that it is in substantial compliance with such laws and regulations.

Tougher competition, further reductions of tariffs, and decreased profit margins due to the Danish telecoms regulatory framework. NITA has designated TDC as having significant mar-

ket power (SMP) in Denmark in a number of submarkets

Denmark's regulatory regime governing its telecoms sector requires TDC to deliver a broad range of products to the retail and wholesale markets, and subjects TDC to price regulation.

EU regulatory framework

In March 2002, the EU passed several directives promoting competition in the telecoms market that were subsequently implemented into Danish law in 2003. In line with this legislation, NITA performs market analyses on 18 specifically defined submarkets within landline telephony, mobile telephony, leased lines, unbundled access, broadband and TV and radio transmission. NITA may designate a dominant telecoms operator as having SMP in such a submarket. If imperfections in a submarket in which an operator has been designated as having SMP are identified, NITA may impose remedies against such an operator in order to promote competition. In the wholesale market, such measures may include the acceptance of a reasonable request for interconnection, non-discrimination, reference offers, transparency, accounting separation, specific cost-accounting obligations and price-control methods. NITA has so far issued decisions on 15 out of the 18 submarkets. Final decisions for all the remaining submarkets are expected in 2007. Until market analyses of the relevant submarkets have been completed and NITA has decided whether to adopt new regulatory measures or revoke former measures, the current regulation will be maintained in each relevant submarket.

SMP designation

TDC has been designated as having SMP by NITA in almost all of the submarkets in Denmark, except for market 15 (the wholesale market for mobile access), market 17 (the wholesale market for international roaming) and markets 5 and 6 (the retail markets for national and international traffic for business customers). As a result, TDC is subject to the regulatory burdens summarized below. NITA may impose additional regulatory burdens on TDC as a result of its current SMP status or give TDC SMP status in additional markets.

Retail markets

The majority of TDC's retail offerings of leased lines must comply with a rule-of-cost orientation imposed as a result of TDC's SMP status. TDC is therefore required to calibrate leased line prices annually to ensure that they match the corresponding cost plus a mark-up set by the regulatory authorities.

Wholesale markets

The majority of TDC's prices are also regulated in the wholesale markets where TDC has SMP status. Until 2002, interconnection prices were regulated mainly on the basis of historical-cost analyses and best-practice benchmarking against corresponding international prices. Since January 1, 2003, NITA has used a LRAIC model to set TDC's prices for switched interconnection traffic, interconnection capacity, shared access and ULL (also known as raw copper) as well as related co-location. NITA calculates these prices once a year in accordance with the LRAIC model and evaluates and updates the model once every three years. In 2006, the LRAIC model was adjusted and the prices for ULL, switched interconnection traffic and interconnection capacity were decreased considerably. From January 1, 2007, the prices for bit stream access and sub-loops of ULL are also calculated in accordance with the LRAIC model. The LRAIC model for 2007 has resulted in further price decreases for switched interconnection as well as for bit-stream access.

TDC's prices for other interconnection products are based on historical cost according to a formula set by NITA. It is uncertain how this pricing method will affect TDC's future prices. Furthermore, the telecommunications law was amended with effect from January 1, 2006, resulting in changes in calculation principles for depreciation, amortization and interest payments. The amended law also gives NITA increased power to stipulate specific terms and conditions for TDC's interconnection agreements.

NITA's decision in 2006 on the submarket for broadband access requires TDC to offer wholesale broadband solutions (bit-stream access) without compulsory landline subscriptions, which will improve TDC's competitors' conditions for offering broadband solutions combined with IP telephony.

In the market for termination of mobile calls, NITA decided in 2006 that TDC, TeliaSonera, Sonofon, Tele2 and Hi3G have SMP. However, price regulation has been introduced only for TDC, Sonofon and TeliaSonera, whose average prices (including call setup fee) must be reduced stepwise over a period until May 1, 2008. This decision will adversely impact TDC's earnings. If the domestic market for international roaming also becomes price regulated, this could negatively impact TDC Mobil's revenue and earnings.

Decisions have also been made on four retail submarkets for telephony traffic, the retail market for leased lines, the wholesale markets for landline connections, unbundled access and shared use including co-location, as well as for landline termination. None of the decisions include significant changes to existing regulation with the exception of regulations on extended access related to co-location, and extended requirements to guarantee the line quality against disturbances.

Anti-terror measures

As part of the anti-terrorism action plan, the Danish government has passed an act requiring telecommunications providers to install communication interception equipment without cost compensation. The act comes into force on July 1, 2007 (new systems) and on January 1, 2008 (existing systems).

In September 2006, the Danish government issued an executive order requiring the retention and storage of traffic data for one year by telcos for the purpose of investigation and prosecution of criminal offences. The executive order comes into force on September, 15 2007.

In November 2006, the Danish government introduced a bill requiring the telcos to establish the necessary databases and to cover any equipment costs in this connection. The bill is expected to come into force also on September, 15, 2007.

As a result, TDC will have to make additional investments in technical equipment and cover operational costs.

EU Universal Service Obligation (USO) directive

NITA has designated TDC as the Universal Service Provider (USP) in Denmark, in line with the EU USO directive and Danish USO regulation, which are designed to ensure that all end-users have access to certain basic affordable telecommunications services regardless of their geographical location. In the past, NITA fixed the prices that TDC could charge its Danish customers for using PSTN services (USO customers), but these price caps were lifted at the end of 2005. However, NITA may reintroduce a price cap on TDC's USO products and services. In addition, TDC faces uncertainty concerning the renewal of its USP designation from January 1, 2008, which may affect its revenue and earnings.

EU roaming charge regulation

The EU Commission has proposed a new regulation that reduces the international roaming charges both for the wholesale and retail markets. The outcome of such regulations if imposed is uncertain. However, such regulation is likely to negatively impact TDC Mobile International's revenue and earnings.

Regulatory contingencies in Switzerland may affect TDC's Swiss business

Prompted by a preliminary decision by the Swiss competition authority regarding abuse of market power by Swisscom, the Swiss incumbent, in 2005, Swisscom reduced its prices for terminating mobile calls, putting heavy pressure on other Swiss mobile operators, including TDC Switzerland, to reduce their tariffs as well. The Swiss competition authority is reviewing competition in the mobile call termination market and is currently investigating whether the Swiss mobile operators, including TDC Switzerland, have a dominant position and, if so, abuse such a position. Consequently, the Swiss authorities may require Swisscom and/or TDC Switzerland to further cut the prices for terminating mobile calls agreed between the operators with a glide path for the next three years. Such price reductions may have a materially adverse effect on the earnings and profit margins of TDC's Swiss operations and it is uncertain whether the Swiss competition authority will impose a material fine upon TDC Switzerland if TDC Switzerland is found to have a dominant position in the mobile call termination market and has abused such a position.

TDC's Swiss business benefits from regulations requiring Swisscom to grant other telecommunications operators network access to its network, including TDC Switzerland's interconnection services under cost-based terms and conditions. Swisscom has challenged the interconnection tariffs set by the Swiss regulator ComCom in court. After the Federal Supreme Court in Switzerland issued a final ruling, the rates for the years 2000-2003 are now final. The rates for the subsequent years 2004-2007 are still pending at ComCom.

TDC's business plan and earnings forecasts, particularly in relation to expected broadband and triple play sales, anticipate that the revised Swiss telecoms law providing for opening of ULL networks, passed by the Swiss Parliament on March 24, 2006, will allow TDC Switzerland to lease network capacity on Swisscom's ULL and gain access to its customers. A 100-day referendum period expired on July 13, 2006 and once the law is enacted, probably on April 1, 2007, vested interests may attempt to prevent, impede or delay access to the ULL networks through other measures. If ULL terms and conditions being drafted at this time and also the later specifications by the regulator's decisions based on the laws etc. are not set and enforced in a favorable way, TDC may have to adjust its business plan and earnings forecast. Moreover, utility companies will start using their infrastructure to provide telephony and broadband services and will probably subsidize the telecommunications business which could lead to additional margin pressure.

Licenses for key technologies underlying TDC's service offerings

Finite terms and the failure to renew one of these licenses upon termination, or TDC's inability to obtain new licenses for new technologies, could adversely affect business

TDC is licensed to provide mobile telecommunications services in Denmark and in Switzerland. For example, TDC has UMTS licenses to provide 3G services in Denmark and Switzerland, three GSM licenses in Denmark (including licenses for DCS 1800, DC56 and GSM, respectively) and one GSM license in Switzerland. TDC's Danish and Swiss UMTS licenses are valid until October 31, 2021 and December 31, 2016, respectively. TDC's Danish GSM licenses are valid until June 12, 2007, January 1, 2011 and March 1, 2012, respectively, and TDC's Swiss GSM license is valid until May 31, 2008. NITA or the Swiss regulator may withdraw existing licenses if TDC cannot meet the license conditions, including obtaining the regulator's consent in the event of a change of control. After the expiry dates, TDC will have to reapply for a new Danish UMTS license and new Swiss GSM and UMTS licenses. Any application for renewal of such licenses may be unsuccessful. The three Danish GSM licenses will be extended automatically for periods of 10 years unless NITA decides otherwise no later than one year before the scheduled expiry date. In the event that TDC is unable to renew a license or obtain a new license for any technology that is important for the provision of TDC's service offerings, TDC could be forced to stop using that technology and TDC's financial position and result of operations could be materially adversely affected.

The Swiss regulator has decided to renew the GSM license in 2008, but maybe only for 5.5 years. Some parts of the existing spectrum may be given to other mobile operators, which could lead to quality problems in the network. The quality loss would have to be compensated for – if at all possible – by investing more in additional base stations.

Litigation

The change-of-control provisions in Polkomtel's bylaws and shareholder agreement require TDC to offer to sell its 19.6% ownership share to the other shareholders of Polkomtel. In February 2006, TDC offered its shares for a price of €214.04 per share. On March 10, 2006, the Polish shareholders in Polkomtel entered into an agreement with TDC to exercise their right to purchase their pro rata share representing approximately 76% of TDC's shares in Polkomtel and 14.8% of the share capital of Polkomtel for an aggregate price of €650.5m, subject to certain conditions including the outcome of the Vodafone litigation described below. TDC's remaining 4.8% shareholding in Polkomtel has been offered to Vodafone, the only shareholder of Polkomtel who has not entered into the purchase agreement with TDC. Vodafone has claimed that the offer procedure is invalid and that the offer price determined by TDC does not reflect the market value of the Polkomtel shares. Legal proceedings are pending in the Polish courts and the International Arbitral Center in Vienna. Vodafone has been awarded an injunction in the Polish courts prohibiting TDC from transferring any of its shares in Polkomtel. Vodafone has initiated arbitration against TDC. If the outcome is not in favor of TDC, TDC may be required to sell its shares in Polkomtel for less than the €214.04 per share. Even if the outcome favors TDC, the sale of Polkomtel shares and the receipt of proceeds by TDC will be delayed.

At the EGM on February 28, 2006, NTC proposed that TDC seek to delist its shares and ADSs from the Copenhagen Stock Exchange (OMX) and from the New York Stock Exchange (NYSE), respectively, and subsequently seek to deregister all securities from the US Exchange Act. NTC also proposed adding a new clause to TDC's Articles of Association permitting the compulsory acquisition of the shares of minority shareholders. Over 90% of the share capital of TDC represented at the EGM voted in favor, and such resolutions were declared passed. On March 5, 2006, NTC initiated a compulsory redemption of the shares of the minority shareholders. However, on March 8, 2006, the Danish Commerce & Companies Agency (DCCA) ruled against registering the new clause to the Articles of Association regarding compulsory acquisition of the shares of minority shareholders. Further, in March 2006 ATP, the Danish Labor Market Supplementary Pension Scheme (ATP) holding more than 5% of the shares in TDC, initiated legal proceedings against both TDC and NTC seeking an acknowledgment of the invalidity of both the squeeze-out provisions in the Articles of Association and the authorization to delist from the Copenhagen Stock Exchange and the NYSE granted at the EGM. Furthermore, ATP claims that the reference date with regard to the redemption price of ATP's shares should be decided only when the redemption has been completed. Finally, ATP claims that the NTC should pay interest on the redemption price. In May 2006, TDC and NTC initiated separate legal proceedings against the DCCA claiming that the DCCA's ruling is invalid. In June 2006, TDC's ADSs were delisted from the NYSE and in February 2007, TDC's securities were deregistered finally under the US securities legislation. The two legal proceedings are currently pending.

Safe Harbor Statement

Certain sections of this Annual Report contain forward-looking statements that are subject to risks and uncertainties.

Examples of such forward-looking statements include, but are not limited to:

- statements containing projections of revenue, income (or loss), earnings per share, capital expenditures, dividends, capital structure or other net financials.
- statements of our plans, objectives or goals for future operations including those related to our products or services
- statements of future economic performance
- statements of the assumptions underlying or relating to such statements

Words such as “believes”, “anticipates”, “expects”, “intends”, “aims” and “plans” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. These statements are based on current plans, estimates and projections, and therefore undue reliance should not be placed on them.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements made by us or on our behalf.

These factors include, but are not limited to:

- changes in applicable Danish, Swiss and EU legislation, including but not limited to tax legislation
- increases in the interconnection rates we are charged by other carriers or decreases in the interconnection rates we are able to charge other carriers
- decisions by the Danish National IT and Telecom Agency whereby the regulatory obligations of TDC are extended
- increase in interest rates that would affect the cost of our interest-bearing debt which carries floating interest rates
- reduced flexibility in planning for, or reacting to, changes in our business, the competitive environment and the industry in which we operate as a result of contractual obligations in our financing arrangements
- developments in competition within domestic and international communications solutions
- introduction of and demand for new services and products
- developments in the demand, product mix and prices in the mobile market, including marketing and customer-acquisition costs
- developments in the market for multimedia services
- the possibilities of being awarded licenses
- developments in our international activities, which also involve certain political risks
- investments in and divestitures of domestic and foreign companies

We caution that the above list of important factors is not exhaustive. When relying on forward-looking statements to make decisions with respect to TDC, investors and others should carefully consider the foregoing factors and other uncertainties and events. Such forward-looking statements speak only as of the date on which they are made and we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

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Consolidated Statements of Income

DKKm

	Note	2006	2005	2004
Revenue	4,5	**47,429**	**46,588**	**42,339**
Transmission costs and cost of goods sold		(17,258)	(17,104)	(15,630)
Other external expenses		(9,330)	(9,110)	(8,117)
Wages, salaries and pension costs	6	(7,559)	(7,628)	(6,833)
Total operating expenses before depreciation, etc.		**(34,147)**	**(33,842)**	**(30,580)**
Other income and expenses	7	373	257	237
Income before depreciation, amortization and special items		**13,655**	**13,003**	**11,996**
Depreciation, amortization and impairment losses		(6,551)	(6,790)	(6,661)
Special items	8	(319)	(968)	385
Operating income		**6,785**	**5,245**	**5,720**
Income from associates and joint ventures	17	449	334	5,632
Fair value adjustments	9	164	(184)	178
Financial income	10	1,910	2,454	2,547
Financial expenses	11	(4,771)	(3,326)	(3,441)
Net financials		**(2,697)**	**(1,056)**	**(716)**
Income before income taxes		**4,537**	**4,523**	**10,636**
Income taxes	12	(1,094)	(1,026)	(1,041)
Net income from continuing operations		**3,443**	**3,497**	**9,595**
Net income from discontinued operations	13	0	3,953	315
Net income		**3,443**	**7,450**	**9,910**
Attributable to:				
Shareholders of the Parent Company		3,446	7,474	9,912
Minority interests		(3)	(24)	(2)
Total		**3,443**	**7,450**	**9,910**
EPS (DKK)	14			
Earnings per share, basic		17.4	38.3	48.4
Earnings per share, diluted		17.4	38.1	48.3
Earnings per share from continuing operations, basic		17.4	18.0	46.9
Earnings per share from continuing operations, diluted		17.4	17.9	46.8
Earnings per share from discontinued operations, basic		–	20.3	1.5
Earnings per share from discontinued operations, diluted		–	20.2	1.5

Assets			DKKm
	Note	2006	2005
Non-current assets			
Intangible assets	15	32,193	33,118
Property, plant and equipment	16	24,956	26,054
Investments in associates and joint ventures	17	1,651	2,126
Minority passive investments		7	9
Deferred tax assets	12	534	784
Pension assets	29	6,004	5,645
Receivables	18	368	464
Derivative financial instruments	28	171	90
Prepaid expenses	20	259	325
Total non-current assets		**66,143**	**68,615**
Current assets			
Inventories	21	657	650
Receivables	18	8,994	8,617
Income tax receivable	12	12	9
Derivative financial instruments	28	790	1,042
Prepaid expenses	20	713	654
Marketable securities		0	3,687
Cash	42	3,455	10,063
Assets held for sale	13	5	187
Total current assets		**14,626**	**24,909**
Total assets		**80,769**	**93,524**

Equity and liabilities			**DKKm**
	Note	**2006**	**2005**
Equity			
Common shares		992	992
Reserves		69	78
Retained earnings		1,534	42,450
Proposed dividends		694	0
Equity attributable to Company shareholders		**3,289**	**43,520**
Minority interests		282	275
Total equity	22	**3,571**	**43,795**
Non-current liabilities			
Deferred tax liabilities	12	3,401	3,494
Provisions	25	1,174	1,274
Pension liabilities, etc.	29	239	332
Loans	23	56,774	24,890
Derivative financial instruments	28	0	0
Deferred income	24	1,088	1,141
Total non-current liabilities		**62,676**	**31,131**
Current liabilities			
Loans	23	1,975	5,425
Trade and other payables	26	8,384	9,210
Income tax payable	12	617	295
Derivative financial instruments	28	232	500
Deferred income	24	2,729	2,661
Provisions	25	585	436
Liabilities concerning assets held for sale	13	0	71
Total current liabilities		**14,522**	**18,598**
Total liabilities		**77,198**	**49,729**
Total equity and liabilities		**80,769**	**93,524**

Consolidated Statements of Cash Flow DKKm

	Note	2006	2005	2004
Income before depreciation, amortization and special items		13,655	13,003	11,996
Reversal of items without cash flow effect	37	(378)	(85)	(196)
Pension contributions		(190)	(163)	(89)
Payments related to provisions		(58)	(151)	(148)
Cash flow from special items		(531)	(266)	(495)
Change in working capital	38	52	(651)	1,053
Cash flow from operating activities before net financials and tax		**12,550**	**11,687**	**12,121**
Interest received		2,346	2,325	2,493
Interest paid		(4,671)	(3,268)	(3,723)
Realized currency translation adjustments		871	77	108
Cash flow from operating activities before tax		**11,096**	**10,821**	**10,999**
Corporate income tax paid		(955)	(2,296)	(364)
Cash flow from operating activities in continuing operations		**10,141**	**8,525**	**10,635**
Cash flow from operating activities in discontinued operations		0	166	449
Total cash flow from operating activities		**10,141**	**8,691**	**11,084**
Investment in enterprises	39	(359)	(514)	(4,761)
Investment in property, plant and equipment		(4,233)	(4,460)	(4,426)
Investment in intangible assets		(1,210)	(1,087)	(909)
Investment in marketable securities		0	(1,022)	(2,442)
Investment in other non-current assets		(11)	(10)	(80)
Divestment of enterprises	40	51	48	1,152
Sale of property, plant and equipment		123	120	117
Divestment of associates and joint ventures		11	5	867
Sale of marketable securities		3,673	596	1,084
Sale of other non-current assets		10	18	820
Change in loans to associates and joint ventures		90	189	(32)
Dividends received from associates and joint ventures		863	156	11,525
Cash flow from investing activities in continuing operations		**(992)**	**(5,961)**	**2,915**
Cash flow from investing activities in discontinued operations	41	3	4,735	(26)
Total cash flow from investing activities		**(989)**	**(1,226)**	**2,889**
Proceeds from long-term loans		47,011	1	55
Repayments of long-term loans		(19,239)	(871)	(6,707)
Change in short-term bank loans		(53)	(693)	151
Change in interest-bearing receivables		65	80	398
Change in minority interests		0	16	14
Dividends paid		(44,343)	(2,440)	(2,555)
Acquisition and disposal of treasury shares, net		799	(194)	(3,531)
Cash flow from financing activities in continuing operations		**(15,760)**	**(4,101)**	**(12,175)**
Cash flow from financing activities in discontinued operations		0	(128)	(398)
Total cash flow from financing activities		**(15,760)**	**(4,229)**	**(12,573)**
Total cash flow		**(6,608)**	**3,236**	**1,400**
Cash and cash equivalents at January 1	42	10,063	6,827	5,438
Cash and cash equivalents at December 31		**3,455**	**10,063**	**6,838**

Consolidated Statements of Changes in Equity

DKKm

	Equity attributable to Company shareholders					Minority interests	Total
	Common shares	Reserve for currency translation adjustments	Retained earnings	Proposed dividends	Total		
Equity at January 1, 2004	1,082	0	29,331	2,560	32,973	2	32,975
Adjustment relating to changes in accounting policies	–	0	2,956	0	2,956	0	2,956
Adjusted equity at January 1, 2004 after changes in accounting policies	1,082	0	32,287	2,560	35,929	2	35,931
Changes in accounting policies at January 1, 2004 regarding pensions	–	–	(1,137)	–	(1,137)	0	(1,137)
Adjusted equity at January 1, 2004	1,082	0	31,150	2,560	34,792	2	34,794
Currency translation adjustments, foreign enterprises	–	423	(96)	–	327	0	327
Currency hedging of net investments in foreign enterprises	–	(230)	0	–	(230)	–	(230)
Tax related to changes in equity	–	68	(12)	–	56	0	56
Net gain/(loss) recognized directly in equity	–	261	(108)	–	153	0	153
Net income	–	–	7,476	2,436	9,912	(2)	9,910
Total comprehensive income	**–**	**261**	**7,368**	**2,436**	**10,065**	**(2)**	**10,063**
Distributed dividends	–	–	0	(2,598)	(2,598)	–	(2,598)
Dividends, treasury shares	–	–	5	38	43	–	43
Acquisition of treasury shares	–	–	(3,573)	–	(3,573)	–	(3,573)
Disposal of treasury shares	–	–	42	–	42	–	42
Share-based payment	–	–	52	–	52	–	52
Additions during the year, minority interests	–	–	–	–	–	27	27
Equity at December 31, 2004	1,082	261	35,044	2,436	38,823	27	38,850

Continued >

Consolidated Statements of Changes in Equity (continued) DKKm

	Equity attributable to Company shareholders					Minority interests	Total
	Common shares	Reserve for currency translation adjustments	Retained earnings	Proposed dividends	Total		
Currency translation adjustment, foreign enterprises	-	(283)	0	-	(283)	(8)	(291)
Currency hedging of net investments in foreign enterprises	-	107	0	-	107	-	107
Reversal of currency translation adjustments, foreign enterprises	-	27	0	-	27	0	27
Tax related to changes in equity	-	(34)	0	-	(34)	0	(34)
Net gain/(loss) recognized directly in equity	-	(183)	0	-	(183)	(8)	(191)
Net income	-	-	7,474	0	7,474	(24)	7,450
Total comprehensive income	**-**	**(183)**	**7,474**	**0**	**7,291**	**(32)**	**7,259**
Distributed dividends	-	-	0	(2,706)	(2,706)	-	(2,706)
Dividends, treasury shares	-	-	(4)	270	266	-	266
Cancellation of treasury shares	(90)	-	90	-	0	-	0
Acquisition of treasury shares	-	-	(310)	-	(310)	-	(310)
Disposal of treasury shares	-	-	116	-	116	-	116
Share-based payment	-	-	40	-	40	-	40
Additions during the year, minority interests	-	-	-	-	-	280	280
Equity at December 31, 2005	**992**	**78**	**42,450**	**0**	**43,520**	**275**	**43,795**
Currency translation adjustments, foreign enterprises	-	(668)	0	-	(668)	3	(665)
Currency hedging of net investments in foreign enterprises	-	911	0	-	911	-	911
Reversal of currency translation adjustment, foreign enterprises	-	(3)	0	-	(3)	0	(3)
Dilution loss regarding subsidiaries	-	-	(2)	-	(2)	2	0
Tax related to changes in equity	-	(249)	0	-	(249)	0	(249)
Net gain/(loss) recognized directly in equity	-	(9)	(2)	-	(11)	5	(6)
Net income	-	-	2,752	694	3,446	(3)	3,443
Total comprehensive income	**-**	**(9)**	**2,750**	**694**	**3,435**	**2**	**3,437**
Distributed dividends	-	-	(44,406)	0	(44,406)	-	(44,406)
Dividends, treasury shares	-	-	63	0	63	-	63
Acquisition of treasury shares	-	-	(10)	-	(10)	-	(10)
Disposal of treasury shares	-	-	809	-	809	-	809
Tax on disposal of treasury shares	-	-	(74)	-	(74)	-	(74)
Share-based payment	-	-	(48)	-	(48)	-	(48)
Additions during the year, minority interests	-	-	-	-	-	5	5
Equity at December 31, 2006	**992**	**69**	**1,534**	**694**	**3,289**	**282**	**3,571**

Retained earnings include capital in excess of par value of DKK 8,652m which, due to amendments to the Danish Companies Act, is no longer to be transferred to a special undistributable reserve.

The dividends paid in 2006, 2005 and 2004 were DKK 223.85 per share, DKK 12.50 per share and DKK 12.00 per share respectively. A dividend of DKK 3.50 per share is to be proposed at the Annual General Meeting on March 15, 2007

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Note 1 Significant Accounting Policies

The Consolidated Financial Statements for 2006 of TDC have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and additional Danish disclosure requirements for annual reports of listed companies, cf. the disclosure requirements issued by the Copenhagen Stock Exchange and the IFRS Executive Order issued by the Danish Commerce and Companies Agency in pursuance of the Danish Financial Statements Act. For TDC there are no differences between IFRS as adopted by the European Union and IFRS as issued by IASB.

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 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 revenue and expenses for the accounting period. The accounting estimates and judgments considered material to the preparation of the Consolidated Financial Statements appear from note 2 below.

Changes to accounting policies

Changes to accounting standard IAS 39 on recognition and measurement of financial instruments limit situations where the fair value adjustments can be recognized in the Statements of Income.

For TDC, the changes have consequences only for the treatment of fair value adjustments of unquoted securities. Previously, fair value adjustments of unquoted securities were recognized in the Statements of Income. With effect from January 1, 2006, unrealized fair value adjustments of unquoted securities are recognized directly in equity. Gains or losses are recognized in the Statements of Income upon disposal of unquoted securities.

The change has no significant impact on the Group results for 2006 and earlier years. The Group's assets and financial position are not impacted by the amended standard.

Except for the change mentioned above, accounting policies are unchanged from last year.

Consolidation policies

The Consolidated Financial Statements include the Financial Statements of the Parent Company and subsidiaries in which TDC A/S has a direct or indirect controlling influence. Joint ventures in which the Group has joint control are recognized using the equity method. Associates in which the Group has a significant but not controlling influence are recognized 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 realized and unrealized profits and losses on transactions between the consolidated enterprises have been eliminated.

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 recognized if they can be separated and the fair value can be reliably measured. Deferred tax of the revaluation made is recognized.

Any remaining positive differences between cost and fair value of the assets, liabilities and contingent liabilities acquired on acquisition of subsidiaries are recognized as goodwill in the Balance Sheets under Intangible assets. The cost is stated at the fair value of submitted shares, debt instruments as well as cash and cash equivalents plus transaction costs incurred. Positive differences on acquisition of associates and joint ventures are recognized in the Balance Sheets under Investments in associates and joint ventures. Goodwill is not amortized, but is tested annually for impairment. Negative balances (negative goodwill) are recognized in the Statements of Income on the date of acquisition.

Acquisition of minority interests in subsidiaries is recognized as goodwill equivalent to the difference between the cost and the carrying value of the acquired minority interest.

Acquired enterprises are recognized in the Consolidated Financial Statements from the time of acquisition, whereas divested enterprises are recognized up to the time of disposal. Enterprises that meet the criteria for discontinued operations are presented separately.

Gains and losses related to disposal of subsidiaries, joint ventures and associates are recognized as the difference between the proceeds and the carrying value of net assets, with the addition of goodwill and accumulated currency translation adjustments recognized in equity at the time of disposal with the addition of disposal expenses.

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 of each enterprise's operations. 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 rates of exchange. Foreign exchange gains and losses arising from differences between the transaction-date rates and the rates at the date of settlement are recognized as net financials in the Statements of Income.

Cash, marketable securities, loans and other amounts receivable or payable in foreign currencies are translated into the functional currency at the official rates of exchange quoted at the balance sheet date. Currency translation adjustments are recognized as net financials in the Statements of Income.

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

Currency translation adjustments of receivables from foreign subsidiaries, joint ventures and associates that are considered to be part of the overall investment in the enterprise are recognized directly in equity.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognized in the Balance Sheets on inception at fair values and subsequently remeasured also at fair values. Quoted market prices are used for derivative financial instruments traded in an active market. A number of different, recognized measurement methods, depending on the type of instrument, are applied for derivative financial instruments not traded in an active market. Measurement of financial assets is based on bid prices, and offer prices are applied for financial liabilities.

Changes in the fair values of derivative financial instruments that qualify as hedges of future cash flows are recognized directly in equity net of tax. Gains and losses from hedges of future cash flows are transferred from equity and are as a general rule recognized in the same item as the hedged transaction when the cash flow is realized (for example when the hedged sale has been effected). If the hedged transaction results in recognition of a non-monetary item (such as inventories) or a liability, gains or losses from equity are, however, included in the cost of the asset or liability.

Fair value changes of derivative financial instruments that do not qualify for hedge accounting are recognized immediately in the Statements of Income.

Changes in the fair values of derivative financial instruments that qualify as net investment hedges in foreign subsidiaries, joint ventures or associates, and that effectively hedge exchange rate changes in these enterprises, are recognized directly in equity net of tax.

Revenue recognition

Revenue comprises goods and services provided during the year after deduction of VAT and rebates relating directly to sales.

The significant sources of revenue are recognized in the Statements of Income as follows:

- Revenue from telephony is recognized at the time the call is made
- Sales related to prepaid products are deferred, and revenue is recognized at the time of use
- Revenue from leased lines is recognized over the rental period
- Revenue from subscription fees is recognized over the subscription period
- Revenue from non-refundable up-front connection fees is deferred and amortized over the expected term of the related customer relationship
- Revenue from the sale of equipment is recognized upon delivery. Revenue from the maintenance of equipment is recognized over the contract period

Revenue arrangements with multiple deliverables are recognized as separate units of accounting, independent of any contingent element related to the delivery of additional items or other performance conditions. Such revenue includes sale of customer-placed equipment, e.g. switchboards and handsets.

Revenue is recognized gross when TDC acts as a principal in a transaction. For content-based services and the resale of services from content providers where TDC acts as agent, revenue is recognized net of direct costs.

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

Share options

The value of services received from employees in return for share options is measured at the grant date at the fair value of the share options granted and is recognized over the vesting period in the Statements of Income under wages, salaries and pension costs. The set-off item is recognized directly in equity.

For initial recognition of share options, the number of options that employees are expected to be entitled to is based on an estimate. changes in the estimated number of legally acquired options are subsequently adjusted so that the total recognition is based on the actual number of legally acquired options.

Calculations of fair values of share options granted have been based on the Black-Scholes option-pricing model, taking into account the terms and conditions attached to the granted share options.

Employee shares

When employees are given the opportunity of purchasing shares at a price below market price, the discount is recognized as a cost under wages, salaries and pension costs at the time of acquisition. The set-off item is recognized directly in equity. The discount is measured at the time of acquisition as the difference between fair value and purchase price.

Special items

Special items include significant amounts that cannot be attributed to normal operations such as special write-downs for impairment of intangible assets and property, plant and equipment as well as provisions for restructuring etc. and any reversals of such. Special items also include large gains and losses related to divestment of subsidiaries, which do not qualify for recognition in the Statements of Income as discontinued operations in accordance with IFRS 5.

Research

Research costs are expensed as incurred. Contributions received from third parties in connection with research projects are recognized as income concurrently with the incurrence of related expenses.

Intangible assets

Goodwill is recognized at cost less accumulated write-downs. As of January 1, 2002, goodwill is no longer amortized. The carrying value of goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable, and is subsequently written down to the recoverable amount in the Statements of Income if exceeded by the carrying value. Write-downs of goodwill are not reversed.

Licenses, customer-related assets, proprietary rights, patents, etc. are measured at cost less accumulated amortization and impairment losses and are amortized on a straight-line basis over their estimated useful lives.

Development projects, including costs of computer software purchased or developed for internal use, are recognized 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 amortization 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 Sheets are expensed as incurred in the Statements of Income.

The main amortization periods are as follows:

UMTS licenses	11-16 years
Other licenses	3-10 years
Customer-related assets	3-5 years
Other rights, etc.	2-26 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 amount in the Statements of Income.

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

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and write-down 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 direct and indirect payroll costs, materials, parts purchased and services rendered by sub-suppliers or contractors, indirect production costs as well as interest expenses in the construction period. Cost also includes estimated asset retirement costs if the related obligation meets the conditions for recognition as a provision.

Indirect production costs comprise wages, salaries and pension costs together with other external expenses calculated in terms of time consumed on self-constructed assets in the relevant departments.

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

Buildings	20 years
Telecommunications installations	5-20 years
Other installations	3-8 years

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

Non-current assets 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 value at the time of sale. The resulting gain or loss is recognized in the Statements of Income under Other income and expenses.

Software that is an integral part of for example telephone exchange installations 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.

Leased property, plant and equipment that qualify as capital leases are recognized as assets acquired. The cost of capital leases are measured at the lower of the assets' fair value and the present value of future minimum lease payments. Lease payments on operating leases are accrued and expensed on a straight-line basis over the term of the lease.

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

Investments in associates and joint ventures

Investments in associates and joint ventures are recognized under the equity method.

A proportional share of the enterprises' income after income taxes is recognized in the Statements of Income. Proportional shares of intra-group profits and losses are eliminated.

Investments in associates and joint ventures are recognized in the Balance Sheets at the proportional share of the entity's equity value calculated in accordance with Group accounting policies with addition of goodwill.

Associates and joint ventures with negative equity value are measured at DKK 0, and any receivables from these enterprises are written down, if required, based on an individual assessment. If a legal or constructive obligation exists to cover the associate's or joint venture's negative balance, an obligation is recognized.

Minority passive investments

Interest-bearing securities are classified as loans and receivables, which are recognized at amortized cost. Annual amortization is recognized as interest income.

Other investments whose fair value cannot be reliably determined are classified as available for sale and recognized at cost. The carrying value is tested for impairment annually and written down in the Statements of Income. When a reliable fair value is determinable, such investments are measured accordingly. Unrealized fair value adjustments are recognized directly in equity except for impairment losses and translation adjustments of foreign currency investments that are recognized in the Statements of Income. The accumulated fair value adjustment recognized in equity is transferred to the Statements of Income when realized.

Inventories

Inventories are measured at the lower of weighted average cost and net realizable value. The cost of merchandise covers purchase price and delivery costs.

Receivables

Receivables are measured at amortized cost. Write-downs for anticipated uncollectibles are based on individual assessments of major receivables and historically experienced write-down for anticipated losses on uniform groups of other receivables.

Contract work in process

Contract work in process is measured at the selling price of the work performed and recognized under receivables. The selling price is measured at cost of own labor, materials, etc., the share of indirect production costs and the addition of a share of the profit based on the stage of completion. The stage of completion is measured by comparing costs incurred to date with the estimated total costs for each contract.

Write-downs are made for anticipated losses on work in process based on assessments of estimated losses on the individual projects through to completion.

Payments on account are offset against the value of the individual contract to the extent that such billing does not exceed the amount capitalized. Received payments on account exceeding the amount capitalized are recognized as a liability under prepayments from customers.

Marketable securities

Marketable securities classified as held for trading are recognized under current assets and measured at fair value at the balance sheet date. All fair value adjustments (except principal repayments) are recognized in the Statements of Income.

Treasury shares

The cost of treasury shares is deducted from equity under retained earnings on the date of acquisition. Payments received in connection with the disposal of treasury shares and dividends are similarly recognized directly in equity.

Dividends

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

Currency translation reserve

Currency translation reserve comprises exchange rate differences arising from translation into Danish kroner of the functional currency of foreign enterprises' financial statements. Translation adjustments are recognized in the Statements of Income when the net investment is realized.

On the preparation of the Opening Balance Sheets at January 1, 2004, currency translation adjustments occurring before January 1, 2004 have not been recognized in the currency translation reserve in accordance with IFRS 1.

Pensions

The Group's pension plans include defined benefit plans and defined contribution plans.

The Group has an obligation to pay a specific benefit to defined benefit plans 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 and adjustment for unrecognized actuarial gains and losses is recognized 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 plans' assets are estimated at fair value at the balance sheet date.

Differences between the projected and realized developments in pension assets and pension obligations are referred to as actuarial gains and losses. In connection with the adoption of IFRS, accumulated actuarial gains and losses are fully recognized in the opening balance sheets at January 1, 2004. If the value of subsequent accumulated actuarial gains and losses at the beginning of a fiscal year exceeds 10% of the higher of the pension obligations' value and the fair value of the pension plans' assets, the excess amount is recognized in the Statements of Income in accordance with the corridor method over the projected average remaining service lives of the employees concerned. This calculation is performed separately for each pension plan. Actuarial gains and losses not exceeding the above-mentioned limits are not recognized in the Statements of Income or the Balance Sheets, but are disclosed in the notes.

Pension assets are recognized to the extent they represent future repayments from the pension plan or to the extent they offset unrecognized actuarial losses.

In case of changes in benefits relating to employees' previous service period, a change in the estimated present value of the pension obligations will occur, which will be recognized immediately if the employees have acquired a final right to the changed benefits. If not, the change is recognized over the period in which the employees become entitled to the changed benefit.

For the pension plan for former civil servants, the one-time payment in 1994 to the Danish government is recognized in the Statements of Income over the expected remaining service lives of the employees concerned.

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.

Current and deferred corporate income taxes

Tax for the year comprises current tax, changes in deferred tax and adjustments from prior years.

Current tax liabilities and current tax receivables are recognized in the Balance Sheets as tax payable or tax receivable.

Deferred tax is measured under the balance-sheet liability method on the basis of all temporary differences between the carrying values and the tax bases of assets and liabilities at the balance sheet date except for temporary differences arising from goodwill and other items where amortization for tax purposes is disallowed. Tax computed on expected dividends from joint ventures, associates and other investments is also recognized as deferred tax.

Deferred tax assets including the tax value of tax loss carryforwards are recognized at the value at which they are expected to be realized. Realization 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 unrealized intra-group profits and losses.

Deferred tax is measured on the basis of the tax rules and tax rates in the respective countries that will be effective under the legislation at the balance sheet date when the deferred tax is expected to be realized as current tax. Changes in deferred tax as a result of changes in tax rates are recognized in the Statements of Income except for the effect of items recognized directly in equity.

Provisions

Provisions are recognized when – as a consequence of an event occurring before or on the balance sheet date – the Group has a legal or constructive obligation, where it is probable that economic benefits must be sacrificed to settle the obligation, and the amount of the obligation can be estimated reliably.

Provisions for restructuring etc. are recognized 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 is commenced 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 recognized.

Provisions are measured at the Management's best estimate of the amount at which the liability is expected to be settled. If the costs required to settle the liability have a significant impact on the measurement of the liability, such costs are discounted.

Financial liabilities

Interest-bearing loans are recognized initially at the proceeds received net of transaction expenses incurred. In subsequent periods, loans are measured at amortized cost so that the difference between the proceeds and the nominal value is recognized in the Statements of Income over the term of the loan.

Other financial liabilities are measured at amortized cost.

Deferred income

Deferred income recognized as liabilities comprises payments received covering income in subsequent years measured at cost.

Assets held for sale

Assets held for sale comprise non-current assets and disposal groups. Disposal groups are groups of assets to be disposed of by sale or otherwise, together as a group in a single transaction. Liabilities associated with assets held for sale are liabilities directly associated with those assets that will be transferred in the transaction. Assets are classified as "assets held for sale" when their carrying value will be recovered principally through a sale transaction within twelve months under a formal plan rather than through continuing use.

Assets or disposal groups classified as held for sale are measured at the lower of carrying value at the time of the classification as held for sale and the fair value less costs to sell. No depreciation or amortization is charged on assets from the date they are classified as "assets held for sale".

Impairment losses arising on initial classification as "assets held for sale" and gains and losses on subsequent measurement at the lower of carrying value and fair value less costs to sell are recognized in the Statements of Income.

Disclosure of discontinued operations

Discontinued operations are recognized 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 is expected to be effected within twelve months in accordance with a single coordinated plan.

Income/loss after tax of discontinued operations is presented in a separate line in the Statements of Income with restated comparative figures. Revenue, costs and taxes relating to the discontinued operation are disclosed in the notes. Assets and accompanying liabilities are presented in separate lines in the Balance Sheets without restated comparative figures, and the principal items are specified in a note.

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

Statements of Cash Flow

Cash flow from operating activities is presented under the indirect method and is based on earnings before interest, taxes, depreciation and amortization adjusted for non-cash operating items, cash flow from special items for the year, changes in working capital, interest received and paid as well as income taxes paid.

Cash flow from investing activities comprises acquisition and divestment of enterprises, purchase and sale of intangible assets, property, plant and equipment as well as other non-current assets, and purchase and sale of securities that are not recognized as cash and cash equivalents. Cash flows from acquired enterprises are recognized from the time of acquisition, while cash flows from enterprises disposed of are recognized up to the time of disposal.

Cash flow from financing activities comprises changes in interest-bearing debt, purchase of treasury shares and dividends to shareholders.

Cash and cash equivalents cover cash and marketable securities with a remaining life not exceeding 3 months at the time of acquisition, and with an insignificant risk of changes in value.

Segment reporting

Segment information is disclosed in respect of activities and geographical markets. The segmentation is based on the segments' risk profile and the Group's internal financial reporting system.

Segment assets comprise assets directly attributable to the segments, including intangible assets and property, plant and equipment, inventories, as well as trade and other receivables.

Segment liabilities cover liabilities that result from the segments' operating activities, including pension liabilities, provisions, prepayments from customers, trade and other payables and deferred income.

United States Generally Accepted Accounting Principles (US GAAP)

A note contains a summary that has been prepared on the effect on income for the year and equity as if the Consolidated Financial Statements had been prepared in accordance with generally accepted accounting principles in the United States.

Note 2 Critical accounting estimates and judgments

The preparation of TDC's Annual Report requires Management to make assumptions that affect the reported amount of assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the fiscal period. Estimates and judgments used in the determination of reported results are continuously evaluated.

Estimates and judgments are based on historical experience and on various other factors that are believed to be reasonable in the circumstances. Actual results may differ from these estimates under different assumptions or conditions. Our Significant Accounting Policies are set out in note 1. The following estimates and judgments are considered important when portraying our financial position:

- Useful lives for intangible assets and property, plant and equipment are assigned based on periodic studies of actual useful lives and the intended use for those assets. Such studies are completed or updated when new events occur that have the potential to impact the determination of the useful life of the asset, such as when events or circumstances have occurred which indicate that the carrying value of the asset may not be recoverable and should therefore be tested for impairment. Any change in the estimated useful lives of these assets is recognized in the financial statements as soon as any such change is determined.

- Intangible assets, including goodwill and other rights, comprise a significant portion of our total assets. Impairment tests on these intangible assets are performed at least annually and, if necessary, when events or changes in circumstances indicate that their carrying value may not be recoverable. The measurement of intangibles is a complex process that requires significant Management judgment in determining various assumptions, such as cash-flow projections, discount rate and terminal growth rates. The sensitivity of the estimated measurement to these assumptions, combined or individually, can be significant. Furthermore, the use of different estimates or assumptions when determining the fair value of such assets may result in different values and could result in impairment charges in future periods. The assumptions for significant goodwill amounts are set out in note 15.

- Net periodic pension cost for defined benefit plans is estimated based on certain actuarial assumptions, the most significant of which relate to returns on plan assets, discount rate, wage inflation and demography (mortality, disability etc.). As shown in note 29, the assumed discount rate was reduced in 2006 to reflect changes in market conditions and the assumed rate of return on plan assets has been maintained unchanged in line with the unchanged mix of assets held by our pension funds. Our assumptions for 2007 reflect an increase in the discount rate from 4.30% to 4.85% and the assumed return on plan assets from 5.80% to 6.00%, and unchanged assumptions for inflation. We believe these assumptions illustrate current market conditions and expectations for market returns in the long term. With these changed assumptions, TDC's total pension costs excluding redundancy programs are expected to decrease by approximately DKK 3m in 2007 compared with 2006, assuming all other factors remain unchanged.

- Estimates of deferred income taxes and significant items giving rise to the deferred assets and liabilities are shown in note 12. These reflect the assessment of actual future taxes to be paid on items in the financial statements, giving consideration to both the timing and probability of these estimates. In addition, such estimates reflect expectations about the amount of future taxable income and, where applicable, tax planning strategies. Actual income taxes and income for the period could vary from these estimates as a result of changes in expectations about future taxable income, future changes in income tax law or results from the final review of our tax returns by tax authorities.

- The determination of the treatment of contingent assets and liabilities in the financial statements is based on the expected outcome of the applicable contingency. Legal counsel and other experts are consulted both within and outside the Company. An asset is recognized if the likelihood of a positive outcome is virtually certain. A liability is recognized if the likelihood of an adverse outcome is probable and the amount is estimable. If not, we disclose the matter. Resolution of such matters in future periods may result in realized gains or losses deviating from the amounts recognized.

- Revenue is recognized when realized or realizable and earned. Revenue from non-refundable up-front connection fees is deferred and recognized as income over the expected term of the related customer relationship. The term is estimated using historical customer churn rates. Change of Management estimates may have a significant impact on the amount and timing of our revenue for any period.

Note 3 New accounting standards

IASB and the EU have approved the following new accounting standards (IFRSs) and interpretations (IFRICs) that become effective for 2007 or later, and are judged relevant for TDC:

- IFRS 7 *Financial Instruments: Disclosures* and Amendments to IAS 1 *Presentations of Financial Statements: Capital Disclosures* are effective for fiscal years starting on January 1, 2007 or later. The implementation of the standard will have no impact on the recognition and measurement of financial instruments. TDC has decided to implement IFRS 7 in advance as of 2006.

- IFRIC 7 *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies* is effective for fiscal years starting on March 1, 2006 or later. TDC has no foreign entities in countries with hyperinflation.

- IFRIC 8 *Scope of IFRS 2* is effective for fiscal years starting May 1, 2007 or later. TDC recognizes all share-based payment schemes in accordance with IFRS 2 and expects IFRIC 8 to have no impact on the financial reporting.

- IFRIC 9 *Reassessment of Embedded Derivatives* is effective for fiscal years starting on June 1, 2006 or later. IFRIC 9 is expected to have no impact on the financial reporting.

IASB has published the following new accounting standards (IFRSs) and interpretations (IFRICs) that become effective for 2007 or later, and are judged relevant for TDC, but have not yet been approved by the EU:

- IFRS 8 *Operating Segments* becomes effective for fiscal years starting on January 1, 2009 or later. IFRS 8 will replace the current standard on segment reporting, IAS 14. IFRS 8 now requires operating segments to be identified on the basis of internal reports. TDC expects to pre-implement the standard as of the fiscal year starting January 1, 2007, and is currently investigating the implications of the standard.

- IFRIC 10 *Interim Financial Reporting and Impairment* is effective for fiscal years starting on or after November 1, 2006. IFRIC 10 prohibits reversal in interim and annual financial statements of recognition of an impairment loss in an interim report in respect of goodwill despite the fact that the circumstances resulting in the recognition of the impairment loss in the interim report no longer exist. The same applies to impairment losses in respect of investments and financial assets measured at cost. TDC's current accounting policies are in accordance with IFRIC 10, which will therefore have no impact on the financial reporting.

- IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions* will be effective for fiscal years starting on or after March 1, 2007. TDC's recognition of share-based payment schemes is in accordance with IFRIC 11, which will therefore have no impact on the financial reporting.

- IFRIC 12 *Service Concession Arrangements* will be effective for fiscal years starting on or after January 1, 2008. IFRIC 12 addresses how concession operators should present infrastructure and improvements thereof covered by a service concession arrangement in their financial statements. As TDC does not have and does not expect to enter into such concession arrangements, IFRIC 12 is expected to have no impact on the financial reporting.

Note 4 Segment reporting

Activities – primary segment

DKKm

	TDC Solutions			TDC Mobile International			TDC Switzerland		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
External revenue	20,672	20,491	17,416	14,964	14,304	13,304	9,234	9,574	9,681
Intra-group revenue[1]	1,157	1,140	1,174	1,632	1,735	1,801	18	8	11
Revenue	21,829	21,631	18,590	16,596	16,039	15,105	9,252	9,582	9,692
EBITDA[2]	6,994	6,648	5,872	3,084	2,809	2,677	2,559	2,584	2,457
EBIT[3] excluding special items	3,497	2,894	2,323	1,885	1,686	1,427	1,104	1,044	1,040
EBIT[3]	3,191	2,394	2,808	1,835	1,698	1,455	1,920	1,044	1,040
Write-downs[4]	(87)	(181)	(355)	(44)	(37)	(202)	(221)	(69)	(22)
Reversal of write-downs[4]	44	10	0	1	1	0	0	0	0
Income from associates and joint ventures	45	14	4	379	317	231	0	0	0
Segment assets[5]	23,771	23,701	22,834	9,637	9,251	9,234	32,108	33,396	33,318
Capital expenditures[6]	2,864	4,631	7,387	1,079	1,256	1,573	945	1,580	1,196
Investments in associates and joint ventures	79	61	53	1,513	2,010	1,205	0	0	0
Segment liabilities[5]	(7,942)	(7,738)	(7,702)	(2,224)	(2,377)	(2,282)	(2,674)	(3,295)	(3,282)
Cash flow from operating activities	5,553	4,333	5,275	2,136	1,953	2,301	2,458	2,187	2,176
Cash flow from investing activities	(2,797)	(2,746)	(5,871)	(243)	(939)	(1,032)	(1,019)	(1,446)	(1,263)
Cash flow from financing activities	(3,155)	(1,393)	750	(1,819)	(1,166)	(1,523)	(1,325)	(921)	(748)

Activities – primary segment

DKKm

	TDC Cable TV			Other[7]			TDC Group		
	2006	**2005**	**2004**	**2006**	**2005**	**2004**	**2006**	**2005**	**2004**
External revenue	2,447	2,096	1,748	112	123	190	47,429	46,588	42,339
Intra-group revenue[1]	11	11	18	(2,818)	(2,894)	(3,004)	-	-	-
Revenue	2,458	2,107	1,766	(2,706)	(2,771)	(2,814)	47,429	46,588	42,339
EBITDA[2]	617	470	351	401	492	639	13,655	13,003	11,996
EBIT[3] excluding special items	412	225	130	206	364	415	7,104	6,213	5,335
EBIT[3]	402	225	130	(563)	(116)	287	6,785	5,245	5,720
Write-downs[4]	(5)	(37)	0	0	11	10	(357)	(313)	(569)
Reversal of write-downs[4]	0	0	0	0	0	0	45	11	0
Income from associates and joint ventures	0	0	0	25	3	5,397	449	334	5,632
Segment assets/undistributed assets[5]	2,176	1,838	1,686	13,077	25,338	23,192	80,769	93,524	90,264
Capital expenditures[6]	509	266	267	198	161	259	5,595	7,894	10,682
Investments in associates and joint ventures	0	0	0	59	55	321	1,651	2,126	1,579
Segment liabilities[5]	(1,328)	(1,185)	(1,035)	(63,030)	(35,134)	(37,113)	(77,198)	(49,729)	(51,414)
Cash flow from operating activities	700	378	450	(706)	(160)	882	10,141	8,691	11,084
Cash flow from investing activities	(494)	(261)	(266)	3,564	4,166	11,321	(989)	(1,226)	2,889
Cash flow from financing activities	(244)	(85)	(185)	(9,217)	(664)	(10,867)	(15,760)	(4,229)	(12,573)

[1] Transactions between segments are carried out on an arm's length basis.
[2] Income before depreciation, amortization and special items.
[3] Operating income.
[4] Comprises write-downs of intangibles and property, plant and equipment, inventories and other receivables.
[5] See the definition under Significant Accounting Policies.
[6] Capital expenditures include additions of property, plant and equipment and intangible assets, including additions relating to business combinations.
[7] Including TDC A/S, TDC Services and eliminations.

TDC Mobile International, primary segmentation **DKKm**

	Domestic operations			European network operators		
	2006	2005	2004	2006	2005	2004
External revenue	7,745	7,154	6,504	1,323	1,122	926
Intra-group revenue[1]	(14)	(3)	(1)	14	3	1
Revenue	7,731	7,151	6,503	1,337	1,125	927
EBITDA[2]	2,317	2,205	2,035	229	188	191
EBIT[3] excluding special items	1,399	1,368	1,057	14	(2)	13
EBIT[3]	1,359	1,375	1,057	11	(2)	13
Write-downs[4]	(26)	(20)	(182)	(1)	(1)	(6)
Reversal of write-downs[4]	0	0	0	1	1	0
Income from associates and joint ventures	0	0	11	379	317	220
Segment assets[5]	7,005	6,651	5,810	1,348	1,151	1,811
Capital expenditures[6]	672	831	1,297	330	352	164
Investments in associates and joint ventures	1	0	0	1,512	2,010	1,205
Segment liabilities [5]	(1,388)	(1,346)	(1,267)	(220)	(197)	(144)
Cash flow from operating activities	1,615	1,279	1,659	140	228	207
Cash flow from investing activities	135	(517)	(748)	(306)	(389)	(174)
Cash flow from financing activities	(1,735)	(840)	(826)	223	110	3

	European service providers			Total		
	2006	2005	2004	2006	2005	2004
External revenue	7,528	7,763	7,675	16,596	16,039	15,105
Intra-group revenue[1]	–	–	–	–	–	–
Revenue	7,528	7,763	7,675	16,596	16,039	15,105
EBITDA[2]	538	416	451	3,084	2,809	2,677
EBIT[3] excluding special items	472	320	357	1,885	1,686	1,427
EBIT[3]	465	325	385	1,835	1,698	1,455
Write-downs[4]	(17)	(16)	(14)	(44)	(37)	(202)
Reversal of write-downs[4]	0	0	0	1	1	0
Income from associates and joint ventures	0	0	0	379	317	231
Segment assets[5]	1,284	1,449	1,613	9,637	9,251	9,234
Capital expenditures[6]	77	73	112	1,079	1,256	1,573
Investments in associates and joint ventures	0	0	0	1,513	2,010	1,205
Segment liabilities[5]	(616)	(834)	(871)	(2,224)	(2,377)	(2,282)
Cash flow from operating activities	381	446	435	2,136	1,953	2,301
Cash flow from investing activities	(72)	(33)	(110)	(243)	(939)	(1,032)
Cash flow from financing activities	(307)	(436)	(700)	(1,819)	(1,166)	(1,523)

[1] Transactions between segments are carried out on an arm's length basis.
[2] Income before depreciation, amortization and special items.
[3] Operating income.
[4] Comprises write-downs of intangible and property, plant and equipment, and inventories.
[5] See the definition under Significant Accounting Policies.
[6] Capital expenditures include additions of property, plant and equipment and intangible assets, including additions relating to business combinations.

Geographical markets – secondary segment DKKm

	Domestic operations			Switzerland		
	2006	2005	2004	2006	2005	2004
Revenue	24,578	23,739	22,516	9,252	9,582	9,692
Segment assets	38,350	50,094	46,916	32,108	33,396	33,318
Capital expenditures[1]	3,708	3,411	3,895	945	1,580	1,196

	Other international operations			TDC Group		
	2006	2005	2004	2006	2005	2004
Revenue	13,599	13,267	10,131	47,429	46,588	42,339
Segment assets	10,311	10,034	10,030	80,769	93,524	90,264
Capital expenditures[1]	942	2,903	5,591	5,595	7,894	10,682

[1] Capital expenditures include additions of property, plant and equipment and intangible assets, including additions relating to business combinations.

Note 5 Revenue DKKm

	2006	2005	2004
Sales of goods	5,109	4,319	3,867
Sales of services	42,320	42,269	38,472
Total	**47,429**	**46,588**	**42,339**

Note 6 Wages, salaries and pension costs

DKKm

	2006	2005	2004
Wages and salaries	(7,436)	(7,475)	(6,745)
Pensions	(417)	(419)	(399)
Share-based payment	(5)	(40)	(52)
Social security	(468)	(419)	(332)
Total	**(8,326)**	**(8,353)**	**(7,528)**
Of which capitalized as non-current assets	767	725	695
Total	**(7,559)**	**(7,628)**	**(6,833)**
Average number of full-time employee equivalents [1, 2]	19,580	20,059	19,130

[1] Denotes the average number of full-time employee equivalents including permanent employees, trainees and temporary employees. Employees in acquired enterprises are included as the average number of full-time employee equivalents from the time of acquisition until December 31. Employees in divested enterprises are included as the average number of full-time employee equivalents from January 1 to the time of disposal.

[2] The figure covers only continuing operations. Calculated including discontinued operations, the average number of full-time employee equivalents amounted to 19,580 in 2006, 20,930 in 2005, and 20,200 in 2004.

The average number of full-time employee equivalents covers approximately 125 persons employed by TDC who are entitled to pensions on conditions similar to those provided for Danish Civil Servants and have been outsourced to external parties in connection with tasks or disposal of operations.

Remuneration for the Board of Directors and Executive Committee

DKKm

	Board of Directors			Executive Committee		
	2006	2005	2004	2006	2005	2004
Wages and salaries	2	9	3	82	17	12
Pensions	0	0	0	2	2	2
Share-based payment	0	0	0	3	3	2
Total	**2**	**9**	**3**	**87**	**22**	**16**

Remuneration for the Board of Directors for 2005 as well as Remuneration for the Executive Committee for 2006 and 2005 includes special remuneration. The special remuneration for the Executive Committee for 2006 includes DKK 46m which have been paid as a consequence of the change-of-control clauses included in the Executive Committee members' service contracts prior to Nordic Telephone Company ApS' acquisition of TDC.

With effect from early January 2007, the Executive Committee comprises four members. The Executive Committee members' service contracts include notices of 6-12 months in the event of termination by the Company. However, one member cannot be given notice earlier than November 1, 2008 and two members cannot be given notice earlier than January 1, 2009. None of the Executive Committee members' service contracts contains change-of-control clauses.

Bonus program

Around 300 top managers participate in a bonus program called the Top Managers' Compensation Program, and around 2,200 managers and specialists participate in a bonus program called the Managers' Compensation Program.

The bonus program is based on specific, individual annual targets including personal, financial and operational targets. These targets depend on the organizational position within the Group and are weighted in accordance with specific rules. All targets must support improved profitability and business development at TDC.

Bonus payments are calculated as the individual employee's basic salary times the bonus percentage times the degree of target fulfillment. The bonus percentage achieved when targets are met is called the on-target bonus percentage. For the Top Managers' Compensation Program, this percentage is fixed in the contract of employment with the individual employee and usually varies within a range of 10-25%. The on-target bonus percentage is somewhat lower for the Managers' Compensation Program. In 2006, the bonus could be maximum 200% of the on-target bonus.

The bonus program for the members of the Executive Committee is based on the same principles as those for other managers.

Share-option program for certain employees in Danish enterprises

TDC has had a revolving share-option program for employees in TDC's Danish enterprises. The programs ceased when Nordic Telephone Company ApS acquired control of the Company, i.e. no options were granted for 2006. Instead, the employees received cash compensation replacing the share option program for 2006. From 2007, a long-term incentive program will be established. This program together with an expected revision of the short-term bonus program will serve as a permanent replacement for the share option program.

In connection with Nordic Telephone Company ApS' equity tender offer for acquiring the Company, TDC A/S gave share-option holders in Danish enterprises an opportunity to exercise their options and offered to buy certain existing share options. Furthermore, TDC A/S offered share-option holders employed in foreign subsidiaries cash settlement of existing share options.

TDC's revolving share-option program comprised about 200 managers employed in Denmark and stationed in TDC's foreign enterprises. After the Earnings Release for a given year was published, share options were granted to participants in accordance with contracts of employment. Each share option gave the holder the right to purchase one share. The number of options allocated was based on an agreed percentage of the employee's base salary and a calculated price per option (number of options = base salary times option percentage divided by price per option). The option percentage varied for the different employees within a range of 20-35%. In addition, share options were granted on an individual basis in special cases. The option price was calculated at the time of granting using the Black-Scholes formula. The share option exercise price was determined as TDC's share price on the Copenhagen Stock Exchange on the grant date.

One third of the options granted for a given year could be exercised one year after the granting, another third one year later, and the last third one year after that. Share options could, however, be exercised in the event of change of control of the Company. Share options that were not exercised within ten years of granting were canceled.

Share options were also granted to the members of the Executive Committee according to the above-mentioned principles.

Until 2003, the Chairman of the Board received 2,500 share options a year, and other Danish members of the Board received 500 share options annually.

Share-option program for employees in foreign subsidiaries

In November 2004, employees in 100% owned foreign subsidiaries were granted options that give the right to purchase 90 shares in TDC A/S at an exercise price of DKK 78 per share. For tax reasons, employees in the USA were offered options entitling them to purchase 113 shares in TDC A/S at an exercise price of DKK 108 per share. Each share option entitles the holder to purchase one share.

The share options could be exercised during a four-week period following the publication of the third Quarterly Report in 2009, or in the first window after October 1, 2009, provided the employee had been continuously employed in one of the 100% owned subsidiaries or in a company controlled by TDC A/S. The options could, however, be exercised in the event of a change of control of the company. 3,095 employees were granted 278,711 options with a total fair value of DKK 27m. The calculations of fair values were based on the Black-Scholes option pricing model.

Share options for certain employees in domestic enterprises

	Board of Directors (number)	Executive Committee (number)	Other management employees (number)	Total (number)	Average exercise price per option in DKK	Average fair value per option in DKK[1]	Total fair value in DKKm[1]
Outstanding at January 1, 2005	10,500	321,606	3,531,120	3,863,226	257	39	149.5
Share options issued in March 2005	0	20,957	822,261	843,218	258	47	39.8
Share options issued in September 2005	0	31,083	0	31,083	316	60	1.9
Exercised in 2005	0	(32,904)	(596,014)	(628,918)	184	84	(52.6)
Canceled in 2005	0	0	(4,417)	(4,417)	246	70	(0.3)
Disposals relating to disposals of subsidiaries	–	–	(82,579)	(82,579)	–	–	(10.0)
Value adjustment	–	–	–	–	–	–	375.6
Outstanding at December 31, 2005	**10,500**	**340,742**	**3,670,371**	**4,021,613**	**269**	**125**	**503.9**
Share options issued in 2006	0	0	0	0	–	–	–
Exercised in 2006	(8,500)	(192,238)	(3,124,287)	(3,325,025)	234	131	(435.1)
Cash settlement in 2006	(2,000)	(148,504)	(355,503)	(506,007)	466	43	(21.7)
Value adjustment	–	–	–	–	–	–	(27.4)
Outstanding at December 31, 2006	**0**	**0**	**190,581**	**190,581**	**345**	**103**	**19.7**
Options that may be exercised at December 31, 2006	**0**	**0**	**190,581**	**190,581**	**345**	**–**	**–**
Average remaining option lives at December 31, 2006 (years)	**–**	**–**	**3.6**	**3.6**	**–**	**–**	**–**
Average remaining option lives at December 31, 2005 (years)	6.1	5.7	7.0	6.9	–	–	–

[1] Calculations of fair values at issuance and at year-end were based on the Black-Scholes option-pricing model. The following assumptions were used for the calculation at year-end 2006: a dividend yield of 3.45%, a volatility of 17.5%, a risk-free interest rate of 3.9%-4.1% and expected remaining option lives of 0-6 years. The calculations were adjusted for interim dividend decided on April 5, 2006. The expected volatility is based on the historic volatility adjusted for the expected change hereof based on publicly available information.

Expenses in relation to the share-option program for employees in foreign subsidiaries amounted to DKK 27m in 2006 (including accelerated vesting) compared with DKK 5m in 2005. Expenses in relation to the Danish share-option program amounted to DKK 22m in 2006 (including accelerated vesting) compared with DKK 24m in 2005.

Share options for employees in foreign subsidiaries

	Number	Average exercise price per option in DKK	Average fair value per option in DKK[1]	Total fair value in DKKm[1]
Outstanding at January 1, 2005	278,711	78	113	31.4
Canceled in 2005	(22,630)	78	142	(3.2)
Disposals relating to disposals of subsidiaries	(33,750)	78	264	(8.9)
Value adjustment	–	–	–	39.2
Outstanding at December 31, 2005	222,331	78	263	58.5
Canceled in 2006	(2,700)	78	317	(0.9)
Exercised in 2006	(180)	78	317	0.0
Cash settlement in 2006	(219,451)	78	317	(69.5)
Value adjustment	–	–	–	11.9
Outstanding at December 31, 2006	**0**	**–**	**–**	**0.0**
Options that may be exercised at December 31, 2006	**0**	**–**	**–**	**–**
Average remaining option lives at December 31, 2006 (years)	**0**	**–**	**–**	**–**
Average remaining option lives at December 31, 2005 (years)	3.8	–	–	–

[1] Calculations of fair values at issuance and at year-end were based on the Black-Scholes option-pricing model. The following assumptions were used for the calculation at year-end 2005: a dividend per share of DKK 12.50, a volatility of 21%, a risk-free interest rate of 2.8% and expected remaining option lives of 4 years.

Number of share options

	At January 1, 2006	Issued during the year	Exercised during the year	Cash settlement during the year	At December 31, 2006	Fair value in DKKm
Present Board of Directors[1]						
Leif Hartmann, Steen Jacobsen and Bo Magnussen, each	2,000	0	(1,500)	(500)	0	–
Executive Committee						
Jens Alder	–	0	0	0	0	–
Henning Dyremose	227,279	0	(116,898)	(110,381)	0	–
Hans Munk Nielsen	113,463	0	(75,340)	(38,123)	0	–

[1] The other members of the Board of Directors hold no share options in TDC A/S.

The exercise prices of outstanding share options are specified as follows

	2006	2005
Share options (numbers)		
Exercise price in the interval DKK 150-200	12,606	815,133
Exercise price in the interval DKK 200-250	0	820,771
Exercise price in the interval DKK 250-300	84,487	1,690,165
Exercise price in the interval DKK 300-400	52,651	384,713
Exercise price in the interval DKK 400-500	15,107	120,108
Exercise price in the interval DKK 500-600	1,000	9,830
Exercise price in the interval DKK 600-700	24,730	180,893
Total	**190,581**	**4,021,613**

Number of shares in TDC A/S

	2006	2005
Present Board of Directors[1]		
Jan Bardino	161	161
Leif Hartmann	101	451
Steen Jacobsen	101	251
Bo Magnussen	101	101
Total	**464**	**964**
Present Executive Committee		
Jens Alder	0	-
Hans Munk Nielsen	101	251
Total	**101**	**251**

[1] The other members of the Board of Directors hold no shares in TDC A/S.

Note 7 Other income, expenses and government grants **DKKm**

	2006	2005	2004
Other income	383	272	240
Other expenses	(10)	(15)	(3)
Total	**373**	**257**	**237**
Government grants			
Government grants recognized during the year	3	0	1

Other income comprises mainly income from leases as well as profit relating to disposal of intangible assets and property, plant and equipment.

Note 8 Special items

DKKm

	2006	2005	2004
Profit on disposals of enterprises and property	147	0	943
Impairment losses and adjustment of goodwill	(123)	0	0
Income from ruling on landline interconnect rates in Switzerland	995	0	0
Restructuring costs, etc.	(1,338)	(968)	(558)
Special items before income taxes	**(319)**	**(968)**	**385**
Income taxes related to special items	269	151	356
Special items after income taxes	**(50)**	**(817)**	**741**

Note 9 Fair value adjustments

DKKm

	2006	2005	2004
Fair value adjustments of marketable securities	(16)	(65)	(19)
Other fair value adjustments	180	(119)	197
Fair value adjustments before tax	**164**	**(184)**	**178**
Income taxes related to fair value adjustments	(43)	47	(37)
Fair value adjustments after tax	**121**	**(137)**	**141**

Note 10 Financial income

DKKm

	2006	2005	2004
Interest income	1,899	2,331	2,515
Interest from associates and joint ventures	11	22	32
Currency translation adjustments, net	0	101	0
Total	**1,910**	**2,454**	**2,547**

Note 11 Financial expenses

DKKm

	2006	2005	2004
Interest expenses	(4,594)	(3,326)	(3,414)
Currency translation adjustments, net	(177)	0	(27)
Total	**(4,771)**	**(3,326)**	**(3,441)**

Note 12 Income taxes DKKm

	2006		
	Income taxes cf. the Statements of Income	Income tax payable/ (receivable)	Deferred tax liabilities /(assets)
At January 1	–	286	2,710
Currency translation adjustments, net	–	3	11
Income taxes	(1,106)	994	112
Adjustment of tax for previous years	12	(46)	34
Tax related to changes in equity	–	323	0
Tax paid/refunded relating to prior years	–	(448)	–
Tax paid on account relating to present year	–	(507)	–
Total	**(1,094)**	**605**	**2,867**
which can be specified as follows:			
Tax payable/deferred tax liabilities	–	617	3,401
Tax receivable/deferred tax assets	–	(12)	(534)
Total	**–**	**605**	**2,867**
Income taxes are specified as follows:			
Income excluding special items and fair value adjustments	(1,320)	–	–
Special items	269	–	–
Fair value adjustments	(43)	–	–
Total	**(1,094)**	**–**	**–**

DKKm

	Income taxes cf. the Statements of Income	Income tax payable/ (receivable)	Deferred tax liabilities /(assets)
			2005
At January 1	–	656	3,684
Transferred to discontinued operations	–	(130)	49
Currency translation adjustments, net	–	3	6
Additions and disposals relating to acquisition and disposal of enterprises	–	(9)	(27)
Income taxes	(1,212)	1,982	(770)
Adjustment of tax for previous years	186	46	(232)
Tax related to changes in equity	–	34	0
Tax paid/refunded relating to prior years	–	(847)	–
Tax paid on account relating to present year	–	(1,449)	–
Total	**(1,026)**	**286**	**2,710**
which can be specified as follows:			
Tax payable/deferred tax liabilities	–	295	3,494
Tax receivable/deferred tax assets	–	(9)	(784)
Total	**–**	**286**	**2,710**
Income taxes are specified as follows:			
Income excluding special items and fair value adjustments	(1,224)	–	–
Special items	151	–	–
Fair value adjustments	47	–	–
Total	**(1,026)**	**–**	**–**

Reconciliation of effective tax rate

	2006	2005	2004
Danish corporate income tax rate	28.0	28.0	30.0
Associates and joint ventures	(2.4)	(1.6)	(3.0)
Other non-taxable income and non-tax deductible expenses	2.2	0.9	0.5
Tax value of non-capitalized tax losses and utilized tax losses, net	(0.6)	1.0	0.5
Different tax rates in foreign subsidiaries	(0.7)	(0.9)	(2.0)
Adjustment of tax for previous years	(0.3)	(3.3)	0.7
Change of tax legislation, including change of corporate income tax rate	0.0	(4.3)	0.0
Taxation of dividend	2.7	1.1	0.4
Other	(0.7)	0.7	0.1
Effective tax rate excluding special items and fair value adjustments	**28.2**	**21.6**	**27.2**
Special items and fair value adjustments	(4.1)	1.1	(17.4)
Effective tax rate including special items and fair value adjustments	**24.1**	**22.7**	**9.8**

Specification of deferred tax liabilities DKKm

	2006			2005
	Deferred tax assets	Deferred tax liabilities	Total	
Allowances for uncollectibles	(1)	0	(1)	(2)
Provisions for redundancy payments	(91)	0	(91)	(92)
Current	**(92)**	**0**	**(92)**	**(94)**
Intangible assets	(9)	484	475	291
Property, plant and equipment	(335)	2,156	1,821	2,090
Pension assets and pension liabilities, etc.	0	1,719	1,719	1,645
Tax value of tax loss carry-forwards	(624)	0	(624)	(791)
Other	(489)	57	(432)	(431)
Non-current	**(1,457)**	**4,416**	**2,959**	**2,804**
Deferred tax liabilities at December 31	**(1,549)**	**4,416**	**2,867**	**2,710**

The Group's capitalized tax loss carry-forwards are expected to be utilized before the end of 2010.

Furthermore, the Group has tax losses to carry forward against future taxable income that have not been recognized in these Financial Statements due to uncertainty of their recoverability. At December 31, 2006, these tax losses amount to a tax value of DKK 377m, compared with DKK 466m at December 31, 2005.

No deferred taxes have been recognized on the basis of temporary differences related to investments in subsidiaries, joint ventures and associates due to the fact that the Group intends to keep the investments until they can be divested tax-free and that dividends are not expected to cause tax payments. At December 31, 2006, these non-recognized deferred taxes amounted to DKK 74m, compared with DKK 3m at December 31, 2005.

All of the Danish Group companies participate in joint taxation. Joint taxation with foreign Group companies ceased from January 1, 2005, due to the changed Danish tax legislation. For Group companies, which previously participated in the joint taxation, re-taxation of formerly deducted losses will be effected concurrently with profits in the respective companies and in connection with potential divestment of the companies. Provisions have been made for re-taxation liabilities related to formerly deducted losses.

With effect from February 1, 2006, TDC participates in joint taxation with Nordic Telephone Company Investment ApS, which is the management company. Subsequently, the jointly taxed companies in the Nordic Telephone Company Investment Group are liable only for the part of the income tax, taxes paid on account and outstanding residual tax (with additional payments and interest) that relate to the part of the income allocated to the companies. When the management company has received payment from the jointly taxed Group companies, the management company will assume liability for this payment.

The income tax effect from the Danish joint taxation for the years 2001-2003 is based on an estimated tax value of goodwill related to Talkline. Income taxes relating to special items for 2004 were impacted by a tax income of DKK 218m from an adjustment to the value of goodwill following a decision from the National Assessment Council in October 2004. TDC has appealed the decision. The outcome could result in additional income.

Note 13 Discontinued operations and assets held for sale

Discontinued operations

Discontinued operations	2006	2005	2004
DKKm			
Revenue	0	1,090	1,230
Total operating costs	0	(677)	(757)
Income taxes	0	(118)	(104)
Results from discontinued operations excluding gain from disposal	0	245	315
Gain relating to disposal of discontinued operations	0	3,708	0
Net income from discontinued operations	**0**	**3,953**	**315**

Discontinued operations comprise the former business line TDC Directories, which publishes printed, electronic and internet-based directories in Denmark, Sweden, and Finland.

Assets held for sale

Assets held for sale (DKKm)	2006	2005
Intangible assets and property, plant and equipment	5	123
Receivables	0	49
Prepaid expenses	0	3
Cash and cash equivalents	0	12
Total assets held for sale	**5**	**187**
Loans	0	7
Provisions	0	2
Deferred income	0	6
Trade and other payables	0	56
Total liabilities concerning assets held for sale	**0**	**71**

Assets held for sale and related liabilities in 2005 related to Contactel s.r.o. and assets in TDC Song, which were both included in the TDC Solutions segment. In 2006, assets of DKK 79m ceased to classify as held for sale as the assets were not sold within one year from the date of classification as held for sale, and the delay was not caused by events or circumstances that could extend this requirement. Consequently, the assets were reclassified to property, plant and equipment.

Note 14 Earnings per share

	2006	2005	2004
Net income (DKKm)	3,443	7,450	9,910
Minority interests' share of consolidated income (DKKm)	3	24	2
Shareholders' share of net income (DKKm)	**3,446**	**7,474**	**9,912**
Average number of shares	198,375,177	208,112,911	216,459,540
Average number of treasury shares	(367,572)	(12,933,204)	(11,825,833)
Average number of outstanding shares	**198,007,605**	**195,179,707**	**204,633,707**
Average dilutive effect of outstanding share options (number)	149,142	1,067,535	387,283
Average number of diluted outstanding shares	**198,156,747**	**196,247,242**	**205,020,990**
EPS (DKK)			
Earnings per share, basic	17.4	38.3	48.4
Earnings per share, diluted	17.4	38.1	48.3
Earnings per share from continuing operations, basic	17.4	18.0	46.9
Earnings per share from continuing operations, diluted	17.4	17.9	46.8
Earnings per share from discontinued operations, basic	-	20.3	1.5
Earnings per share from discontinued operations, diluted	-	20.2	1.5

Calculations of earnings per share from continuing operations were based on net income from continuing operations attributable to Company shareholders and amounted to DKK 3,446m in 2006 compared with DKK 3,521m in 2005 and DKK 9,597m in 2004.

Note 15 Intangible assets

DKKm

	2006			
	Goodwill	Rights, software, etc.	Software developed for internal use	Total
Accumulated cost at January 1, 2006	30,547	7,415	2,484	40,446
Currency translation adjustments	(738)	(57)	0	(795)
Additions during the year	0	465	679	1,144
Additions relating to the acquisition of subsidiaries	33	170	0	203
Assets disposed of or fully amortized during the year	0	(136)	(17)	(153)
Accumulated cost at December 31, 2006	**29,842**	**7,857**	**3,146**	**40,845**
Accumulated amortization and write-downs for impairment at January 1, 2006	(2,014)	(3,652)	(1,662)	(7,328)
Currency translation adjustments	41	48	3	92
Amortization for the year	0	(957)	(427)	(1,384)
Write-downs for impairment during the year	(125)	(20)	(37)	(182)
Assets disposed of or fully amortized during the year	0	133	17	150
Accumulated amortization and write-downs for impairment at December 31, 2006	**(2,098)**	**(4,448)**	**(2,106)**	**(8,652)**
Carrying value at December 31, 2006	**27,744**	**3,409**	**1,040**	**32,193**
Carrying value of capitalized interest at December 31, 2006	**–**	**159**	**12**	**171**

				DKKm
				2005
	Goodwill	**Rights, soft-ware, etc.**	**Software developed for internal use**	**Total**
Accumulated cost at January 1, 2005	31,731	6,413	2,419	40,563
Transferred to discontinued operations	(1,191)	(114)	3	(1,302)
Currency translation adjustments	(153)	(15)	0	(168)
Additions during the year	0	624	408	1,032
Additions relating to changed consolidation	157	0	0	157
Additions relating to the acquisition of subsidiaries	464	660	0	1,124
Disposals relating to the divestment of subsidiaries	(36)	(21)	0	(57)
Assets disposed of or fully amortized during the year	0	(33)	(346)	(379)
Transferred to assets held for sale	(425)	(99)	0	(524)
Accumulated cost at December 31, 2005	**30,547**	**7,415**	**2,484**	**40,446**
Accumulated amortization and write-downs for impairment at January 1, 2005	(2,535)	(2,919)	(1,614)	(7,068)
Transferred to discontinued operations	191	69	(2)	258
Currency translation adjustments	(30)	6	0	(24)
Amortization for the year	0	(1,078)	(325)	(1,403)
Write-downs for impairment during the year	0	(12)	(68)	(80)
Additions relating to changed consolidation	(73)	0	0	(73)
Disposals relating to the divestment of subsidiaries	8	16	0	24
Assets disposed of or fully amortized during the year	0	173	347	520
Transferred to assets held for sale	425	93	0	518
Accumulated amortization and write-downs for impairment at December 31, 2005	(2,014)	(3,652)	(1,662)	(7,328)
Carrying value at December 31, 2005	28,533	3,763	822	33,118
Carrying value of capitalized interest at December 31, 2005	-	176	10	186

The carrying value of software amounted to DKK 1,812m, compared with DKK 1,660m in 2005.

Interest capitalized during 2006 amounted to DKK 4m, compared with DKK 4m in 2005.

The carrying value of mortgaged intangible assets amounted to DKK 315m at December 31, 2006, compared with DKK 366m in 2005.

TDC acquired a UMTS license in 2001 in Denmark. The carrying value of the license amounted to DKK 870m in 2006, compared with DKK 929m in 2005. Amortization was initiated in 2005. The remaining amortization period totals 15 years.

Goodwill impairment tests

The carrying value of goodwill is tested for impairment annually at July 1, and if events or changes in circumstances indicate impairment.

The impairment test is an integrated part of the Group's budget and planning process, which, as the acquisition of enterprises, is based on ten-year business plans. The discount rates applied reflect specific risks relating to the individual cash-generating unit. The recoverable value is based on the value in use determined on expected cash flows based on ten-year business plans approved by Management.

Goodwill relates primarily to TDC's investments in TDC Switzerland and TDC Song. The assumptions for calculating the value in use for the most significant goodwill amounts are given below. Any reasonably possible changes in the key assumptions are deemed not to cause the carrying value of goodwill to exceed the recoverable value.

TDC Switzerland

The carrying value of goodwill relating to TDC Switzerland amounted to DKK 22,996m at December 31, 2006. The recoverable value is sensitive primarily to changes in the expected revenue growth. The projected revenue growth will stem mainly from an increased market share within mobile and fixed net (ULL) services, partly offset by falling prices. The growth rate applied to extrapolate projected future cash flows for the period following 2015 is 2.0%. The growth rate is not deemed to exceed the long-term average growth rate in TDC Switzerland's markets. A discount rate of 7.0% has been applied.

TDC Song

The carrying value of goodwill relating to TDC Song amounted to DKK 1,991m at December 31, 2006. The recoverable value is sensitive primarily to changes in the projected revenue growth. The projected revenue growth will stem primarily from residential and corporate internet solutions as well as mobile offerings. The growth rate applied to extrapolate projected future cash flows for the period following 2015 is 2.0%. The growth rate is not deemed to exceed the long-term average growth rate in TDC Song's markets. A discount rate of 9.8% has been applied.

Note 16 Property, plant and equipment

DKKm

	Land and buildings	Telecommu-nications installations	Other installations	Installation materials	Property, plant and equipment under construction	Total
						2006
Accumulated cost at January 1, 2006	3,273	64,842	5,933	358	1,002	75,408
Currency translation adjustments	2	(290)	(30)	0	(13)	(331)
Transfers (to)/from other items	10	1,714	114	(229)	(1,609)	0
Additions relating to the acquisition of subsidiaries	0	95	0	0	0	95
Work performed for own purposes and capitalized	0	1,326	0	0	10	1,336
Acquisitions from third parties	37	657	398	265	1,460	2,817
Assets disposed of during the year	(121)	(198)	(249)	(2)	(3)	(573)
Transfers (to)/from assets held for sale	(20)	85	0	0	0	65
Accumulated cost at December 31, 2006	**3,181**	**68,231**	**6,166**	**392**	**847**	**78,817**
Accumulated depreciation and write-downs for impairment at January 1, 2006	(2,237)	(42,765)	(4,179)	(173)	0	(49,354)
Currency translation adjustments	0	128	17	0	0	145
Transfers to/(from) other items	0	(10)	10	0	0	0
Depreciation for the year	(36)	(4,284)	(675)	0	0	(4,995)
Write-downs for impairment during the year	0	(115)	0	(17)	0	(132)
Assets disposed of during the year	61	180	225	0	0	466
Transfers to/(from) assets held for sale	15	(6)	0	0	0	9
Accumulated depreciation and write-downs for impairment at December 31, 2006	**(2,197)**	**(46,872)**	**(4,602)**	**(190)**	**0**	**(53,861)**
Carrying value at December 31, 2006	**984**	**21,359**	**1,564**	**202**	**847**	**24,956**
Carrying value of capital leases at December 31, 2006	**20**	**421**	**47**	**-**	**-**	**488**
Carrying value of capitalized interest at December 31, 2006	**0**	**101**	**7**	**-**	**0**	**108**

	DKKm					
	2005					
	Land and buildings	Telecommu-nications installations	Other installations	Installation materials	Property, plant and equipment under construction	Total
Accumulated cost at January 1, 2005	3,286	60,641	5,668	361	1,437	71,393
Transferred to discontinued operations	(23)	0	(99)	0	0	(122)
Currency translation adjustments	1	(44)	(4)	(1)	(1)	(49)
Transfers (to)/from other items	21	1,702	397	(291)	(1,829)	0
Additions relating to the acquisition of subsidiaries	55	902	52	0	53	1,062
Work performed for own purposes and capitalized	0	1,116	20	2	108	1,246
Acquisitions from third parties	12	1,101	439	321	1,464	3,337
Disposals relating to the divestment of subsidiaries	0	0	(41)	0	0	(41)
Assets disposed of during the year	(79)	(355)	(450)	(34)	(217)	(1,135)
Transferred to assets held for sale	0	(221)	(49)	0	(13)	(283)
Accumulated cost at December 31, 2005	3,273	64,842	5,933	358	1,002	75,408
Accumulated depreciation and write-downs for impairment at January 1, 2005	(2,264)	(38,657)	(4,060)	(147)	(13)	(45,141)
Transferred to discontinued operations	6	0	73	0	0	79
Currency translation adjustments	0	(16)	(2)	0	(1)	(19)
Transfers to/(from) other items	0	16	(21)	0	5	0
Depreciation for the year	(34)	(4,470)	(669)	0	0	(5,173)
Write-downs for impairment during the year	0	(147)	(2)	(38)	0	(187)
Disposals relating to the divestment of subsidiaries	0	0	35	0	0	35
Assets disposed of during the year	55	318	422	12	0	807
Transferred to assets held for sale	0	191	45	0	9	245
Accumulated depreciation and write-downs for impairment at December 31, 2005	**(2,237)**	**(42,765)**	**(4,179)**	**(173)**	**0**	**(49,354)**
Carrying value at December 31, 2005	**1,036**	**22,077**	**1,754**	**185**	**1,002**	**26,054**
Carrying value of capital leases at December 31, 2005	**22**	**676**	**50**	**-**	**-**	**748**
Carrying value of capitalized interest at December 31, 2005	**0**	**143**	**4**	**-**	**0**	**147**

Interest capitalized during 2006 amounted to DKK 8m compared with DKK 12m in 2005.

The TDC Group has recourse guarantee obligations of payment and performance in connection with lease contracts. Reference is made to note 31 Contingent assets and contingent liabilities.

The carrying value of mortgaged property, plant and equipment amounted to DKK 1,564m at December 31, 2006, compared with DKK 1,577m at December 31, 2005.

In 2006, damages received relating to property, plant and equipment of DKK 62m have been recognized as income compared with DKK 42m in 2005.

Note 17 Investments in associates and joint ventures

DKKm

	2006	2005
Accumulated cost at January 1	6,514	6,251
Currency translation adjustments	4	47
Additions during the year	4	3
Conversion of receivable	0	536
Disposals relating to increased ownership shares of enterprises	0	(283)
Disposals during the year	(37)	(40)
Accumulated cost at December 31	**6,485**	**6,514**
Accumulated write-ups and write-downs for impairment at January 1	(4,388)	(4,672)
Currency translation adjustments	(28)	47
Disposals relating to increased ownership shares of enterprises	0	21
Write-ups and write-downs for the year:		
• Share of income/loss	419	334
• Special items	10	0
• Dividends	(863)	(156)
Disposals during the year	16	38
Accumulated write-ups and write-downs for impairment at December 31	**(4,834)**	**(4,388)**
Carrying value at December 31	**1,651**	**2,126**
which can be specified as follows:		
Associates	138	116
Joint ventures	1,513	2,010
Total	**1,651**	**2,126**

The carrying value of associates and joint ventures included goodwill of DKK 60m at December 31, 2006, compared with DKK 62m at December 31, 2005.

Income from associates and joint ventures can be specified as follows:

	2006	2005	2004
Share of income/loss	419	334	566
Special items	10	0	5,066
Gain/loss relating to disposals	20	0	0
Income from associates and joint ventures	**449**	**334**	**5,632**

Associates

TDC has no significant associates.

Joint ventures

The TDC Group's significant investments in joint ventures are as follows:

- a 15% ownership share in One GmbH. The enterprise is the third-largest mobile network operator in Austria
- a 19.6% ownership share in Polkomtel S.A., a Polish mobile network operator with a market share of approximately a third of the mobile market in Poland

Financial summary for joint ventures (TDC's share) DKKm

	2006	2005
Revenue	3,484	3,095
Total operating expenses before depreciation, etc.	(2,280)	(2,052)
Total non-current assets	3,213	3,166
Total current assets	632	734
Total non-current liabilities	(922)	(1,064)
Total current liabilities	(1,411)	(877)

Contingent liabilities in the joint ventures amounted to DKK 17m at December 31, 2006, compared with DKK 21m at December 31, 2005.

Note 18 Receivables DKKm

	2006	2005
Trade receivables	8,883	8,756
Allowances for uncollectibles	(890)	(1,062)
Trade receivables, net	7,993	7,694
Receivables from associates and joint ventures	277	366
Contract work in process (see note 19 for details)	248	177
Other receivables	844	844
Total	**9,362**	**9,081**
Recognized as follows:		
Non-current assets	368	464
Current assets	8,994	8,617
Total	**9,362**	**9,081**
Allowances for uncollectibles at January 1	(1,062)	(1,409)
Transferred to discontinued operations	0	75
Additions	(235)	(294)
Deductions	407	559
Transferred to assets held for sale	0	7
Allowances for uncollectibles at December 31	**(890)**	**(1,062)**
Receivables past due but not impaired	**678**	**671**
Receivables past due and impaired	**1,887**	**1,867**

Of the receivables classified as current assets at December 31, 2006, DKK 77m falls due after more than one year, compared with DKK 85m at December 31, 2005.

Note 19 Contract work in process

DKKm	2006	2005
Value of contract work in process	397	297
Billing on account	(151)	(120)
Total	**246**	**177**
Recognized as follows:		
Contract work in process (assets)	248	177
Contract work in process (liabilities)	(2)	0
Total	**246**	**177**
Recognized as revenue from contract work in process	**827**	**667**
Prepayments from customers	**31**	**2**

Note 20 Prepaid expenses

DKKm	2006	2005
Prepayment regarding former civil servants	131	201
Prepaid lease payments	134	120
Other prepaid expenses	707	658
Total	**972**	**979**
Recognized as follows:		
Non-current assets	259	325
Current assets	713	654
Total	**972**	**979**

Note 21 Inventories

DKKm	2006	2005
Raw materials and supplies	58	65
Work in process	7	0
Finished goods and merchandise	592	585
Total	**657**	**650**

Inventories expensed amounted to DKK 4,571m in 2006, compared with DKK 4,362m in 2005.

Inventories expected to be sold after more than one year amounted to DKK 12m at December 31, 2006, compared with DKK 29m at December 31, 2005.

Write-downs on inventories amounted to DKK 41m in 2006, compared with DKK 71m in 2005. Reversal of write-downs on inventories amounted to DKK 38m in 2006, compared with DKK 11m in 2005.

Note 22 Equity

Common shares	Shares (number)	Nominal value (DKK)
Holding at January 1, 2005	216,459,540	1,082,297,700
Additions	0	0
Reduction of common shares by cancellation of treasury shares	(18,084,363)	(90,421,815)
Holding at January 1, 2006	198,375,177	991,875,885
Additions	0	0
Reductions	0	0
Holding at December 31, 2006	**198,375,177**	**991,875,885**

Treasury shares	Shares (number)	Nominal value (DKK)	% of common shares
Holding at January 1, 2005	21,582,145	107,910,725	9.97
Cancellation of treasury shares	(18,084,363)	(90,421,815)	(8.20)
Additions	820,379	4,101,895	0.41
Disposals	(656,506)	(3,282,530)	(0.33)
Holding at January 1, 2006	3,661,655	18,308,275	1.85
Additions	27,584	137,920	0.01
Disposals	(3,405,418)	(17,027,090)	(1.72)
Holding at December 31, 2006	**283,821**	**1,419,105**	**0.14**

Purchase of the Group's treasury shares is used primarily to hedge the Group's remaining commitments under the previous share-option program for the Board of Directors, the Executive Committee and other management employees.

Note 23 Loans DKKm

	2006	2005
Bonds, mortgages and other bank loans	58,015	29,489
Debt relating to capital leases	434	476
Other long-term debt	300	350
Total	**58,749**	**30,315**
Of which short-term loans	(1,975)	(5,425)
Long-term loans	**56,774**	**24,890**
Long-term loans fall due as follows:		
1 -3 years	8,407	2,430
3 -5 years	5,996	10,684
5 -7 years	6,319	11,776
7 -9 years	35,895	0
After 9 years	157	0
Total	**56,774**	**24,890**
Fair value	59,573	30,803
Nominal value	59,925	30,736

Allocation of liabilities relating to capital leases according to lease period DKKm

	Minimum payments		Present value	
	2006	2005	2006	2005
Mature within 1 year	74	78	49	49
Mature between 1 and 5 years	209	221	124	132
Mature after 5 years	306	387	261	295
Total	**589**	**686**	**434**	**476**

Liabilities relating to capital leases are related primarily to sale and leaseback agreements regarding sale of property to the related Danish pension funds and agreements regarding the renting of fiber networks.

Note 24 Deferred income

DKKm

	2006	2005
Accrued profit relating to sale and leaseback	77	101
Accrued revenue from non-refundable up-front connection fees	1,452	1,448
Deferred subscription revenue	1,382	1,418
Other deferred income	906	835
Total	**3,817**	**3,802**
Recognized as follows:		
Non-current liabilities	1,088	1,141
Current liabilities	2,729	2,661
Total	**3,817**	**3,802**

Note 25 Provisions

DKKm

	2006				2005
	Asset retirement obligations	Restructuring obligations	Other provisions	Total	
Provisions at January 1	500	485	725	1,710	1,628
Transferred to discontinued operations	0	0	0	0	(17)
Currency translation adjustments	(11)	0	4	(7)	(8)
Additions relating to the acquisition of subsidiaries	0	0	0	0	9
Provisions made during the year	15	413	495	923	722
Change in present value	(45)	0	15	(30)	72
Provisions used during the year	(8)	(358)	(414)	(780)	(631)
Unused provisions reversed during the year	0	(28)	(29)	(57)	(63)
Transferred to liabilities related to assets held for sale	0	0	0	0	(2)
Provisions at December 31	**451**	**512**	**796**	**1,759**	**1,710**
Recognized as follows:					
Non-current liabilities	450	347	377	1,174	1,274
Current liabilities	1	165	419	585	436
Total	**451**	**512**	**796**	**1,759**	**1,710**

Provisions for asset retirement obligations relate to the dismantlement 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 until after 2011.

Provisions for restructuring obligations relate primarily to redundancy programs. The majority of these obligations are expected to result in cash outflow in the period 2007-2011. The uncertainties relate primarily to the estimated amounts.

Other provisions are related mainly to pending lawsuits, bonuses for Management and employees, as well as jubilee benefits provided for employees.

Note 26 Trade and other payables

DKKm

	2006	2005
Trade payables	4,945	5,866
Payables to associates and joint ventures	3	3
Payables to group companies	60	0
Prepayments from customers	403	355
Other payables	2,973	2,986
Total	**8,384**	**9,210**

Of the current liabilities at December 31, 2006, DKK 24m falls due after more than one year at December 31, 2006, compared with DKK 11m at December 31, 2005.

Note 27 Research and development costs

Research and development costs for the year recognized in the Statements of Income amounted to DKK 11m in 2006, compared with DKK 23m in 2005 and DKK 28m in 2004.

Note 28 Financial instruments, etc.

TDC is exposed to financial market and credit risks when buying and selling goods and services in foreign denominated currencies as well as investing in and financing activities. Analyses of such risks are disclosed below. For further disclosures, see "Financial management and market risk disclosures" in "Risk management".

A: Foreign-currency exposures DKKm

Financial assets and liabilities in foreign currencies at December 31 are specified below:

		Financial assets and liabilities			2006	2005
Currency and year-end currency rate	**Maturities**	**Assets**	**Liabilities**	**Derivatives[1]**	**Net position**	**Net position**
EUR	< 1 year	1,558	(3,559)	2,608	607	11,710
	1-3 years	0	(8,196)	1,119	(7,077)	2,714
	3-5 years	0	(5,706)	104	(5,602)	(3,697)
	5-7 years	2	(5,384)	745	(4,637)	(9,800)
	7-9 years	0	(35,840)	0	(35,840)	0
	> 9 years	274	0	0	274	363
Total EUR		**1,834**	**(58,685)**	**4,576**	**(52,275)**	**1,290**
CHF	< 1 year	1,984	(1,447)	(2,303)[2]	(1,766)	(3,779)
	1-3 years	0	(38)	0	(38)	(37)
	3-5 years	0	(43)	0	(43)	(43)
	5-7 years	0	(49)	0	(49)	(251)
	7-9 years	0	(56)	0	(56)	0
	> 9 years	0	(115)	0	(115)	0
Total CHF		**1,984**	**(1,748)**	**(2,303)**	**(2,067)**	**(4,110)**
Other	< 1 year	2,045	(1,662)	74	457	319
	1-3 years	2	(158)	138	(18)	96
	3-5 years	0	0	0	0	(1)
	5-7 years	0	0	0	0	0
	7-9 years	0	0	0	0	0
	> 9 years	0	0	0	0	0
Total other		**2,047**	**(1,820)**	**212**	**439**	**414**
Foreign currencies total		**5,865**	**(62,253)**	**2,485**	**(53,903)**	**(2,406)**
DKK	< 1 year	6,473	(3,678)	(250)	2,545	(1,901)
	1-3 years	6	(15)	(1,420)	(1,429)	(4,013)
	3-5 years	0	(247)	0	(247)	(6,982)
	5-7 years	0	(886)	(743)	(1,629)	(792)
	7-9 years	0	0	0	0	(886)
	> 9 years	91	(41)	0	50	50
Total DKK		**6,570**	**(4,867)**	**(2,413)**	**(710)**	**(14,524)**
Total		**12,435**	**(67,120)**	**72**	**(54,613)**	**(16,930)**

[1] The financial instruments used are currency swaps and forward-exchange contracts. The statement excludes derivatives applied to hedge net investments disclosed in the table below.
[2] DKK 2,072m of these cover hedging of an intra-group loan issued by TDC A/S to TDC Switzerland.

Hedging of net investments in foreign enterprises

DKKm

Foreign-currency hedging of net investments in foreign subsidiaries, joint ventures and associates:

	2006				2005			
	Net investments, carrying value	Hedged	Not hedged	Currency translation adjustments for the year	Net investments, carrying value	Hedged	Not hedged	Currency translation adjustments for the year
CHF	27,710	(27,375)	(335)	(12)	26,986	(26,908)	(78)	(7)
SEK	10,822		(10,822)	304	8,965	0	(8,965)	(247)
EUR	4,048		(4,048)	(4)	3,357	0	(3,357)	10
PLN	1,445		(1,445)	(25)	1,948	0	(1,948)	98
Other	532		(532)	(20)	553	0	(553)	(30)
Total at December 31	**44,557**	**(27,375)**	**(17,182)**	**243**	**41,809**	**(26,908)**	**(14,901)**	**(176)**

Net investments in foreign subsidiaries, joint ventures and associates are hedged for foreign currency risks only for TDC Switzerland. Net investments in foreign enterprises include goodwill.

B: Net financials

DKKm

2006

Income	Interest income	Currency translation adjustments	Fair value adjustments	Total
Financial assets and liabilities at fair value through profit or loss	1,679	60	179	1,918
Loans and receivables	229	7	0	236
Available-for-sale financial assets	2	0	0	2
Total	**1,910**	**67**	**179**	**2,156**

Expenses	Interest expense	Currency translation adjustments	Fair value adjustments	Total
Financial assets and liabilities at fair value through profit or loss	(1,330)	(178)	(15)	(1,523)
Loans and receivables	(69)	(103)	0	(172)
Financial liabilities	(3,195)	37	0	(3,158)
Total	**(4,594)**	**(244)**	**(15)**	**(4,853)**
Net financials	**(2,684)**	**(177)**	**164**	**(2,697)**

2005

Income	Interest income	Currency translation adjustments	Fair value adjustments	Total
Financial assets and liabilities at fair value through profit or loss	2,103	115	0	2,218
Loans and receivables	248	129	0	377
Available-for-sale financial assets	2	0	10	12
Total	**2,353**	**244**	**10**	**2,607**

Expenses	Interest expense	Currency translation adjustments	Fair value adjustments	Total
Financial assets and liabilities at fair value through profit or loss	(1,447)	0	(194)	(1,641)
Loans and receivables	(4)	(36)	0	(40)
Financial liabilities	(1,875)	(107)	0	(1,982)
Total	**(3,326)**	**(143)**	**(194)**	**(3,663)**
Net financials	**(973)**	**101**	**(184)**	**(1,056)**

				2004
	Interest income	**Currency translation adjustments**	**Fair value adjustments**	**Total**
Income				
Financial assets and liabilities at fair value through profit or loss	2,134	0	183	2,317
Loans and receivables	413	31	1	445
Available-for-sale financial assets	0	0	11	11
Total	**2,547**	**31**	**195**	**2,773**

	Interest expense	**Currency translation adjustments**	**Fair value adjustments**	**Total**
Expenses				
Financial assets and liabilities at fair value through profit or loss	(1,572)	(82)	(17)	(1,671)
Loans and receivables	(28)	0	0	(28)
Financial liabilities	(1,814)	24	0	(1,790)
Total	**(3,414)**	**(58)**	**(17)**	**(3,489)**
Net financials	**(867)**	**(27)**	**178**	**(716)**

Currency translation adjustments and fair value adjustments are recognized on a net basis. Currency translation adjustments are classified as either Financial income or Financial expenses in the Consolidated Statements of Income. See also note 9-11.

C: Liquidity risk DKKm

The maturity analysis of financial assets and liabilities is disclosed by category and class and is allocated according to maturity period. All interest payments and repayments of financial assets and liabilities are based on contractual agreements. Interest payments on floating rate instruments were determined using the zero-coupon rate.

All carrying values were derived from the balance sheet and other notes.

	Maturity profiles (DKKm)[1]								2006
	< 1 year	1–3 years	3–5 years	5–7 years	7–9 years	> 9 years	Total	Fair value	Carrying value
Financial assets and liabilities at fair value through profit or loss [2]									
Derivatives, assets	684	294	36	3	0	0	1,017	381	381
Derivatives, liabilities	(53)	(200)	0	0	0	0	(253)	(232)	(232)
Marketable securities	0	0	0	0	0	0	0	0	0
Loans and receivables									
Cash	3,455	0	0	0	0	0	3,455	3,455	3,455
Trade receivables	7,993	0	0	0	0	0	7,993	7,993	7,993
Other receivables	612	8	0	2	0	364	986	883	986
Available-for-sale financial assets	7	0	0	0	0	0	7	7	7
Financial liabilities measured at amortized cost									
Bank loans	(4,054)	(9,890)	(13,119)	(5,126)	(38,715)	0	(70,904)	(48,461)	(47,594)
Bonds	(606)	(5,292)	(775)	(6,683)	0	0	(13,356)	(10,375)	(10,421)
Debt relating to capital leases	(72)	(120)	(98)	(100)	(98)	(117)	(605)	(434)	(434)
Trade and other payables	(8,466)	(175)	(156)	0	0	0	(8,797)	(8,674)	(8,671)
Total	**(500)**	**(15,375)**	**(14,112)**	**(11,904)**	**(38,813)**	**247**	**(80,457)**	**(55,457)**	**(54,530)**

[1] All cash flows are undiscounted.
[2] Derivatives included in the category "financial assets and liabilities at fair value through profit or loss" do not include the portion of the gain or loss recognized on equity from instruments used for hedging of net investments in foreign enterprises.

	Maturity profiles (DKKm)[1]								2005
	< 1 year	1-3 years	3-5 years	5-7 years	7-9 years	> 9 years	Total	Fair value	Carrying value
Financial assets and liabilities at fair value through profit or loss[2]									
Derivatives, assets	1,013	402	64	1	0	0	1,480	766	766
Derivatives, liabilities	(189)	(63)	(90)	0	0	0	(342)	(500)	(500)
Marketable securities	2,567	1,173	0	0	0	0	3,740	3,687	3,687
Loans and receivables									
Cash	10,063	0	0	0	0	0	10,063	10,063	10,063
Trade receivables	7,694	0	0	0	0	0	7,694	7,694	7,694
Other receivables	606	0	0	0	0	458	1,064	1,064	1,064
Available-for-sale financial assets	9	0	0	0	0	0	9	9	9
Financial liabilities measured at amortized cost									
Bank loans	(69)	0	0	0	0	0	(69)	(69)	(69)
Bonds	(6,604)	(4,644)	(12,240)	(11,554)	(896)	0	(35,938)	(29,912)	(29,420)
Debt relating to capital leases	(51)	(122)	(100)	(265)	(5)	(54)	(597)	(476)	(476)
Trade and other payables	(9,304)	(183)	(163)	(75)	0	0	(9,725)	(9,555)	(9,559)
Total	**5,735**	**(3,437)**	**(12,529)**	**(11,893)**	**(901)**	**404**	**(22,621)**	**(17,326)**	**(16,741)**

[1] All cash flows are undiscounted.
[2] Derivatives included in the category "financial assets and liabilities at fair value through profit or loss" do not include the portion of the gain or loss recognized on equity from instruments used for hedging of net investments in foreign enterprises.

D: Undrawn credit lines

The undrawn credit lines at December 31, 2006 are specified as follows:

			DKKm
Maturities	**Committed credit lines**	**Committed syndicated credit lines**	**Total**
< 1 year	0	0	0
> 1 year	2,610	2,312	4,922
Total	**2,610**	**2,312**	**4,922**

E: Credit risks

Financial instruments are entered only with counterparties holding the credit rating of A-/A-3/A- or higher from Standard & Poor's, Moody's Investor Service or Fitch Ratings. Each counterparty credit line is determined by the counterparty's credit rating and is of a size that spreads the credit risks of the TDC Group's total credit lines over several counterparties. The counterparty risk is therefore considered to be minimal.

Note 29 Pension assets and pension obligations

A: Domestic defined benefit plans

At December 31, 2006, 3,522 of the TDC Group's employees were entitled to a pension from the three pension funds related to TDC under conditions similar to those provided by the Danish Civil Servants' Pension Plan. In addition, 7,974 members of the pension funds receive or are entitled to receive pension benefits. Since 1990, no new members have joined the pension fund plans, and the pension funds are prevented from admitting new members in the future due to the bylaws.

The pension funds operate defined benefit plans and, in accordance with existing legislation, bylaws and the pension regulations, TDC is required to make contributions to meet the premium reserve requirements. Future pension benefits are based primarily on years of credited service and on participants' compensation at the time of retirement.

DKKm

Specification of (pension costs)/income	**2006**	**2005**	**2004**
Service cost[1]	(254)	(230)	(181)
Interest cost[2]	(808)	(736)	(740)
Expected return on plan assets	1,297	1,210	1,240
Recognized net actuarial (gain)/loss	0	0	0
Net periodic (pension cost)/income recognized in pension cost	**235**	**244**	**319**
Domestic redundancy programs recognized in special items	(210)	(230)	(432)
(Pension cost)/income recognized in the Statements of Income	**25**	**14**	**(113)**

[1] The actuarial present value of benefits attributed to services rendered by employees during the year.
[2] Reflects the interest component of the increase in the projected benefit obligations during the year.

DKKm

Assets and obligations	2006	2005
Specification of pension assets		
Fair value of plan assets	22,445	22,694
Projected benefit obligations	(18,214)	(19,222)
Funded status	**4,231**	**3,472**
Unrecognized net actuarial (gain)/loss	1,773	2,173
Pension assets recognized in the Balance Sheets	**6,004**	**5,645**
Change in present value of benefit obligations		
Projected benefit obligations at January 1	(19,222)	(16,707)
Service cost	(254)	(230)
Interest cost	(808)	(736)
Curtailment in connection with redundancies	0	0
Special termination benefit	(210)	(230)
Actuarial gain/(loss)	1,382	(2,162)
Benefit paid	898	843
Projected benefit obligations at December 31	**(18,214)**	**(19,222)**
Change in fair value of plan assets		
Fair value of plan assets at January 1	22,694	21,165
Actual return on plan assets	315	2,175
TDC's contribution	334	197
Benefit paid	(898)	(843)
Fair value of plan assets at December 31	**22,445**	**22,694**

Plan assets include property used by TDC companies with a fair value of DKK 2,040m at December 31, 2006, compared with DKK 1,993m at December 31, 2005.

Weighted-average asset allocation by asset categories at December %

	2006	2005
Equity securities	20	18
Debt securities	62	62
Real estate	15	15
Other	3	5
Total	**100**	**100**

Weighted-average assumptions used to determine benefit obligations %

	2006	2005
Discount rate	4.85	4.30
General wage inflation	2.25	2.25
General price inflation	2.25	2.25

Weighted-average assumptions used to determine net periodic pension cost %

	2006	2005	2004
Discount rate	4.30	4.50	4.80
Expected return on plan assets	5.80	5.80	6.10
General wage inflation	2.25	2.25	2.25
General price inflation	2.25	2.25	2.25

The basis for determining the overall expected rate of return is the pension funds' long-term strategic asset allocation of approximately 30% as equity securities, 45% as debt securities, 15% as real estate and 10% as other assets. The overall expected rate of return is based on the average long-term yields on the plan assets invested or to be invested.

In 2006, the assumed discount rate has been reduced to reflect changes in market conditions. The assumptions for 2007 reflect an increase of the discount rate to 4.85% and an expected return on plan assets of 6.00% as well as unchanged assumptions with respect to general inflation. The changed assumptions have resulted in decreased pension benefit obligations at year-end 2006 compared with 2005. With these changed assumptions, TDC's total pension costs excluding redundancy programs are expected to decrease approximately DKK 3m in 2007 compared with 2006, assuming all other factors remain unchanged.

The average remaining service periods of active plan participants expected to receive benefits were estimated to be 10.8 years at December 31, 2006, compared with 13.2 years at December 31, 2005.

Cash flows

TDC's current contributions were DKK 136m in 2006, against DKK 143m in 2005 and DKK 65m in 2004. Furthermore, extraordinary contributions were DKK 198m following a reduced work force in 2006 and 2005, compared with DKK 54m in 2005 and DKK 470m in 2004. For 2007, the projected current contributions amount to DKK 128m. As in 2006, extraordinary contributions are expected to be paid in connection with retirements.

Amendments in the executive order of the Supervision Act of Company Pensions Funds effective from January 1, 2007, may require payment of contributions from TDC to the pension funds to meet the premium reserve requirements. The amendments are requiring TDC's pension funds to apply a higher wage inflation than expected by the pension funds. The pension funds have applied for exemption in accordance with the amended regulation.

Other information

Approximately 600 members of the defined benefit plans will ultimately have part of their pension payment reimbursed by the Danish government. The related benefit obligations, approximately DKK 492m, have been deducted, arriving at the projected benefit obligation.

TDC A/S has assumed all pension obligations for the members of the three Danish pension funds. Accordingly, the net periodic pension cost/income and the plan assets for the three Danish pension funds are related to TDC A/S. Subsidiaries employing the members pay contributions to TDC A/S, which are included in the pension costs of the respective subsidiary.

B: Foreign defined benefit plans

Pension costs for members of foreign Group enterprises operating defined benefit plans are determined on the basis of the development in the actuarially determined pension obligations and on the yield on the pension funds' assets. The difference between the actuarially determined pension obligations and the fair value of the pension funds' assets is recognized in the Balance Sheets under pension provisions, etc.

TDC's foreign defined benefit plans concern primarily TDC Switzerland.

C: Pensions for former Danish civil servants

In addition to the defined benefit plans, the Group has paid annual pension contributions to the Danish government. The pension contributions were paid for employees who have retained their rights as civil servants to defined pension benefits from the Danish government due to previous employment agreements.

In 1994, the Group reached an agreement with the Danish government to make a one-time payment of DKK 1,210m, of which DKK 108m was considered interest compensation for the period July 1, 1994, to August 1, 1995. This agreement was in respect of the Group's pension obligation to employees who participated in the Danish civil servants' pension plan. Under the agreement, the Group's pension contributions to the Danish Government ceased at July 1, 1994. The agreed non-recurring payment is treated as a prepaid expense, which will be amortized and expensed over the average expected remaining service lives of the active employees concerned.

In connection with the reduction in the number of employees in 2006 and previous years, some retired employees have retained their rights to civil servant pensions from the Danish government. It is deemed that the retirements will not cause further payments on the part of the Company.

Note 30 Other financial commitments and lease receivables

DKKm

	2006	2005
Lease commitments for all operating leases		
Rental expense relating to properties and mobile sites in the period of interminability	3,716	3,894
Accumulated lease commitments for machinery, equipment, computers, etc.	861	712
Total	**4,577**	**4,606**
which can be specified as follows:		
Not later than 1 year	947	812
Later than 1 year and not later than 5 years	2,172	2,048
Later than 5 years	1,458	1,746
Total	**4,577**	**4,606**
Total rental expense for the year for all operating leases		
Minimum lease payments	1,155	1,064
Contingent lease payments	1	2
Sublease payments	(18)	(17)
Total	**1,138**	**1,049**
Capital and purchase commitments		
Investments in property, plant and equipment	29	7
Investments in intangible assets	44	74
Commitments related to outsourcing agreements	910	746
Other purchase commitments	356	360

Operating leases, for which TDC is the lessee, are related primarily to agreements on fiber networks, sea cables and agreements on property leases and mobile sites, including agreements with the related Danish pension funds. The lease agreements terminate in 2023 at the latest.

Total future minimum sublease payments expected for interminable subleases on balance sheet dates amounted to DKK 80m at December 31, 2006, compared with DKK 35m at December 31, 2005.

DKKm

Lease receivables	**2006**	**2005**
Total lease receivables in the period of interminability	17	42
which can be specified as follows:		
Not later than 1 year	16	32
Later than 1 year and not later than 5 years	1	10
Later than 5 years	0	0
Total	**17**	**42**

Operating leases, for which the TDC Group is the lessor, are related primarily to agreements on telecommunications installations.

Note 31 Contingent assets, contingent liabilities and guarantees

Contingent assets

The TDC Group is awaiting the outcome of certain cases brought against other telecommunications companies. A potential favorable outcome for TDC of one or more of these cases could result in substantial income.

Contingent liabilities

The 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 the TDC Group's financial position.

In connection with capital sale and leaseback agreements, the Group has provided guarantees covering intermediary leasing companies' payment of the total lease commitments. The Group has made legally releasing non-recurring payments to the intermediary leasing companies of an amount corresponding to the total lease commitments. At December 31, 2006, the guarantees amounted to DKK 2,713m, compared with DKK 3,291m at December 31, 2005. The guarantees provided by the TDC Group are economically defeased by means of payment instruments issued by creditworthy obligors unrelated to the TDC Group that secure or otherwise provide for payment of the regular lease payments and purchase-option prices due from the intermediary leasing companies. These instruments are lodged as security for payment of the regular lease payments by the intermediary leasing companies.

In accordance with 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 April 1, 1970 who are members of the related Danish pension funds.

Guarantees

The Group has provided the usual guarantees in favor of suppliers and partners. These guarantees amounted to DKK 361m at December 31, 2006, compared with DKK 284m at December 31, 2005.

Note 32 Related parties

Name of related party	Nature of relationship	Domicile
Angel Lux Common S.a.r.l.	Indirect ownership	Luxembourg
Nordic Telephone Management Holding ApS	Group company	Copenhagen, Denmark
Nordic Telephone Company Investment ApS	Indirect ownership	Copenhagen, Denmark
Nordic Telephone Company Administration ApS	Indirect ownership	Copenhagen, Denmark
Nordic Telephone Company Finance ApS	Indirect ownership	Copenhagen, Denmark
Nordic Telephone Company Holding ApS	Indirect ownership	Copenhagen, Denmark
Nordic Telephone Company ApS	Ownership	Copenhagen, Denmark
KTAS Pensionskasse	Pension fund	Copenhagen, Denmark
Jydsk Telefons Pensionskasse	Pension fund	Århus, Denmark
Fyns Telefons Pensionskasse	Pension fund	Odense, Denmark

Danish Group companies have entered into certain lease contracts with the related Danish pension funds. The lease contracts are interminable until 2020 at the latest. The aggregate amount payable under such agreements amounted to DKK 793m at December 31, 2006, compared with DKK 957m at December 31, 2005. The rental expense was DKK 128m for 2006, compared with DKK 122m in 2005. In addition, annual contributions are paid to the pension funds, see note 29 Pension obligations.

Remuneration for the Board of Directors and the Executive Committee is described in note 6.

The Group has the following transactions and balances with related parties:

2006 **DKKm**

	Joint ventures	Associates	Other related parties	Total
Revenue	12	4	14	30
Costs	0	(6)	(70)	(76)
Receivables	275	2	69	346
Debt	(3)	0	0	(3)

2005 **DKKm**

	Joint ventures	Associates	Other related parties	Total
Revenue	29	12	18	59
Costs	(4)	(12)	(62)	(78)
Receivables	365	1	79	445
Debt	(2)	(1)	(7)	(10)

Note 33 Overview of Group companies at December 31, 2006

Company name	Domicile	Currency	TDC Group ownership share (%)	Number of subsidiaries, joint ventures and associates not listed here[1]
TDC Solutions				
TDC Solutions A/S	Copenhagen, Denmark	DKK	100.0	8
TDC Hosting A/S	Århus, Denmark	DKK	100.0	
TDC Dotcom AB	Stockholm, Sweden	SEK	100.0	
Operators Clearing House A/S[2]	Glostrup, Denmark	DKK	33.3	
Service Hosting A/S	Ballerup, Denmark	DKK	100.0	
TDC Call Center Europe A/S	Sønderborg, Denmark	DKK	100.0	
TDC Carrier Services USA, Inc.	New Jersey, USA	USD	100.0	
TDC Produktion A/S	Glostrup, Denmark	DKK	100.0	
TDC Switzerland AG[3]	Zürich, Switzerland	CHF		
Telecom Invest A/S	Copenhagen, Denmark	DKK	100.0	2
TDC Song AS	Oslo, Norway	NOK	100.0	7
TDC Con SQOV AB	Stockholm, Sweden	SEK	100.0	
• TDC Song Holding AB	Stockholm, Sweden		100.0	3
- TDC Song Danmark A/S	Ballerup, Denmark		100.0	1
- TDC Song Group Oy	Helsinki, Finland		100.0	6
- TDC Song AB	Stockholm, Sweden		100.0	3
NetDesign A/S	Farum, Denmark	DKK	100.0	
Hungarian Telephone and Cable Corp.[4]	Seattle, USA	USD	63.3	10
TDC Business Solution GmbH	Elmshorn, Germany	EUR	100.0	
TDC Mobile International				
TDC Mobile International A/S	Copenhagen, Denmark	DKK	100.0	5
TDC Mobil A/S	Taastrup, Denmark	DKK	100.0	4
• TDC Mobil Center A/S	Odense, Denmark		100.0	
UAB Bite Lietuva	Vilnius, Lithuania	EUR	100.0	1
• SIA BITE Latvija	Riga, Latvia		100.0	
One GmbH[2]	Vienna, Austria	EUR	15.0	
Polkomtel S.A.[2]	Warsaw, Poland	PLN	19.6	
Talkline Management und Finance Holding GmbH	Elmshorn, Germany	EUR	100.0	2
• callmobile GmbH & Co. KG	Hamburg, Germany		100.0	
• callmobile Verwaltungs GmbH	Hamburg, Germany		100.0	
Tele Danmark Consult A/S	Taastrup, Denmark	DKK	100.0	
Telmore International Holding A/S	Taastrup, Denmark	DKK	88.9	
• Shimmerbright Ltd.	Stevenage, UK		100.0	
• TIH NL BV	Amsterdam, the Netherlands		100.0	
Telmore A/S	Taastrup, Denmark	DKK	100.0	

Company name	Domicile	Currency	TDC Group ownership share (%)	Number of subsidiaries, joint ven-tures and associates not listed here[1]
TDC Cable TV				
TDC Cable TV A/S	Copenhagen, Denmark	DKK	100.0	1
Dansk Kabel TV A/S	Taastrup, Denmark	DKK	100.0	
Connect Partner A/S	Herlev, Denmark	DKK	100.0	
Aktieselskabet af 9. november 2006	Copenhagen, Denmark	DKK	100.0	
TDC Switzerland				
TDC Switzerland AG[3]	Zürich, Switzerland	CHF	100.0	6
• sunrise business communications AG	Zürich, Switzerland		100.0	
TDC Services				
TDC Services A/S	Copenhagen, Denmark	DKK	100.0	
TDC Reinsurance A/S	Copenhagen, Denmark	DKK	100.0	
Tele Danmark Reinsurance S.A.	Luxembourg	DKK	100.0	
Other				12
TDC ADSB Invest ApS	Copenhagen, Denmark	DKK	100.0	
• ADSB Telecommunications B.V.[2]	Amsterdam, the Netherlands		34.7	

[1] In order to give the reader a clear presentation, some minor enterprises are not listed separately in the overview.
[2] The enterprise is included under the equity method.
[3] TDC Solutions A/S owns 17.4% of TDC Switzerland AG.
[4] The enterprise is owned by TDC A/S, but is included in the TDC Solutions segment.

Note 34 Reconciliation to United States Generally Accepted Accounting Principles (US GAAP)

The Consolidated Financial Statements of TDC have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Furthermore, the Consolidated Financial Statements of TDC have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by IASB.

IFRS differ in certain respects from generally accepted accounting principles in the United States (US GAAP). A description of the significant differences between IFRS and US GAAP as they relate to TDC are discussed in further detail below.

a) Pensions

Under IFRS, pension assets, pension liabilities and expenses related to defined benefit plans are determined in a similar manner to US GAAP.

Under IFRS, actuarial gains and losses arising from differences between expected and actual changes in the fair value of assets and liabilities in the Group's pension plans are recognized in the income statement only when they fall outside the "corridor" of the higher of 10% of plan assets or liabilities. Furthermore, prior service cost and transition obligations are generally recognized immediately. In accordance with IFRS 1, unrecognized actuarial gains and losses, unrecognized transition obligations and unrecognized prior service costs as of January 1, 2004 are recognized in equity.

Under US GAAP, up to December 31, 2006 actuarial gains and losses were determined in a similar manner to IFRS using the corridor-approach. Furthermore, unrecognized transition obligation arising in connection with the implementation of FAS 87 and unrecognized prior service cost were recognized in the income statement by amortization over the average expected remaining service lives of the employees concerned. However, the adoption of SFAS 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" as of December 31, 2006, requires as a component of other comprehensive income, net of tax, the immediate recognition in equity of actuarial gains and losses, prior service costs and transition obligations.

b) Formation of the Group

In accordance with IFRS, certain items of property, plant and equipment acquired upon the formation of the Group were restated at fair value, whereas goodwill and rights were capitalized. The capitalized excess values are amortized over the useful lives of the assets. Under US GAAP, the transfer of assets between parties under joint control was accounted for using the pooling-of-interests method. Accordingly, restatement of property, plant and equipment to fair value and any capitalization of goodwill and rights related to the formation of the Group were eliminated in the Consolidated Financial Statements.

c) Reversal of capitalization of site costs

In accordance with IFRS, site pre-acquisition costs are expensed only in cases where no permission is obtained for a certain site. Under US GAAP, all site pre-acquisition costs are expensed as incurred until Management receives the appropriate permission from official authorities to begin construction of the site.

d) Development costs

In accordance with IFRS, development costs are recognized as intangible assets if the cost can be calculated reliably and is expected to generate future economic benefits. Development costs are amortized over a period of three to five years. Under US GAAP, development costs are expensed as incurred, except for computer software developed for internal use.

e) Depreciation in year of acquisition or construction

According to TDC Group accounting policies until year-end 1992, a full year's depreciation was charged on non-current assets in the year of acquisition or construction of the asset. Under US GAAP, such depreciation commences from the time of acquisition or from the date of the asset's entry into service.

f) Revenue recognition

In accordance with IFRS, elements in revenue arrangements with multiple deliverables are recognized as separate units of accounting, independent of any contingent element related to the delivery of additional items or other performance conditions. Under US GAAP, multiple element contracts as from June 15, 2003 are recorded in accordance with EITF No. 00-21 "Accounting for Revenue Arrangements with Multiple Deliverables" under which the amount allocable to a delivered item is limited to the amount that is not contingent upon the delivery of additional items or meeting other performance conditions.

g) Asset retirement obligations

In accordance with IFRS, the effect of a change in the fair value of an asset retirement obligation is capitalized and depreciated over the remaining useful life of the underlying asset. Under US GAAP, such asset retirement obligations are accounted for in accordance with Statement of Financial Accounting Standards no. 143, "Accounting for Asset Retirement Obligations" (SFAS 143). Accordingly, the accumulated accretion and depreciation expense to December 31, 2002 is recognized in the financial statements as a cumulative catch-up adjustment.

Furthermore, IFRS (IFRIC Interpretation No. 1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities") does not treat changes in the estimate of undiscounted cash flows and discount rates in the same way as SFAS 143.

h) Jubilee obligations

In accordance with IFRS and US GAAP, jubilee benefits provided for employees are recognized in the year in which the associated services are rendered by the employees. The liability with respect to jubilee benefits was calculated for the first time in 2004 in connection with the implementation of IFRS, thereby bringing IFRS and US GAAP in compliance.

i) Gain related to sale of shares

In accordance with IFRS, a gain arising from sale of shares is recognized when the inflow of economic benefits can be measured reliably. Under US GAAP, a gain should not be recognized until the final price is established.

j) Operating sale and leaseback transactions

In accordance with IFRS, any profit or loss shall be recognized immediately if a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value. In accordance with US GAAP, any profit or loss on the sale shall be deferred and amortized in proportion to the related gross rental charged to expense over the lease term.

k) Gain on divestment of enterprises

Gain on divestment of enterprises includes the accumulated effect of differences between IFRS and US GAAP relating to divested enterprises at the time of divestment.

l) Other

Other consists of some minor differences between IFRS and US GAAP that are immaterial on both an individual and aggregate basis, and are therefore not separately disclosed.

m) Deferred tax

This reconciliation item includes all tax effects due to the above-mentioned reconciliation items.

n) Capital sale and leaseback agreements

In accordance with IFRS, non-recurring payments that have been made to legally release future lease payments are offset against the lease commitments in the balance sheets. Under US GAAP, in certain circumstances the non-recurring payments and the corresponding lease commitments must be shown as assets and as liabilities in the balance sheet.

o) Minority interests on acquisition

In accordance with IFRS, in connection with the acquisition of a less than 100% owned subsidiary, any minority interests should be stated at the minorities' proportion of the net fair value of acquired assets, liabilities and contingent liabilities assumed. In accordance with US GAAP, fair values are assigned only to the parent company's shares of the net assets acquired, and the minority interests are valued at historical cost. This difference between IFRS and US GAAP has been adjusted in the footnote below showing balance sheet items from the Consolidated Balance Sheets adjusted in accordance with US GAAP. The difference in accounting approach has no impact on the reconciliation of net income and equity attributable to Company shareholders.

p) Share-based payment

In accordance with IFRS, the value of services received from employees in exchange for incentives is recognized in the Statements of Income over the vesting period and is measured at the fair value at the grant date of the share options. Under US

GAAP, as of in 2005, TDC has applied the modified retrospective application method in Statement of Financial Accounting Standards no. 123 (revised 2004) "Share-Based Payments" (SFAS 123), thereby bringing IFRS and US GAAP in compliance. Accordingly, compensation costs and the related tax effect are recognized in the financial statements as though they had been accounted for under SFAS 123(R). The impact on net income under US GAAP in 2004 amounts to DKK 52m.

The effect on net income and equity is stated below as if the Financial Statements had been prepared in accordance with US GAAP:

DKKm

	Net income attributable to company shareholders			Equity attributable to company shareholders	
	2006	**2005**	**2004**	**2006**	**2005**
As reported in accordance with IFRS	3,446	7,474	9,912	3,289	43,520
a) Pensions	(412)	(420)	(281)	(2,076)	829
b) Reversal of depreciation of any write-up to fair value of property, plant and equipment arising on formation of the Group:					
Additions during the year/accumulated cost	–	–	–	(1,211)	(1,211)
Depreciation for the year/accumulated depreciation	2	5	25	1,211	1,209
c) Reversal of capitalization of site pre-acquisition costs	(52)	(25)	23	(156)	(109)
d) Reversal of capitalization of development costs	2	8	2	(4)	(6)
e) Depreciation in year of acquisition or construction	(3)	(2)	(2)	37	40
f) Revenue recognition	3	(2)	7	0	(3)
g) Asset retirement obligations	(12)	33	3	(46)	(34)
h) Jubilee obligations	0	0	(111)	0	0
i) Reversal of gain related to sale of shares	0	0	218	0	0
j) Operating sale and leaseback transactions	(67)	0	0	(67)	0
k) Difference in gain related to divestment of enterprises	0	0	(28)	–	–
l) Other	5	9	26	(43)	(50)
m) Deferred tax, US GAAP adjustments	121	149	128	588	(212)
Net income/equity in accordance with US GAAP	**3,033**	**7,229**	**9,922**	**1,522**	**43,973**
Net income from continuing operations as reported under IFRS	3,443	3,497	9,595		
Minority interests' share of income from continuing operations	3	24	2		
US GAAP adjustments, net	(413)	(245)	13		
Net income from continuing operations under US GAAP	**3,033**	**3,276**	**9,610**		
Net income from discontinued operations under IFRS	0	3,953	315		
US GAAP adjustments, net	0	0	(3)		
Net income from discontinued operations under US GAAP	**0**	**3,953**	**312**		

Earnings per share in accordance with US GAAP (DKK)	**2006**	**2005**	**2004**
Earnings per share, basic	15.32	37.04	48.49
Earnings per share, diluted	15.31	36.83	48.39
Earnings per share from continuing operations in accordance with US GAAP, basic	15.32	16.79	46.96
Earnings per share from continuing operations in accordance with US GAAP, diluted	15.31	16.69	46.87
Earnings per share from discontinued operations in accordance with US GAAP, basic	0.00	20.25	1.53
Earnings per share from discontinued operations in accordance with US GAAP, diluted	0.00	20.14	1.52

Balance sheet items DKKm

	Balance sheet items according to IFRS at December 31		Approximate amounts as adjusted to US GAAP at December 31	
	2006	**2005**	**2006**	**2005**
Intangible assets	32,193	33,118	32,087	33,010
Property, plant and equipment	24,956	26,054	24,772	25,924
Minority passive investments	7	9	5	6
Pension assets	6,004	5,645	4,229	6,552
Receivables	9,362	9,081	12,075	12,372
Prepaid expenses	972	979	972	995
Minority interests	282	275	208	201
Deferred tax, net:				
• current	(92)	(94)	(92)	(95)
• non-current	2,959	2,804	2,365	3,011
Pension obligations	239	332	540	410
Long-term loans	56,774	24,890	59,487	28,181
Deferred income	3,817	3,802	3,884	3,821
Trade and other current payables	8,384	9,210	8,384	9,210
Equity attributable to Company shareholders	3,289	43,520	1,522	43,973

Note 35 Auditors' remuneration DKKm

	2006	**2005**	**2004**
The remuneration of auditors elected by the Annual General Meeting:			
PricewaterhouseCoopers	48	69	37
Other auditors	7	6	9
Total	**55**	**75**	**46**
Hereof fees in respect of non-audit services:			
PricewaterhouseCoopers	21	48	24
Other auditors	0	1	2
Total	**21**	**49**	**26**

Note 36 Net interest-bearing debt

DKKm

	2006	2005
Interest-bearing receivables	78	107
Marketable securities	0	3,687
Cash	3,455	10,063
Long-term loans	(56,774)	(24,890)
Short-term loans	(1,975)	(5,425)
Other interest-bearing debt	(5)	(17)
Total	**(55,221)**	**(16,475)**

Note 37 Reversal of items without cash flow effect

DKKm

	2006	2005	2004
Pension income	(258)	(247)	(438)
(Gain)/loss on disposal of property, plant and equipment	(126)	(52)	(36)
Other adjustments	6	214	278
Total	**(378)**	**(85)**	**(196)**

Note 38 Change in working capital

DKKm

	2006	2005	2004
Change in inventories	(8)	(89)	142
Change in receivables	(124)	(214)	1,297
Change in trade payables	(119)	(80)	(198)
Change in other items, net	303	(268)	(188)
Total	**52**	**(651)**	**1,053**

Note 39 Investment in enterprises

2006

In 2006, TDC made the following acquisitions:

At November 6, 2006 Talkline Management und Finance Holding GmbH increased its ownership share in callmobile GmbH & Co. KG and callmobile Verwaltungs GmbH from 80% to 100%.

At November 15, 2006 TDC Cable TV A/S acquired Esbjerg Municipality's Cable-TV and Internet assets and activities, a TV and internet service provider.

Assets and liabilities at the time of acquisition[1] **DKKm**

	2006	
	Fair value at the time of acquisition	Carrying value before acquisition
Intangible assets	170	0
Property, plant and equipment	95	95
Receivables	1	1
Pension liabilities	25	0
Short-term debt	(1)	(1)
Net assets	**290**	**95**
Minority interests	(4)	
Acquired net assets	**286**	
Goodwill	33	
Acquisition cost	**319**	
Unpaid share of acquisition cost	40	
Net cash flow on acquisition	**359**	

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

Since the acquisition in 2006, the acquired enterprises have contributed DKK 10m to revenue and DKK 0m to net income.

TDC Group revenue and net income calculated as if the enterprises had been acquired at January 1, 2006 amounted to DKK 88m and DKK 2m, respectively.

Goodwill related to acquisitions was calculated at DKK 33m on recognition of identifiable assets, liabilities and contingent liabilities at fair value. Goodwill represents the value of current employees and know-how as well as expected synergies arising from the combination with the TDC Group.

2005

In 2005, TDC made the following acquisitions:

At April 1 2005, TDC increased its ownership share in Hungarian Telephone and Cable Corp. and thereby gained control of the company. The ownership share was 63.4% at December 31, 2005. In February 2005, HTCC changed its profile significantly when it acquired Pantel, an infrastructure company. Pantel has a nationwide fiber-optic network with direct links to the neighboring countries Rumania, Bulgaria, Croatia, Slovenia, Austria, Slovakia, Ukraine and Serbia. The acquisition means HTCC can become a traffic link for the transmission of telephony and data traffic in the region.

At July 1 2005, TDC Solutions A/S acquired the Swedish systems integrator Dotcom Solutions AB, which offers complete communications platforms for voice, data, video and network services for Swedish business customers.

At July 1 2005, TDC Switzerland acquired the assets of Ascom's business communications solutions unit, which is a major systems integrator in Switzerland and a provider of LAN infrastructure.

At July 1, 2005 TDC Cable TV A/S acquired Telelet A/S, which provides specific solutions for antenna associations with miscellaneous types of cables for TV, broadband and telephony.

Assets and liabilities at the time of acquisition		**DKKm**
		2005
	Fair value at the time of acquisition	**Carrying value before acquisition**
Intangible assets	660	143
Property, plant and equipment	1,062	1,394
Other property, plant and equipment	3	3
Inventories	31	32
Receivables	610	601
Deferred tax assets/(liabilities), net	27	31
Marketable securities	17	17
Cash and cash equivalents	295	295
Pension liabilities	(92)	0
Provisions	(9)	(18)
Long-term debt	(1,103)	(1,100)
Corporate income tax receivable/(payable), net	7	7
Short-term debt	(681)	(680)
Net assets	**827**	**725**
Minority interests	(264)	
Previous investments recognized under associates	(262)	
Acquired net assets	**301**	
Goodwill	464	
Goodwill, changed consolidation method	84	
Acquisition cost	**849**	
Cash in acquired subsidiaries	(295)	
Unpaid share of acquisition cost	(40)	
Net cash flow on acquisition	**514**	

Since the acquisition in 2005, the acquired enterprises have contributed DKK 1,469m to revenue and DKK 58m to net income.

TDC Group revenue and net income calculated as if the enterprises had been acquired at January 1, 2005 amounted to DKK 2,325m and DKK 117m, respectively.

Goodwill related to acquisitions was calculated at DKK 548m on recognition of identifiable assets, liabilities and contingent liabilities at fair value. Goodwill represents the value of current employees and know-how as well as expected synergies arising from the combination with the TDC Group.

2004

In 2004, TDC made the following acquisitions:

At January 27, 2004, TDC Mobile International acquired the remaining 80% of the shares in Telmore A/S, a Danish mobile service provider.

At May 12, 2004, TDC Cable TV acquired the installations company Connect Partner A/S, which specializes in overall solutions within data and telecommunications networks.

At the beginning of November 2004, TDC Solutions acquired the Swedish company Song Networks AB, which subsequently changed its name to TDC Song. TDC Song is a pan-Nordic network operator, operating primarily on the business market.

At December 1, 2004, TDC Solutions acquired NetDesign A/S, a leading Danish provider of IP/LAN infrastructure for business customers.

Assets and liabilities at the time of acquisition		**DKKm**
TDC Song	**Fair value at the time of acquisition**	**Carrying value before acquisition**
Intangible assets	274	27
Property, plant and equipment	1,968	1,283
Other property, plant and equipment	40	40
Receivables	388	393
Prepaid expenses	142	142
Deferred tax assets/(liabilities), net	277	80
Cash and cash equivalents	283	283
Provisions	(446)	(289)
Long-term debt	(15)	(15)
Deferred income	(40)	0
Short-term debt	(686)	(701)
Net assets	**2,185**	**1,243**
Minority interests	(13)	
Acquired net assets	**2,172**	
Goodwill	2,393	
Acquisition cost	**4,565**	
Cash in acquired subsidiaries	(283)	
Net cash flow on acquisition	**4,282**	

Other acquisitions		
Intangible assets	530	2
Property, plant and equipment	66	66
Other property, plant and equipment	1	1
Inventories	46	46
Receivables	87	107
Prepaid expenses	2	1
Deferred tax assets/(liabilities), net	(154)	0
Cash and cash equivalents	189	189
Long-term debt	(3)	(3)
Corporate income tax receivable/(payable), net	(1)	(1)
Short-term debt	(306)	(323)
Net assets	**457**	**85**
Previous investments recognized under associates	(92)	
Acquired net assets	**365**	
Goodwill	239	
Goodwill, changed consolidation method	64	
Acquisition cost	**668**	
Cash in acquired subsidiaries	(189)	
Net cash flow on acquisition	**479**	

Since the acquisition in 2004, the acquired subsidiaries contributed revenues of DKK 1,030m and net income of DKK (50)m.

If the acquisition had been completed on January 1, 2004, revenue for the year would have been DKK 3,098m and net income for the year would have been DKK 33m.

After recognition of net identifiable assets, liabilities and contingent liabilities at fair value, goodwill arising on the acquisition amounted to DKK 2,696m. Goodwill represents the value of the current employees, know-how and the anticipated future operating synergies from the combination.

Note 40 Divestment of enterprises

DKKm

TDC divested Contactel s.r.o. in 2006, Talkline ID. In 2005 and Dan Net A/S in 2004

	2006	2005	2004
The carrying value of assets and liabilities consists of the following at the time of divestment:			
Intangible assets	0	33	133
Property, plant and equipment	0	6	47
Other non-current assets	0	0	34
Receivables	0	207	138
Cash and cash equivalents	0	9	34
Assets held for sale[1]	115	0	0
Deferred tax assets/(liabilities), net	0	0	(2)
Provisions	0	0	(5)
Corporate income tax receivable/(payable), net	0	(2)	(69)
Short-term debt	(45)	(199)	(67)
Liabilities concerning assets held for sale[1]	(79)	0	0
Net assets	**(9)**	**54**	**243**
Gain/(loss) on disposal of subsidiaries	77	(12)	943
Received prepayments relating to divestment of subsidiaries	(17)	15	0
Cash in divested subsidiaries	0	(9)	(34)
Net cash flow on divestment	**51**	**48**	**1,152**

[1] Assets and liabilities presented in note 13 Assets held for sale 2005 are primarily Contactel s.r.o. and the balance at the time of divestment are unchanged compared with December 31, 2006. DKK 79m of the balance of intangible assets and property, plant and equipment 2005 is not related to Contactel s.r.o.

Note 41 Cash flow from investing activities in discontinued operations DKKm

	2006	2005	2004
The carrying value of assets and liabilities in discontinued operations consists of the following at the time of divestment:			
Intangible assets	–	1,040	–
Property, plant and equipment	–	52	–
Inventories	–	8	–
Receivables	–	387	–
Cash and cash equivalents	–	80	–
Deferred tax assets/(liabilities), net	–	10	–
Provisions	–	(17)	–
Long-term debt	–	(45)	
Corporate income tax receivable/(payable), net	–	(7)	–
Short-term debt	–	(383)	–
Net assets	**–**	**1,125**	**–**
Profit relating to divestment of discontinued operations	0	3,708	–
Hereof reversal of currency adjustments recognized in equity	0	27	–
Sales proceeds not received and sales costs not paid, net	3	(2)	–
Cash in discontinued operations	0	(80)	–
Net cash flow on divestment	**3**	**4,778**	**–**
Cash flow from investing activities in discontinued operations excluding divestments	0	(43)	(26)
Net cash flow from investing activities in discontinued operations	**3**	**4,735**	**(26)**

Note 42 Cash and cash equivalents DKKm

	2006	2005	2004
Cash and cash equivalents at January 1	10,063	6,838	5,430
Cash and cash equivalents transferred relating to changed consolidation method	0	0	8
Cash and cash equivalents transferred to assets held for sale	0	(12)	0
Unrealized currency translation adjustments	0	1	0
Adjusted cash and cash equivalents at January 1	**10,063**	**6,827**	**5,438**

The carrying value of pledged cash and cash equivalents amounted to DKK 2,963m at December 31, 2006, compared with DKK 0m at December 31, 2005.

Note 43 Events after the balance sheet date

Changes in TDC's top Management

By mutual agreement with TDC, Kim Frimer resigned from his positions as member of the executive committee of TDC and CEO of TDC Solutions on January 9, 2007. For an interim period of time, President and CEO of TDC, Jens Alder, is serving as the CEO of TDC Solutions in addition to his current positions. As part of the management change in TDC Solutions, the organizational structure of TDC Solutions has been simplified.

Acquisition of Invitel by TDC's Hungarian subsidiary HTCC

On January 9, 2007, TDC announced that its controlled subsidiary HTCC had signed a Share Purchase Agreement to acquire Invitel Távközlési Szolgáltató Zrt (Invitel) for a total consideration of EUR 470m (USD 611m) including the assumption of debt on closing. Invitel is the second-largest landline telecommunications service provider in Hungary. The transaction is subject to customary closing conditions, including Hungarian and Romanian competition regulatory approvals.

The consideration will be financed solely by HTCC. In connection with the transaction, TDC has confirmed its willingness to exercise its 25 warrants to purchase in total 2.5m shares of HTCC's common shares for an aggregate exercise price of USD 25m, which will be paid by TDC delivering to HTCC certain loan notes issued by HTCC and held by TDC with an aggregate principal amount equal to USD 25m.

At the end of 2006 TDC held 63.3% of the common shares of HTCC (65.8% on a fully diluted basis). TDC will hold approx. 62% of the fully diluted capital stock of HTCC subsequent to the closing of the transaction. TDC expects the acquisition to have a positive impact on TDC's EBITDA for 2007 and onwards.

Divestment of TDC's Baltic subsidiary Bité

On January 19, 2007, TDC announced that a final agreement had been signed regarding the divestment of its 100 percent-owned Baltic mobile operator Bité Lietuva to the Central and Eastern European private equity fund Mid Europa Partners for a total cash consideration of EUR 0.45bn. TDC's gain from the sale of its shares was tax-free and estimated to be approximately DKK 1.2bn, which will be included in the 2007 Statement of Income under special items. The transaction was closed in February 2007.

Parent Company Statements of Income DKKm

	Note	2006	2005	2004
Income	2	**3,266**	**11,425**	**4,512**
Other external expenses		(481)	(429)	(252)
Wages, salaries and pension costs	3	(329)	(290)	(247)
Total operating expenses before depreciation, etc.		**(810)**	**(719)**	**(499)**
Income before depreciation, amortization and special items		**2,456**	**10,706**	**4,013**
Depreciation, amortization and impairment losses		(22)	(26)	(25)
Special items	4	(734)	(411)	(115)
Operating income		**1,700**	**10,269**	**3,873**
Fair value adjustments	5	144	(192)	165
Financial income	6	2,267	2,378	2,692
Financial expenses	7	(4,615)	(3,253)	(3,671)
Net financials		**(2,204)**	**(1,067)**	**(814)**
Income before income taxes		**(504)**	**9,202**	**3,059**
Income taxes	8	707	23	49
Net income from continuing operations		**203**	**9,225**	**3,108**
Net income from discontinued operations	9	0	4,601	90
Net income		**203**	**13,826**	**3,198**

Assets			DKKm
	Note	2006	2005
Non-current assets			
Intangible assets	10	52	50
Property, plant and equipment	11	22	49
Investments in subsidiaries	12	45,189	57,548
Investments in associates	13	1	2
Minority passive investments		5	6
Pension assets	14	6,004	5,645
Receivables	15	121	2,678
Derivative financial instruments	20	154	89
Prepaid expenses		53	114
Total non-current assets		**51,601**	**66,181**
Current assets			
Receivables	15	11,406	1,773
Income tax receivable	8	266	0
Derivative financial instruments	20	790	1,042
Prepaid expenses		30	90
Marketable securities		0	3,687
Cash	25	2,759	9,116
Total current assets		**15,251**	**15,708**
Total assets		**66,852**	**81,889**

Equity and liabilities DKKm

	Note	2006	2005
Equity			
Common shares		992	992
Reserves		571	(73)
Retained earnings		287	44,040
Proposed dividends		694	0
Total equity	**16**	**2,544**	**44,959**
Non-current liabilities			
Deferred tax liabilities	8	2,098	2,193
Provisions	18	44	69
Loans	17	54,601	22,472
Payables to subsidiaries		100	0
Deferred income		53	77
Total non-current liabilities		**56,896**	**24,811**
Current liabilities			
Loans	17	1,698	5,170
Trade and other payables	19	5,332	6,012
Income tax payable	8	0	363
Derivative financial instruments	20	232	494
Deferred income		26	24
Provisions	18	124	56
Total current liabilities		**7,412**	**12,119**
Total liabilities		**64,308**	**36,930**
Total equity and liabilities		**66,852**	**81,889**

Parent Company Statements of Cash Flow DKKm

	Note	2006	2005	2004
Income before depreciation, amortization and special items		2,456	10,706	4,013
Reversal of items without cash flow effect		(206)	4	(785)
Pension contributions		(176)	(163)	(89)
Payments related to provisions		0	(36)	0
Cash flow from special items		(332)	(65)	653
Change in working capital		(42)	(303)	(420)
Cash flow from operating activities before net financials and tax		**1,700**	**10,143**	**3,372**
Interest received		2,708	2,348	2,575
Interest paid		(4,690)	(3,172)	(3,919)
Realized currency translation adjustments		896	78	(67)
Cash flow from operating activities before tax		**614**	**9,397**	**1,961**
Corporate income tax paid		(342)	1,090	679
Cash flow from operating activities in continuing operations		**272**	**10,487**	**2,640**
Cash flow from operating activities in discontinued operations		0	245	90
Total cash flow from operating activities		**272**	**10,732**	**2,730**
Investment in subsidiaries		0	(324)	0
Investment in property, plant and equipment		0	0	(85)
Investment in intangible assets		(23)	(37)	(15)
Investment in marketable securities		0	(1,022)	(2,441)
Investment in other non-current assets		(1)	0	(52)
Sale of property, plant and equipment		3	6	0
Divestment of associates		6	3	861
Sale of marketable securities		3,673	546	1,059
Sale of other non-current assets		4	7	810
Dividends received from subsidiaries in excess of accumulated earnings		11,364	4,380	0
Change in loans to subsidiaries and associates		930	371	(4,528)
Cash flow from investing activities in continuing operations		**15,956**	**3,930**	**(4,391)**
Cash flow from investing activities in discontinued operations		3	4,878	0
Total cash flow from investing activities		**15,959**	**8,808**	**(4,391)**
Proceeds from long-term loans		47,110	0	0
Repayments of long-term loans		(19,040)	(208)	(3,787)
Change in short-term bank loans		(55)	(620)	150
Change in interest-bearing receivables and payables		(7,419)	(12,704)	12,697
Dividends paid		(44,343)	(2,440)	(2,555)
Acquisition and disposal of treasury shares, net		1,159	(139)	(3,531)
Cash flow from financing activities in continuing operations		**(22,588)**	**(16,111)**	**2,974**
Cash flow from financing activities in discontinued operations		0	0	0
Total cash flow from financing activities		**(22,588)**	**(16,111)**	**2,974**
Total cash flow		**(6,357)**	**3,429**	**1,313**
Cash and cash equivalents at January 1		9,116	5,687	4,374
Cash and cash equivalents at December 31		**2,759**	**9,116**	**5,687**

Parent Company Statements of Changes in Equity

DKKm

	Common shares	Reserve for currency translation adjustments	Retained earnings	Proposed dividends	Total
Equity at January 1, 2004	1,082	0	29,331	2,560	32,973
Adjustment relating to changes in accounting policies	–	0	3,722	0	3,722
Adjusted equity at January 1, 2004	1,082	0	33,053	2,560	36,695
Currency translation adjustment, financial instruments	–	(230)	(41)	–	(271)
Tax related to changes in equity	–	69	0	–	69
Net gain/(loss) recognized directly in equity	–	(161)	(41)	–	(202)
Net income	–	–	762	2,436	3,198
Total comprehensive income	**–**	**(161)**	**721**	**2,436**	**2,996**
Distributed dividends	–	–	0	(2,598)	(2,598)
Dividends, treasury shares	–	–	5	38	43
Acquisition of treasury shares	–	–	(3,573)	–	(3,573)
Disposal of treasury shares	–	–	42	–	42
Share-based payment	–	–	11	–	11
Equity at December 31, 2004	1,082	(161)	30,259	2,436	33,616
Currency translation adjustment, financial instruments	–	122	0	–	122
Tax related to changes in equity	–	(34)	0	–	(34)
Net gain/(loss) recognized directly in equity	–	88	0	–	88
Net income	–	–	13,826	0	13,826
Total comprehensive income	**–**	**88**	**13,826**	**0**	**13,914**
Distributed dividends	–	–	0	(2,706)	(2,706)
Dividends, treasury shares	–	–	(4)	270	266
Cancellation of treasury shares	(90)	–	90	–	0
Acquisition of treasury shares	–	–	(310)	–	(310)
Disposal of treasury shares	–	–	172	–	172
Share-based payment	–	–	7	–	7
Equity at December 31, 2005	992	(73)	44,040	0	44,959
Currency translation adjustment, financial instruments	–	895	0	–	895
Tax related to changes in equity	–	(251)	0	–	(251)
Net gain/(loss) recognized directly in equity	–	644	0	–	644
Net income	–	–	(491)	694	203
Total comprehensive income		**644**	**(491)**	**694**	**847**
Distributed dividends	–	–	(44,406)	0	(44,406)
Dividends, treasury shares	–	–	63	–	63
Acquisition of treasury shares	–	–	(10)	–	(10)
Disposal of treasury shares	–	–	1,169	–	1,169
Tax on disposal of treasury shares	–	–	(74)	–	(74)
Share-based payment	–	–	(4)	–	(4)
Equity at December 31, 2006	**992**	**571**	**287**	**694**	**2,544**

Retained earnings include capital in excess of par value of DKK 8,652m, which is no longer to be transferred to a special undistributable reserve due to amendments to the Danish Companies Act.

The dividends paid in 2006, 2005 and 2004 were DKK 223.85 per share, DKK 12.50 per share and DKK 12.00 per share respectively. A dividend of DKK 3.50 per share is to be proposed at the Annual General Meeting on March 15, 2007.

Notes to Parent Company Financial Statements

Note 1 Significant Accounting Policies

The Financial Statements 2006 of the Parent Company have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and additional Danish disclosure requirements for annual reports of listed companies. The additional Danish disclosure requirements are provided in the IFRS Executive Order issued by the Danish Commerce and Companies Agency in pursuance of the Danish Financial Statements Act. For the Parent Company there are no differences between IFRS as adopted by the European Union and IFRS as issued by IASB.

Except for the changes described in Significant Accounting Policies for the Group, accounting policies are unchanged from last year.

The Parent Company accounting policies are the same as those applied for the Group with the additions mentioned below. Reference is made to note 1 to the Consolidated Financial Statements as regards the Significant Accounting Policies of the Group.

Supplementary Significant Accounting Policies for the Parent Company

Dividends from investments in subsidiaries and associates

Dividends from investments in subsidiaries and associates are recognized as income in the Parent Company's Statements of Income in the fiscal year when the dividends are distributed. To the extent that dividends distributed exceed accumulated earnings after the time of acquisition, such dividends are not recognized as income in the Statements of Income, but as a reduction of the investment.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured at cost. Where cost exceeds the recoverable amount, the carrying amount is written down to the recoverable amount. Cost is reduced to the extent that dividends distributed exceed accumulated earnings after the time of acquisition.

Note 2 Income **DKKm**

	2006	2005	2004
Dividends received from subsidiaries	2,271	10,509	3,624
Management fee	694	644	507
Income from domestic defined benefit plans[1]	235	244	319
Other income	66	28	62
Total	**3,266**	**11,425**	**4,512**

[1] Reference is made to note 29 to the Consolidated Financial Statements.

Note 3 Wages, salaries and pension costs DKKm

	2006	2005	2004
Wages and salaries	(292)	(254)	(213)
Pensions	(25)	(23)	(20)
Share-based payment	(1)	(7)	(11)
Social security	(11)	(6)	(3)
Total	**(329)**	**(290)**	**(247)**
Average number of full-time employee equivalents[1]	441	429	334

[1] Denotes the average number of full-time employee equivalents including permanent employees, trainees and temporary employees.

The average number of full-time employee equivalents covers 22 persons employed by TDC who are entitled to pensions on conditions similar to those provided for Danish Civil Servants outsourced to external parties in connection with tasks or disposal of operations.

Remuneration for the Board of Directors and Executive Committee is described in note 6 to the Consolidated Financial Statements.

Note 4 Special items DKKm

	2006	2005	2004
Restructuring costs, etc.	(734)	(411)	(115)
Special items before income taxes	**(734)**	**(411)**	**(115)**
Income taxes related to special items	191	14	15
Special items after income taxes	**(543)**	**(397)**	**(100)**

Note 5 Fair value adjustments DKKm

	2006	2005	2004
Fair value adjustments of marketable securities	(16)	(77)	11
Other fair value adjustments	160	(115)	154
Fair value adjustments before tax	**144**	**(192)**	**165**
Income taxes related to fair value adjustments	(51)	46	(33)
Fair value adjustments after tax	**93**	**(146)**	**132**

Note 6 Financial income DKKm

	2006	2005	2004
Interest income	1,793	2,253	2,441
Interest from subsidiaries	443	121	231
Interest from associates	4	3	3
Reversal of write-downs of investments in subsidiaries	5	1	0
Currency translation adjustments, net	22	0	17
Total	**2,267**	**2,378**	**2,692**

Note 7 Financial expenses DKKm

	2006	2005	2004
Write-downs of investments in subsidiaries	0	0	(11)
Interest expenses	(4,363)	(3,022)	(3,305)
Interest to subsidiaries	(252)	(207)	(355)
Currency translation adjustments, net	0	(24)	0
Total	**(4,615)**	**(3,253)**	**(3,671)**

Note 8 Income taxes DKKm

	Income taxes cf. the Statements of Income	Income tax payable/ (receivable)	Deferred tax liabilities/ (assets)
2006			
At January 1	–	363	2,193
Income taxes	706	(615)	(91)
Adjustment of tax for previous years	1	3	(4)
Tax related to changes in equity	–	325	–
Tax paid relating to prior years	–	(424)	–
Share of tax paid on account relating to joint taxation in present year	–	82	–
Total	**707**	**(266)**	**2,098**
Income taxes are specified as follows:			
Income excluding special items and fair value adjustments	567	–	–
Special items	191	–	–
Fair value adjustments	(51)	–	–
Total	**707**	**–**	**–**
2005			
Income taxes	(4)	303	(299)
Adjustment of tax for previous years	27	(4)	(23)
Tax related to changes in equity	–	32	–
Tax refunded relating to prior years	–	917	–
Share of tax paid on account relating to joint taxation in present year	–	173	–
Total	**23**	**363**	**2,193**
Income taxes are specified as follows:			
Income excluding special items and fair value adjustments	(37)	–	–
Special items	14	–	–
Fair value adjustments	46	–	–
Total	**23**	**–**	**–**

Reconciliation of effective tax rate

	2006	2005
Danish corporate income tax rate	28.0	28.0
Tax-free dividends	(741.0)	(30.0)
Other non-taxable income and non-tax deductible expenses	111.2	0.0
Retaxation of formerly deducted losses in the joint taxation	(56.4)	4.5
Adjustment of tax for previous years	(1.3)	(0.3)
Change of tax legislation, including change of corporate income tax rate	0.0	(1.6)
Other	0.0	(0.2)
Effective tax rate excluding special items and fair value adjustments	**(659.5)**	**0.4**
Special items and fair value adjustments	800.1	(0.6)
Effective tax rate including special items and fair value adjustments	**140.6**	**(0.2)**

Specification of deferred tax liabilities **DKKm**

	2006	2005
Provisions for redundancy payments	29	48
Current	**29**	**48**
Intangible assets	12	6
Property, plant and equipment	(3)	1
Pension assets	1,713	1,634
Other	347	504
Non-current	**2,069**	**2,145**
Deferred tax liabilities at December 31	**2,098**	**2,193**

All of the Danish Group companies participate in joint taxation. Joint taxation with foreign companies is no longer expected to take place due to the changed Danish tax legislation effective January 1, 2005. Provisions for retaxation liabilities related to formerly deducted losses have been made.

All of the Danish Group companies participate in joint taxation. Joint taxation with foreign Group companies ceased from January 1, 2005 due to the changed Danish tax legislation. For Group companies, which previously participated in the joint taxation, retaxation of formerly deducted losses will be effected concurrently with profits in the respective companies and in connection with potential divestment of the companies. Provisions have been made for retaxation liabilities related to formerly deducted losses.

With effect from February 1, 2006, TDC participates in joint taxation with Nordic Telephone Company Investment ApS, which is the management company. Subsequently, the jointly taxed companies in the Nordic Telephone Company Investment Group are liable only for the part of the income tax, taxes paid on account and outstanding residual tax (with additional payments and interest) that relate to the part of the income allocated to the companies. When the management company has received payment from the jointly taxed Group companies, the management company will assume liability for this payment.

Note 9 Discontinued operations

DKKm

	2006	2005	2004
Dividends from discontinued operations	0	245	90
Gain relating to disposal of discontinued operations	0	4,356	0
Net income from discontinued operations	**0**	**4,601**	**90**

Discontinued operations comprise TDC Directories A/S.

Note 10 Intangible assets – rights, software, etc.

DKKm

	2006	2005
Accumulated cost at January 1	135	102
Additions during the year	23	37
Assets disposed of and fully amortized during the year	0	(4)
Accumulated cost at December 31	**158**	**135**
Accumulated amortization and write-downs for impairment at January 1	(85)	(59)
Amortization for the year	(21)	(27)
Assets disposed of and fully amortized during the year	0	1
Accumulated amortization and write-downs for impairment at December 31	**(106)**	**(85)**
Carrying value at December 31	**52**	**50**

The carrying value of software amounted to DKK 52m at December 31, 2006, compared with DKK 48m at December 31, 2005.

Note 11 Property, plant and equipment – other installations

DKKm

	2006	2005
Accumulated cost at January 1	83	91
Acquisitions from third parties	0	0
Assets disposed of during the year	(7)	(8)
Accumulated cost at December 31	**76**	**83**
Accumulated depreciation and write-downs for impairment at January 1	(34)	(8)
Depreciation for the year	(24)	(28)
Assets disposed of during the year	4	2
Accumulated depreciation and write-downs for impairment at December 31	**(54)**	**(34)**
Carrying value at December 31	**22**	**49**

Note 12 Investments in subsidiaries **DKKm**

	2006	2005
Accumulated cost at January 1	62,032	57,005
Transfers from other items	0	286
Additions during the year	0	5,261
Disposals during the year	0	(520)
Accumulated cost at December 31	**62,032**	**62,032**
Accumulated write-downs for impairment at January 1	(4,484)	(104)
Dividends distributed in excess of accumulated earnings	(12,364)	(4,380)
Reversal of write-downs during the year	5	0
Accumulated write-downs for impairment at December 31	**(16,843)**	**(4,484)**
Carrying value at December 31	**45,189**	**57,548**

Overview of subsidiaries at December 31, 2006

Company name	Domicile	Currency	TDC A/S' ownership share (%)[1]
TDC Solutions A/S	Copenhagen, Denmark	DKK	100.0
TDC Mobile International A/S	Copenhagen, Denmark	DKK	100.0
TDC Cable TV A/S	Copenhagen, Denmark	DKK	100.0
TDC Switzerland AG[2]	Zürich, Switzerland	CHF	82.6
TDC Services A/S	Copenhagen, Denmark	DKK	100.0
Hungarian Telephone and Cable Corp.	Seattle, USA	USD	63.3
TDC ADSB Invest ApS	Copenhagen, Denmark	DKK	100.0

[1] In order to give the reader a clear presentation, some minor subsidiaries are not listed separately in the overview.
[2] TDC Solutions owns the remaining 17.4 % of TDC Switzerland AG

Impairment tests of subsidiaries recognized at cost

The carrying value of subsidiaries is tested for impairment annually, and if events or changes in circumstances indicate impairment.

Note 13 Investments in associates

DKKm

	2006	2005
Accumulated cost at January 1	45	372
Transfers to other items	0	(325)
Additions during the year	1	0
Disposals during the year	(17)	(2)
Accumulated cost at December 31	**29**	**45**
Accumulated write-ups and write-downs at January 1	(43)	(84)
Transfers to other items	0	38
Write-ups and write-downs during the year	0	1
Disposals during the year	15	2
Accumulated write-ups and write-downs at December 31	**(28)**	**(43)**
Carrying value at December 31	**1**	**2**

For further details, please refer to note 17 to the Consolidated Financial Statements.

Note 14 Pension assets

Reference is made to note 29 to the Consolidated Financial Statements under defined domestic benefit plans as regards information on pension assets.

Note 15 Receivables DKKm

	2006	2005
Receivables from subsidiaries	11,130	3,774
Receivables from associates	101	98
Other receivables	296	579
Total	**11,527**	**4,451**
Recognized as follows:		
Non-current assets	121	2,678
Current assets	11,406	1,773
Total	**11,527**	**4,451**

Of the receivables classified as current assets at December 31, 2006, DKK 69m falls due after more than one year, compared with DKK 69m at December 2005.

Note 16 Equity

Reference is made to note 22 to the Consolidated Financial Statements as regards information on common shares and treasury shares.

Note 17 Loans DKKm

	2006	2005
Bonds, mortgages and other bank loans	56,299	27,642
Of which short-term loans	(1,698)	(5,170)
Long-term loans	**54,601**	**22,472**
Long-term loans fall due as follows:		
1-3 years	7,906	1,892
3-5 years	5,470	10,034
5-7 years	5,385	10,546
7-9 years	35,840	0
After 9 years	0	0
Total	**54,601**	**22,472**
Fair value	57,748	28,134
Nominal value	57,387	27,960

Note 18 Provisions

DKKm

	2006			2005
	Restructuring obligations	Other provisions	Total	
Provisions at January 1	7	118	125	96
Provisions made during the year	22	108	130	86
Provisions used during the year	(5)	(80)	(85)	(57)
Unused provisions reversed during the year	(2)	0	(2)	0
Provisions at December 31	**22**	**146**	**168**	**125**
Recognized as follows:				
Non-current liabilities	0	44	44	69
Current liabilities	22	102	124	56
Total	**22**	**146**	**168**	**125**

Provisions for restructuring obligations relate primarily to redundancy programs. The majority of these obligations are expected to result in cash outflow in the period 2007-2009. The uncertainties relate primarily to the estimated amounts.

Other provisions are related mainly to pending lawsuits, bonuses for Management and employees, as well as jubilee benefits provided for employees.

Note 19 Trade and other payables

DKKm

	2006	2005
Trade payables	120	501
Payables to subsidiaries	4,268	4,442
Other payables	944	1,069
Total	**5,332**	**6,012**

Note 20 Financial instruments, etc.

The Parent Company is exposed to financial market and credit risks when buying and selling goods and services in foreign denominated currencies as well as investing in and financing activities. Analyses of such risks are disclosed below. For further disclosures, see "Financial management and market risk disclosures" in "Risk management".

A: Foreign-currency exposures DKKm

Financial assets and liabilities in foreign currencies at December 31 are specified below:

		Financial assets and liabilities			2006	2005
Currency and year-end currency rate	**Maturities**	**Assets**	**Liabilities**	**Derivatives[1]**	**Net position**	**Net position**
EUR	< 1 year	636	(3,706)	2,467	(603)	10,402
	1-3 years	0	(7,786)	1,119	(6,667)	3,055
	3-5 years	0	(5,450)	87	(5,363)	(3,214)
	5-7 years	0	(5,384)	745	(4,639)	(9,800)
	7-9 years	0	(35,840)	0	(35,840)	0
	> 9 years	100	(100)	0	0	96
Total EUR		**736**	**(58,266)**	**4,418**	**(53,112)**	**539**
CHF	< 1 year	2,033	(2)	(2,304)[2]	(273)	(2,428)
	1-3 years	0	0	0	0	2,399
	3-5 years	0	0	0	0	0
	5-7 years	0	0	0	0	0
	7-9 years	0	0	0	0	0
	> 9 years	0	0	0	0	0
Total CHF		**2,033**	**(2)**	**(2,304)**	**(273)**	**(29)**
Other	< 1 year	554	(418)	36	172	12
	1-3 years	0	(142)	138	(4)	267
	3-5 years	0	0	0	0	0
	5-7 years	0	0	0	0	0
	7-9 years	0	0	0	0	0
	> 9 years	0	0	0	0	0
Total other		**554**	**(560)**	**174**	**168**	**279**
Foreign currencies total		**3,323**	**(58,828)**	**2,288**	**(53,217)**	**789**
DKK	< 1 year	10,738	(2,905)	(70)	7,763	(5,817)
	1-3 years	0	0	(1,420)	(1,420)	(3,878)
	3-5 years	0	0	0	0	(6,866)
	5-7 years	0	0	(743)	(743)	(674)
	7-9 years	0	0	0	0	0
	> 9 years	90	0	0	90	25
Total DKK		**10,828**	**(2,905)**	**(2,233)**	**5,690**	**(17,210)**
Total		**14,151**	**(61,733)**	**55**	**(47,527)**	**(16,421)**

[1] The financial instruments used are currency swaps and forward-exchange contracts. The statement excludes derivatives applied to hedge net investments disclosed in the table below.
[2] DKK 2,072m of these cover hedging of an intra-group loan issued by TDC A/S to TDC Switzerland.

Hedging of net investments in foreign enterprises DKKm

Foreign-currency hedging of net investments in foreign Group subsidiaries and associates:

	2006				2005			
	Net investments, carrying value	Hedged	Not hedged	Currency translation adjustment for the year	Net investments, carrying value	Hedged	Not hedged	Currency translation adjustment for the year
CHF	28,259	(27,375)	(884)	911	28,259	(26,908)	(1,351)	107
HUF	611	0	(611)	(16)	611	0	(611)	15
Total at December 31	**28,870**	**(27,375)**	**(1,495)**	**895**	**28,870**	**(26,908)**	**(1,962)**	**122**

Net investments in foreign subsidiaries and associates are hedged for foreign currency risks only for TDC Switzerland. Net investments in foreign enterprises are measured at cost and include goodwill.

B: Net financials

DKKm

2006

Income	Interest income	Currency translation adjustments	Fair value adjustments	Total
Financial assets and liabilities at fair value through profit or loss	1,656	75	160	1,891
Loans and receivables	582	0	0	582
Available-for-sale financial assets	2	0	0	2
Total	**2,240**	**75**	**160**	**2,475**

Expenses	Interest expense	Currency translation adjustments	Fair value adjustments	Total
Financial assets and liabilities at fair value through profit or loss	(1,305)	0	(16)	(1,321)
Loans and receivables	(36)	(90)	0	(126)
Financial liabilities	(3,274)	37	0	(3,237)
Total	**(4,615)**	**(53)**	**(16)**	**(4,684)**
Net financials	**(2,375)**	**22**	**144**	**(2,209)**

2005

Income	Interest income	Currency translation adjustments	Fair value adjustments	Total
Financial assets and liabilities at fair value through profit or loss	2,086	121	1	2,208
Loans and receivables	290	0	0	290
Available-for-sale financial assets	1	0	0	1
Total	**2,377**	**121**	**1**	**2,499**

Expenses	Interest expense	Currency translation adjustments	Fair value adjustments	Total
Financial assets and liabilities at fair value through profit or loss	(1,445)	0	(193)	(1,638)
Loans and receivables	(4)	(4)	0	(8)
Financial liabilities	(1,780)	(141)	0	(1,921)
Total	**(3,229)**	**(145)**	**(193)**	**(3,567)**
Net financials	**(852)**	**(24)**	**(192)**	**(1,068)**

				2004
	Interest income	Currency translation adjustments	Fair value adjustments	Total
Income				
Financial assets and liabilities at fair value through profit or loss	2,311	29	183	2,523
Loans and receivables	364	26	0	390
Available-for-sale financial assets	0	0	11	11
Total	**2,675**	**55**	**194**	**2,924**

	Interest expense	Currency translation adjustments	Fair value adjustments	Total
Expenses				
Financial assets and liabilities at fair value through profit or loss	(1,624)	(81)	(29)	(1,734)
Loans and receivables	(328)	0	0	(328)
Financial liabilities	(1,708)	43	0	(1,665)
Total	**(3,660)**	**(38)**	**(29)**	**(3,727)**
Net financials	**(985)**	**17**	**165**	**(803)**

Currency translation adjustments and fair value adjustments are recognized on a net basis. Currency translation adjustments are classified as either Financial income or Financial expenses in the Statements of Income. See also note 5-7.

C: Liquidity risk DKKm

The maturity analysis of financial assets and liabilities is disclosed by category and class and is allocated according to maturity period. All interest payments and repayments of financial assets and liabilities are based on contractual agreements. Interest payments on floating rate instruments were determined using the zero-coupon rate.

All carrying values were derived from the balance sheet and other notes.

	Maturity profiles (DKKm)[1]								2006
	< 1 year	**1-3 years**	**3-5 years**	**5-7 years**	**7-9 years**	**> 9 years**	**Total**	**Fair value**	**Carrying value**
Financial assets and liabilities at fair value through profit or loss[2]									
Derivatives, assets	504	294	36	3	0	0	837	364	364
Derivatives, liabilities	(53)	(200)	0	0	0	0	(253)	(232)	(232)
Marketable securities	0	0	0	0	0	0	0	0	0
Loans and receivables									
Cash	2,759	0	0	0	0	0	2,759	2,759	2,759
Trade receivables	0	0	0	0	0	0	0	0	0
Other receivables	11,272	0	0	0	0	190	11,462	11,351	11,393
Available-for-sale financial assets	5	0	0	0	0	0	5	5	5
Financial liabilities measured at amortized cost									
Bank loans	(3,836)	(9,398)	(12,841)	(5,126)	(38,715)	0	(69,916)	(47,790)	(46,764)
Bonds	(569)	(5,220)	(702)	(5,750)	0	0	(12,241)	(9,958)	(9,535)
Debt relating to capital leases	0	0	0	0	0	0	0	0	0
Trade and other payables	(5,433)	0	0	0	0	0	(5,433)	(5,433)	(5,433)
Total	**4,649**	**(14,524)**	**(13,507)**	**(10,873)**	**(38,715)**	**190**	**(72,780)**	**(48,934)**	**(47,443)**

[1] All cash flows are undiscounted.
[2] Derivatives included in the category "financial assets and liabilities at fair value through profit or loss" do not include the portion of the gain or loss recognized on equity from instruments used for hedging of net investments in foreign enterprises.

	Maturity profiles (DKKm)[1]								2005
	< 1 year	1-3 years	3-5 years	5-7 years	7-9 years	> 9 years	Total	Fair value	Carrying value
Financial assets and liabilities at fair value through profit or loss[2]									
Derivatives, assets	885	402	64	1	0	0	1,352	765	765
Derivatives, liabilities	(189)	(63)	(90)	0	0	0	(342)	(494)	(494)
Marketable securities	2,567	1,173	0	0	0	0	3,740	3,687	3,687
Loans and receivables									
Cash	9,116	0	0	0	0	0	9,116	9,116	9,116
Trade receivables	0	0	0	0	0	0	0	0	0
Other receivables	2,786	1,442	0	0	0	190	4,418	4,260	4,305
Available-for-sale financial assets	6	0	0	0	0	0	6	6	6
Financial liabilities measured at amortized cost									
Bank loans	(65)	0	0	0	0	0	(65)	(65)	(65)
Bonds	(6,400)	(4,153)	(11,642)	(11,482)	0	0	(33,677)	(28,069)	(27,577)
Debt relating to capital leases	0	0	0	0	0	0	0	0	0
Trade and other payables	(6,012)	0	0	0	0	0	(6,012)	(6,012)	(6,012)
Total	**2,694**	**(1,199)**	**(11,668)**	**(11,481)**	**0**	**190**	**(21,464)**	**(16,806)**	**(16,269)**

[1] All cash flows are undiscounted
[2] Derivatives included in the category "financial assets and liabilities at fair value through profit or loss" do not include the portion of the gain or loss recognized on equity from instruments used for hedging of net investments in foreign enterprises.

D: Undrawn credit lines

The undrawn credit lines at December 31, 2006 are specified as follows:

			DKKm
Maturities	**Committed credit lines**	**Committed syndicated credit lines**	**Total**
< 1 year	0	0	0
> 1 year	2,610	2,163	4,773
Total	**2,610**	**2,163**	**4,773**

E: Credit risks

Financial instruments are entered only with counterparties holding the credit rating of A-/A-3/A- or higher from Standard & Poor's, Moody's Investor Service or Fitch Ratings. Each counterparty credit line is determined by the counterparty's credit rating and is of a size that spreads the credit risks of the Parent Company's total credit lines over several counterparties. The counterparty risk is therefore considered to be minimal.

Note 21 Other financial commitments DKKm

	2006	2005
Lease commitments		
Rental expense relating to properties in the period of interminability	41	38
Accumulated lease commitments for machinery, equipment, computers, etc.	6	5
Total	**47**	**43**
which can be specified as follows:		
Not later than 1 year	44	41
Later than 1 year and not later than 5 years	3	2
Later than 5 years	0	0
Total	**47**	**43**
Capital and purchase commitments		
Commitments related to outsourcing agreements	13	13
Other purchase commitments	17	23

Operating leases, for which the Parent Company is the lessee, are related primarily to agreements on cars.

Note 22 Contingent liabilities

At December 31, 2006, the Parent Company had provided guarantees for the amount of DKK 441m concerning subsidiaries, compared with DKK 467m at December 31, 2005. TDC A/S has committed to contributing, if necessary, additional capital to TDC Switzerland in order to generate taxable income sufficient to utilize the accumulated tax loss carry-forwards prior to their expire. Furthermore, TDC A/S has issued letters of support and undertaken loan commitments for some of its subsidiaries.

Reference is made to note 31 to the Consolidated Financial Statements as regards information on pending lawsuits.

Senior Facilities Agreement

On March 3, 2006, TDC A/S entered into a Senior Facilities Agreement as borrower and guarantor, originally entered into between, amongst others, Nordic Telephone Company Holding ApS as the original borrower and the original guarantor and a number of banks as lenders.

The Senior Facilities Agreement is a secured multi-currency term facility composed of three term-loan facilities and a revolving credit facility. On December 31, 2006 the aggregate nominal debt of the Senior Facilities Agreement amounted to DKK 47,814m.

As security for the Senior Facilities Agreement TDC A/S has pledged its shares in the subsidiaries TDC Solutions A/S, TDC Mobile International A/S, TDC Switzerland AG and TDC Cable TV A/S as well as bank deposits and intra-group receivables.

Note 23 Related parties

For information about the related parties of the Group, reference is made to note 32 to the Consolidated Financial Statements. Further, the Parent Company has the following transactions and balances with its subsidiaries (cf. the overview of subsidiaries in note 13):

DKKm	Subsidiaries 2006	Subsidiaries 2005
Income	3,466	11,564
Costs	(377)	(340)
Receivables	11,130	3,774
Debt	4,268	4,442

All transactions are made on an arm's length basis. Remuneration for the Board of Directors and Executive Committee is described in note 6 to the Consolidated Financial Statements. In addition, payment of contributions to the pension funds is described in note 29 to the Consolidated Financial Statements.

Note 24 Auditors' remuneration

DKKm	2006	2005	2004
The remuneration of auditors elected by the Annual General Meeting:			
PricewaterhouseCoopers	13	30	17
Other auditors	0	0	1
Total	**13**	**30**	**18**
Hereof fees in respect of non-audit services:			
PricewaterhouseCoopers	8	27	14
Other auditors	0	0	1
Total	**8**	**27**	**15**

Note 25 Cash

The carrying value of pledged cash amounted to DKK 2,759m at December 31, 2006, compared with DKK 0m at December 31, 2005.

Note 26 Events after the balance sheet date

Reference is made to note 43 to the Consolidated Financial Statements.

Management Statement

Today, the Board of Directors and the Executive Committee considered and approved the Annual Report of TDC A/S for 2006.

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

We consider the accounting policies applied to be appropriate. In our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's financial position at December 31, 2006 as well as of their results of operations and cash flows for the financial year 2006.

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

Copenhagen, February 22, 2007

Executive Committee

Jens Alder

Hans Munk Nielsen

Board of Directors

Kurt Björklund

Vagn Sørensen

Oliver Haarmann

Lawrence Guffey

Richard Wilson

Gustavo Schwed

Bo Magnussen

Jan Bardino

Leif Hartmann

Steen M. Jacobsen

Independent Auditor's Report

To the shareholders of TDC A/S

We have audited the Annual Report of TDC A/S for the financial year January 1 to December 31, 2006, which comprises management's review, statements of income, balance sheets, statements of cash flow, statement of changes in equity, notes and management statement for the Group and the Parent Company. The Annual Report is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

Management's Responsibility for the Annual Report

Management is responsible for the preparation and fair presentation of the Annual Report in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an Annual Report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the Annual Report based on our audit. We conducted our audit in accordance with International and Danish Auditing Standards. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the Annual Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Annual Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Annual Report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Annual Report.

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Annual Report gives a true and fair view of the financial position at 31 December 2006 of the Group and the Parent Company and of the Group's and Company's results of operations and cash flows for the financial year 2006 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

Copenhagen, February 22, 2007

PricewaterhouseCoopers
Statsautoriseret Revisionsaktieselskab

Fin T. Nielsen
State Authorized Public Accountant

Corporate governance

TDC's approach to corporate governance

Introduction

In 2005, the Nørby Committee recommendations on corporate governance from 2001 were revised by the Copenhagen Stock Exchange (CSE) Committee on Corporate Governance. These revised recommendations were subsequently implemented in the CSE rules for issuers, and state that listed companies must account for their approach to corporate governance in their annual reports based on a "comply or explain" principle.

TDC complies with the majority of the recommendations. The 41 numbered recommendations are divided into eight main categories. TDC fully complies with 30 of the recommendations, whereas four are partly complied with, and seven are not complied with. TDC's noncompliance is further described below. The full recommendations are available at CSE's website, www.cse.dk.

The role of the shareholders and their interaction with the management

The Board of Directors regularly assesses whether TDC's capital and share structures are in the shareholders' and Company's interests. However, the Board deems it unnecessary to include the outcome of this assessment in the Annual Report, contrary to Recommendation I.2.

The Board of Directors does not wish to restrict itself in advance to one particular course of action in the event of a public bid for TDC, and therefore the Board has chosen not to comply with Recommendation I.4 on the duties of the Board of Directors and the rights of the shareholders in the event of a takeover bid. If a takeover bid is made, the Board will protect the Company's and shareholders' interests by assessing each specific case individually.

TDC complies with all other recommendations on the role of the shareholders and their interaction with the management.

The role of the stakeholders and their importance to the Company

TDC complies with all recommendations on the role of the stakeholders and their importance to the Company.

Openness and transparency

In TDC, procedures have been established to ensure that the Company discloses information deemed essential to the shareholders, and complies with the rules on disclosure of information in current legislation and obligations in contracts to which TDC is a party, including current financial programs. Seen in this light, the Board finds it unnecessary to adopt a formal written information and communication policy – contrary to Recommendation III.1.

TDC complies with all other recommendations on openness and transparency.

Tasks and responsibilities of the Board of Directors

TDC complies with all recommendations on the tasks and responsibilities of the Board of Directors.

Composition of the Board of Directors

Recruitment and election of members of the Board of Directors

TDC is owned by one majority shareholder with 87.9% of the shares, and a number of minority shareholders. The majority shareholder selects and nominates candidates for TDC's Board of Directors, who may be elected by the majority shareholder's votes alone. Due to its ownership structure, TDC does not fully comply with Recommendation V.1, which states that the Board ensure a formal, thorough and transparent process for selecting and nominating candidates with a view to ensuring a Board composition that provides the competence needed to enable the Board to perform its tasks in the best possible manner. However, the majority shareholder complies with the general recommendation that candidates be selected and nominated to ensure a Board composition described in the Recommendation.

Also due to the ownership structure's impact on the recruitment and election of Board members, TDC does not comply with Recommendation V.1, which states that every year, the Board publish a profile of its composition and information on individual members' special competencies that are important for performing their duties.

The independence of the Board of Directors
TDC's ownership structure, as described above, affects the composition of TDC's Board of Directors and accounts for noncompliance with the recommendation that at least half of the Board members elected by the Annual General Meeting be independent persons. As a result, TDC does not comply with Recommendation V.4 that at least once a year the Board list the names of Board members who are not regarded as independent persons and also disclose whether new candidates for the Board are considered independent persons and state the grounds for such consideration.

In accordance with the Danish Financial Statements Act and IFRS, the Annual Report contains only information about the individual shareholdings in the Company of the members of the Board of Directors, which is considered sufficient. Therefore, TDC does not comply with Recommendation V.4 on information in the Annual Report about the Board members' shareholdings in Group companies.

Use of Board committees
The Board has set up a Compensation Committee and deems it expedient that the Committee has power of decision on matters relating to specific issues within the Committee's areas of responsibility. Therefore, TDC does not comply with Recommendation V.10 that appointment of a committee take place for the sole purpose of preparing decisions to be made by the entire Board. The Compensation Committee reports regularly to the entire Board.

Assessment of the work of the Board and the Executive Committee
TDC does not comply with Recommendation V.11 on the assessment of the composition of the Board or the Board's and the individual members' work and results. Due to TDC's ownership structure and its significance for the composition of TDC's Board, the Board deems it unnecessary to establish formal assessment procedures. At an Annual Board Meeting, the Board of Directors has an informal discussion about its work and collaboration. Therefore, the Annual Report does not provide information on the Board's procedures of self-assessment – contrary to Recommendation V.11.

The Board also sees no relevance in establishing a formal assessment procedure for evaluating the Executive Committee's work and results and a procedure to assess the collaboration between the Board and the Executive Committee – as stated in Recommendation V.11. However, the Board regularly assesses the work of the Executive Committee by setting goals and evaluating the degree to which the goals are met. The collaboration between the Board and the Executive Committee is regularly assessed at meetings between the CEO and the Chairman of the Board.

Other recommendations
TDC complies with all other recommendations on the composition of the Board of Directors.

Remuneration of Board members and the Executive Committee

Remuneration policy
TDC does not comply with Recommendation VI.2 that the Board adopt a remuneration policy, and consequently does not comply with the underlying recommendations regarding the contents of the remuneration policy. The Board believes that a formal remuneration policy is unnecessary other than to ensure the more general condition that remuneration should be competitive and able to promote TDC's long-term value-creation goals.

The principles of TDC's bonus schemes are described in note 6 in the Financial Statements.

The total annual remuneration of the Board is approved by the Annual General Meeting in connection with the approval of the Annual Report. Therefore TDC does not comply with Recommendation VI.2 that the remuneration of the Board for the current fiscal year be presented for adoption at the Annual General Meeting where the Annual Report for the previous year is submitted for adoption.

Openness about remuneration
TDC does not comply with Recommendation VI.3 that the Annual Report include information on remuneration received by individual members of the Board and the Executive Committee as well as other benefits provided or granted to such members by the Company and other com-

panies within the same Group, including specific information on pension plans. TDC finds the information in the Annual Report on the remuneration of the entire Board and the entire Executive Committee, including pension plans, to be adequate. (cf. note 6 in the Financial Statements).

Other recommendations

TDC complies with all other recommendations on the remuneration of the Executive Committee and the Board.

Risk management

TDC complies with all recommendations on risk management.

Audit

There are few recommendations with which TDC does not comply because current procedures already provide for the recommended considerations.

TDC does not comply with Recommendation VIII.3 that every year the Board lay down the overall, general scope of the auditor's provision of non-audit services. Annually, the Board receives information on the auditor's provision of non-audit services, which is considered adequate to ensure the auditor's independence, etc.

TDC does not comply with Recommendation VIII.4 that at least once a year the Board review and assess the Company's internal control systems as well as the Management's guidelines for and supervision of such systems and that the Board consider the extent to which an internal audit may assist the Board in this work. Instead, once a year the Executive Committee and the auditor report to the Board potential problems regarding the internal control systems that the Board should be aware of.

TDC complies with all other audit recommendations.

The Board of Directors

TDC's Board of Directors has 10 members, six elected by the Annual General Meeting and four elected by the employees.

In 2006, the Board of Directors held 20 meetings and one strategy seminar.

Currently, the Board of Directors has set up one committee, being the Compensation Committee.

The Compensation Committee consists of Kurt Björklund, Vagn Sørensen and Gustavo Schwed. The Compensation Committee approves the compensation and other terms of employment for the members of the Group's Executive Committee and the framework of the Group's incentive program. The Committee held four meetings in 2006.

Management

Executive Committee

Jens Alder
President and Chief Executive Officer

Age 49. Appointed to the Executive Committee in 2006.

Master of Electrical Engineering, Federal Institute of Technology, Zurich, Switzerland, 1982. MBA, INSEAD, Paris, France, 1987.

Hans Munk Nielsen
Senior Executive Vice President and Chief Financial Officer

Age 60. Appointed to the Executive Committee in 1991.

MSc. (Economics) 1973, Stanford Executive Program, 1983.

Chairman of the Board of CMO-Denmark Fonden and its subsidiaries.

Vice Chairman of the Board of Nordea Invest A/S.

Member of the Board of OMX AB (Publ.).

Henriette Fenger Ellekrog[11]
Senior Executive Vice President and Chief Staff Officer

Age 40. Appointed to the Executive Committee in 2007.

MA (Specialized Language for Business), Copenhagen Business School, 1992.

Mads Middelboe[11]
Senior Executive Vice President and Chief Operating Officer

Age 46. Appointed to the Executive Committee in 2007.

MSc (Marketing Management), Copenhagen Business School, 1985.

[11] Henriette Fenger Ellekrog and Mads Middelboe were appointed as members of the Executive Committee as from January 1, 2007. Both are to be registered with the Danish Commerce and Companies Agency as members of the Executive Committee after the Company's Annual General Meeting on March 15, 2007.

Board of Directors

Kurt Björklund
Chairman

Age 37. Elected by the shareholders at the Annual General Meeting. First elected February, 28, 2006. Re-elected April, 26, 2006. Term expires March, 15, 2007.

MSc (Economics), 1993, SSEBA, Helsinki and Master of Business Administration 1996, INSEAD.

Partner in Permira Advisers KB and Chairman of the Board of Directors of Nordic Telephone Company ApS.

Vagn Sørensen
Vice Chairman

Age 47. Elected by the shareholders at the Annual General Meeting. First elected April, 26, 2006. Term expires March, 15, 2007.

MSc (Economics and Business Administration), Aarhus School of Business, Denmark.

Chairman of the Boards of deSter N.V., Belgium, BTX Group A/S, Codan A/S, Codan Forsikring A/S, Select Service Partner Ltd., U.K. and Trygg-Hansa Försäkring AB. Vice Chairman of the Board of DFDS A/S. Member of the Boards of ST Global AG, Austria, Air Canada and Braganza AS.

Lawrence Guffey
Age 38. Elected by the shareholders at the Annual General Meeting. First elected February, 28, 2006. Re-elected April, 26, 2006. Term expires March, 15, 2007.

BA 1990, Rice University.

Senior Managing Partner of the Blackstone Group.

Member of the Boards of Directors of Nordic Telephone Company ApS, Deutsche Telekom AG, Axtel SA de CV, Cine UK Ltd.

Oliver Haarmann
Age 39. Elected by the shareholders at the Annual General Meeting. First elected February, 28, 2006. Re-elected April, 26, 2006. Term expires March, 15, 2007.

BA 1990 Brown University, MBA 1996 Harvard Business School

Managing Director of Kohlberg Kravis Roberts & Co. Ltd.

Member of the Boards of Directors of Nordic Telephone Company ApS and A.T.U. Auto-Teile-Unger Holding GmbH.

Gustavo Schwed
Age 45. Elected by the shareholders at the Annual General Meeting. First elected February, 28, 2006. Re-elected April, 26, 2006. Term expires March, 15, 2007.

BA 1984 Swarthmore College and MBA 1988 Stanford University.

Managing Director of Providence Equity.

Member of the Board of Directors of Nordic Telephone Company ApS.

Richard Wilson
Age 41. Elected by the shareholders at the Annual General Meeting. First elected February, 28, 2006. Re-elected April, 26, 2006. Term expires March, 15, 2007.

BA 1988 University of Cambridge, MBA, 1994 INSEAD.

Partner of Apax Partners Worldwide LLP

Member of the Board of Directors of Nordic Telephone Company ApS.

Leif Hartmann
Age 63. Elected by the employees. First elected 1996. Re-elected 2000 and 2004. Term expires 2008.

Systems Technician at TDC A/S.

Steen M. Jacobsen
Age 57. Elected by the employees. First elected 1996. Re-elected 2000 and 2004. Term expires 2008.

Specialist Technician at TDC A/S.

Jan Bardino
Age 54. Elected by the employees. First elected 2004. Term expires 2008.

MSc (Computer Science)

Systems Developer at TDC A/S.

Bo Magnussen
Age 59. Elected by the employees. First elected in 1996. Re-elected 2000 and 2004. Term expires 2008.

Senior Clerk at TDC A/S.

Chairman of Lederforeningen at TDC (Association of Managers and Employees in Special Positions of Trust).

Shareholder information

Shareholders

At year-end 2006, TDC had 30,694 registered shareholders, of whom 98% were based in Denmark. The Danish-based shareholders held 95% of TDC's shares at year-end 2006.

Twenty-eight shareholders each held more than 10,000 TDC shares, together owning approx. 95% of the outstanding shares.

At year-end 2006, the following shareholders each held more than 5% of TDC A/S' common shares (cf. section 28a of the Danish Companies Act):

- Arbejdsmarkedets Tillægspension (ATP)
  Kongens Vænge 24
  DK-3400 Hillerød
  Denmark
- Nordic Telephone Company ApS
  Nørregade 21
  DK-1165 Copenhagen K
  Denmark

TDC's ultimate parent company is Angel Lux Parent S.à.r.l., Luxembourg.

Stock exchange listing

The Company's shares are listed on the Copenhagen Stock Exchange (ISIN DK00-1025333-5).

The Company was delisted from New York Stock Exchange in June 2006, cf. "Major Events in 2006".

Headquarters

TDC A/S
Nørregade 21
DK-0900 Copenhagen C
Denmark
Tel. +45 66 63 77 77
Fax +45 66 63 76 19
www.tdc.com
CVR No. 1477 3908

Annual General Meeting

The Company's Annual General Meeting will be held in Copenhagen on March 15, 2007.

Dividends

The Board of Directors recommends that a dividend of DKK 3.50 per share is distributed for the fiscal year of 2006. The dividends are determined by the Company at the Annual General Meeting. Shareholder dividends will be paid in Danish kroner (DKK) and are normally subject to a 28% withholding tax levied by the Danish government prior to payment. Non-resident shareholders may apply for repayment of part of the withholding tax from the Danish tax authorities. The amount of repayment depends on the double tax treaties entered into with the shareholders' countries.

Inquiries on dividends on the Company's shares should be made to the authorized issuing agent:
Danske Bank
Girostrøget 1
0800 Høje Taastrup
Denmark
Tel: +45 43 39 47 77

Inquiries on holdings of the Company's shares should be made to the Company's register of shareowners:
VP Investor Services A/S (VP Services A/S)
Helgeshøj Allé 61
P.O. Box 20
2630 Taastrup
Denmark
Tel. +45 43 58 88 66

Glossary

2G refers to second generation mobile networks, including GSM networks, that can deliver high-speed voice and limited data communications including fax and SMS.

3G refers to third generation mobile networks that can deliver voice, data and multimedia content at high speed.

ADSL2+ refers to a type of DSL technology that is expected to increase transmission speeds over copper wires up to 18 Mbps.

ARPU refers to Average Revenue per User.

ATM or *Asynchronous Transfer Mode* refers to a dedicated connection switching technology for LANs and WANs that supports real time voice and video as well as data.

Bit stream access refers to the situation where the incumbent installs a high-speed access link at the customer's premises (e.g. by installing its preferred DSL equipment and configuration in its local access network) and then makes this access link available to third parties, to enable them to provide high-speed services to customers.

Broadband refers to a type of connection to exchange data at a higher speed than through analog lines. The most common broadband technologies are cable modem, DSL, wireless and optical fiber.

CAGR refers to compounded annual growth rate over the indicated period.

Carrier pre-select, enables a landline customer to preselect another operator as an alternative to the incumbent without dialing an identifying code – or just calls of a particular type, for example, all international calls.

CDMA/450 MHz or *Code Division Multiple Access on 450 MHz frequency band* refers to the use of CDMA technology (as used for UMTS) on the 450 MHz frequency band (as opposed to the 2.1 GHz band for UMTS). Fewer base stations are required to gain geographical coverage with this frequency. However, the capacity of this frequency is low compared with the UMTS band. The 450 MHz frequency band has not been in use since the closure of the first generation analog mobile network.

Churn rate refers to customer turnover, e.g. wireless subscribers are said to churn when they cancel their mobile service with their current wireless provider (and either move to a different provider or simply choose not to have a wireless service). TDC calculates churn by dividing the gross decrease in the number of customers for a period by the average number of customers for such period. The average number of customers for a period is calculated by adding the number of customers at the beginning of such period to the number of customers at the end of such period and dividing by two. In general, we calculate churn using external gross decrease. However, internal migration between TDC Mobile A/S and Telmore is included in churn figures. Internal migration is therefore recorded as higher churn. Different telecommunications companies calculate churn in different manners.

Circuit-side traffic or *Circuit switching* refers to a dedicated circuit (or channel) between nodes and terminals that enable users to communicate. Each circuit that is dedicated cannot be used by other callers until the circuit is released and a new connection is set up.

Dial-up refers to a data connection using a traditional landline connection.

DoCSIS or *Data over Cable Service Interface Specification* refers to communications and operation support interface requirements for a data-over-cable system. It permits the addition of high-speed data transfer to an existing cable-TV (CATV) system. Two DoCSISs have been adopted as international standards: DoCSIS 1.1 and DoCSIS 2.0.

Dolby Digital or *AC-3*, refers to the common version containing up to six discrete channels of sound, with five channels for normal-range speakers (20 Hz – 20,000 Hz) (right front, center, left front, right rear and left rear) and one channel (20 Hz – 120 Hz) for the low frequency effect. The Dolby Digital format supports mono and stereo as well.

DSL or *Digital Subscriber Line* refers to a technology enabling a local-loop copper pair to transport high-speed data between the central office and the customers' premises.

DSLAM or *Digital Subscriber Line Access Multiplexer* refers to a network device, usually at a telecommunications company's central office or one of its nodes, that receives signals from multiple customer DSL connections and puts the signals on a high-speed backbone line using multiplexing techniques.

DTH refers to the Direct-To-Home Satellite Television distribution platform.

DTT refers to Digital Terrestrial Television, which is a digital signal broadcast to standard aerials that are being utilized to replace the current analog signal.

DVB-H or *Digital Video Broadcasting – Handheld* refers to a standard specifically for broadcasting TV-like content and data to handheld devices, such as mobile phones. DVB-H is based closely on DCB-T, which is the standard for broadcast digital TV in most of Europe.

DWDM or *Dense Wavelength Division Multiplexing* refers to an optical technology used to increase bandwidth over existing fiber optic backbones.

EDGE or *Enhanced Data rates for GSM Evolution* refers to the GSM network coding that enables data to be sent and received seven times faster than over GSM, which allows interactive transmitting of pictures, wireless pictures and video postcards via e-mail and other airborne multimedia.

Ethernet refers to a type of networking technology for LANs.

FTTH or *Fiber To The Home* refers to the fiber-optic technology linking residential customers directly to the fiber network.

FTTN or *Fiber To The Neighborhood or Node* refers to the fiber-optic technology linking the fiber network to nodes that serve several hundred homes through copper wires.

Gbps refers to gigabits per second.

GSM or *Global System for Mobile Communications* refers to a comprehensive digital network for the operation of all aspects of a cellular telephone system.

HDTV refers to High Definition TV.

HSDPA or *High Speed Downlink Packet Access* refers to an enhancement to UMTS 3G technology that is expected to increase the available download speeds by 5 times or more, potentially reaching up to 14 Mbps.

IN or *Intelligent Network* refers to a service-independent telecommunications network.

Incumbent refers to the telephone carrier company that once had a monopoly on the market, and now has a dominating position in a free market.

Interconnection refers to the process of connecting a telephone call to another operator's network. This connection is accompanied by an interconnect rate which must be paid to the operator for the use of that operator's network.

IP or *Internet Protocol* refers to a standard procedure whereby internet-user data is divided into packets to be sent onto the correct network pathway. In addition, IP gives each packet an assigned number so that the message completion can be verified. Before packets are delivered to their destination, the protocol carries unifying procedures so that they are delivered in their original form.

IP-VPN or *IP-based Virtual Private Networks* refers to a network that enables organizations to use a shared network to connect remote sites or users together. Instead of using only dedicated connections (such as a leased line), a VPN uses virtual connections routed across a shared network to remote sites or employees.

ISDN or *Integrated Services Digital Network* refers to a way to move more data over existing regular phone lines. It can provide speeds of about two 64 kbps-channels, therefore providing integrated digital transmission of data and voice at a higher speed and broader band over regular phone lines. An ISDN modem is necessary to connect to the network.

ISP or *Internet Service Provider* refers to a company that provides access to the internet.

Kbps refers to kilobits per second.

LAN or *Local Area Network* refers to a short-distance data communications network (typically within a company) used to link computers, which allows data and printer sharing.

LRAIC or *Long Run Average Incremental Cost Model* refers to a system where SMP (Significant Market Power) operators' interconnect prices must be based on what the cost would be to produce these interconnect products (switched interconnect, ULL and co-location) in a modern telecommunications network, which does not bear the burden of historically related investments and the lack of up-to-date technology. Danish LRAIC prices are calculated in a model maintained and updated by NITA.

MAN or *Metropolitan Area Network* refers to a city-wide data communications network.

Mbps refers to megabits per second.

MMS or *Multimedia Messaging Service* refers to a store and forward messaging service that allows mobile subscribers to exchange multimedia messages with other mobile subscribers. It can be seen as an evolution of SMS, with MMS supporting the transmission of additional media types: texts, picture, audio, video and combinations of such.

MoU or Minutes of Usage refers to minutes used per subscriber.

MPLS or *Multiprotocol Label Switching* refers to a versatile solution for addressing the problems faced by present-day networks such as speed, scalability, quality of service management and traffic engineering. MPLS has emerged as a solution to meet the bandwidth management and service requirements for next generation IP-based backbone networks.

MVNO or *Mobile Virtual Network Operators* refers to a mobile operator that does not own its own spectrum and usually does not have its own network infrastructure. MVNOs have business arrangements with traditional mobile operators to buy MoU for sale to their own customers.

NGN or *Next Generation Network* is an evolution of the existing telephony networks to a single converged network. The old circuit-switched model is replaced by a packet-oriented multiservice (voice, video, data) network that supports Quality of Service.

NITA refers to the Danish National IT and Telecom Agency.

Off-net refers to a telephone call which is carried in part on a network but is destined for a phone not on the network (i.e. some part of the conversation's journey will be over the public switched network or over someone else's network).

On-net refers to a telephone call originated, transmitted and terminated on the same operator's network.

PABX or *Private Automatic Branch Exchange* which is an automatic telephone switching system within a private enterprise. Originally, such systems – called private branch exchanges (PBX) – required the use of a live operator. As today almost all private branch exchanges are automatic, the abbreviation PBX has been extended to PABX.

Packet-side traffic or *Packet switching* refers to the communications paradigm in which packets (units of information) are routed between nodes over data links shared with other traffic. This contrasts with the other principal paradigm, circuit switching, which sets up a dedicated connection between the two nodes for their exclusive use for the duration of the communication. Packet switching is used to optimize the use of the bandwidth available in a network.

Penetration refers to the measurement, usually as a percentage, of the take-up of services. As of any date, the penetration is calculated by dividing the number of subscribers by the population of households to which the service is available.

POP or *Point of Presence* refers to a local access point to a communications network, e.g. the internet.

Prepaid refers to when the customer pays for a specified amount of credit for services upfront. The credit then diminishes as the customer uses the service.

PSTN or *Public Switched Telephone Network* refers to the telecommunications network based on copper wires carrying analog voice data —traditional landline telephony.

Quality of Service refers to a collective measure of the level of service delivered to the customer, and reflects the network's transmission quality and service availability.

SDH or *Synchronous Digital Hierarchy* refers to a standard technology for synchronous data transmission on optical media and provides faster and less expensive network interconnection than traditional PDH (Plesiochronous Digital Hierarchy) equipment. In digital telephone transmission, synchronous means the bits from one call are carried within one transmission frame. Plesiochronous means almost synchronous or a call that must be extracted from more than one transmission frame.

SHDSL or *Symmetric High-speed Digital Subscriber Line* refers to DSL technology with symmetric data transmission.

SIM or *Subscriber Identify Module* refers to a small, stamp-size smart card used in a mobile phone.

SIP or *Session Initiated Protocol* refers to a signaling protocol for internet telephony that can establish sessions for features such as audio/videoconferencing, interactive gaming, and call forwarding to be deployed over IP networks, thus enabling service providers to integrate basic IP telephony services with internet, e-mail and chat services. In addition to user authentication, redirect and registration services, SIP servers support traditional telephony features such as personal mobility, time-of-day routing and call forwarding based on the geographical location of the person being called.

SMS or *Short Message Service* refers to short text messages that can be sent or received on mobile phones.

SoHo or *Small Office/Home Office* refers to the category of businesses with 1 to 10 employees.

Triple play refers to offering subscriber telephony, internet and TV services through one access channel only.

TVoIP refers to television programming provided over the internet.

ULL refers to the existing access network that is historically the property of the incumbent. It is not economically possible for a new operator to duplicate the entirety and especially the final connection between the local exchanges and the subscriber. To enhance competition, the regulator has decided that the incumbent operator must connect alternative operators' networks directly to the local loop.

UMTS or *Universal Mobile Telecommunications Systems* refers to a 3G network designed to provide a wide range of voice, high-speed (up to 2 Mbps) data and multimedia services.

VDSL2 or *Very-High-Bit-Rate Digital Subscriber Line 2* refers to an enhancement to VDSL standard that permits the transmission of asymmetric and symmetric data rates up to 200 Mbps on copper pairs over short distances (for subscribers close to the access module on the central or in a remote access node). VDSL permits up to 52 Mbps.

VoD or *Video on Demand* refers to transmission delivery of video via broadband at the time requested by the customer.

VoIP or *Voice over Internet Protocol* refers to a telephone call over the internet.

VPN or *Virtual Private Network* refers to a large network that operates in the same way as a LAN allowing geographically spread offices or computers to communicate with the same protection, speed and accessibility as with a local area network.

WiMAX or *World interoperability for Microwave Access* refers to wireless broadband service with a range of one to five kilometers.

WLAN or *Wireless Local Area Networks* refers to a type of local-area network that uses high-frequency radio waves rather than wires to communicate between nodes.

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